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Q&A: Sunday Defense Watchers 'Outgun' Think Tanks

By Alexey Eremenko

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Pukhov says his own think tank is a step ahead of its more verbose peers.

After the neglect and decay of the turbulent 1990s, Russia's defense industry has become a hive of activity.

Ruslan Pukhov

Work Experience

1997 — Present: the Center for Analysis of Strategies and Technologies, director
2007 — Present: the Defense Ministry's Public Council, member

1991 — 1997: the Moscow State Institute
of International Relations, M.A.
in International Relations

The country exported almost $17 billion worth of military equipment from 2012 to 2013, according to the Stockholm International Peace Research Institute, or SIPRI, and a whopping $650 billion is currently earmarked for a domestic rearmament program through 2020. Defense industry officials are also racing to replace equipment imports with domestic production, in an effort to help Russia cope with U.S. and EU sanctions and the recent cutoff of military ties with Ukraine.

The chances are that any company gunning for a piece of that market will at some point come into contact with the Moscow-based Center for Analysis of Strategies and Technologies, or CAST, a for-profit think tank.

CAST is best known for its bimonthly magazines Eksport Vooruzheniy (Arms Exports), which is published in Russian, the English-language Moscow Defense Brief, and Periscope, a Russian-language media digest. But CAST also does market analysis and "miscellaneous defense crap that brings in money," according to its founder, Ruslan Pukhov.

CAST has been around for 17 years — an impressive stint for any Russian company, let alone in the defense industry, which is dominated by the state and plagued by occasional bouts of spy mania.

It does not exist in isolation — Russia has plenty of military analysts and people studying its arms industry — but CAST stands out among its competitors like a pirate at a forex trader convention.

This is partly due to its founder's personality: In a field dominated by heavy-jowled, ponderous men and soft-spoken military nerds, Pukhov is known for his rapier wit and, unofficially, the ability to deliver analysis using expletives.

An ironic message is displayed on CAST's website: "We don't sell weapons :) (although we have been asked to, on occasion)." You would hardly expect to see this on the website of the Institute of Global Security Problems in Moscow or even SIPRI.

But more importantly, CAST is a rare example of a privately owned — and thriving — company in a field populated by state institutes and think tanks affiliated with various governmental agencies and state-run corporations.

The Moscow Times sat down with Pukhov to find out how to make money researching the Russian arms market, how to dodge conflicts of interest and spy allegations, and why so-called Sunday defense analysts are more useful than having access to classified information.

Q: How did you end up in arms-market analysis?

A: My friend and business partner Konstantin Makienko and I graduated in 1996 from the Moscow State Institute of International Relations, or MGIMO, with a clear understanding that we wanted to work in international affairs. But we did not want to become diplomats or sell

electric kettles for the distribution arm of some big company. So we decided to become analysts, which at that time meant joining up with the near-defunct think tanks at the Russian Academy of Sciences. We wanted none of that, so we founded our own company.

Convicted Spy

Igor Sutyagin:
A former arms control and nuclear weapons specialist with the Russian Academy of Sciences' Institute for U.S. and Canadian Studies, Sutyagin was jailed for treason in 2004, having been found guilty of leaking data on Russian submarine technology to a CIA-linked firm. In 2010, he was part of a spy swap with the U.S. that brought Anna Chapman and nine other Russian sleeper agents back home and saw him depart for the U.S.
— MT

It was a long shot, but two things helped us: First, we were too naive to realize what we were taking on, and second, we were young and single, so we could afford to work almost for free. Well, being graduates from the MGIMO certainly helped, too — it is, after all, the prime "talent foundry" for producing diplomats and security service officers.

We were not defense experts, but I did my master's thesis on Russian arms imports, and the field was wide open as independent analysis on this subject was virtually unheard of at the time. And so, when Russian arms imports became a hot topic after several years of being almost completely ignored, we had something.

So we set up a magazine [Arms Exports] and started selling it. The first issue had two subscribers, both of whom were military attaches, one from South Korea and the other from the Czech Republic. We were scrawny greenhorns who did not even dare to promote it in person at first, so we just advertised by mail, but we gradually started frequenting military fairs and appearing in the media. At some point, our reputation began to work for us.

Q: What do you sell?

A: The mainstay of our business is the Arms Exports magazine, which is now in its 113th issue. Since 2002, we have also published the Periscope daily media digest. Anyone can carry out something like that in the Internet age, but what is interesting is not just the facts, but the information about the information — who says what and why? So we have our content produced and filtered by people in the know. We also keep it brief. Churchill once said: "This report, by its very length, defends itself against the risk of being read." We want none of that.

Then there is our ad hoc market analysis. People just come to us and say, "Analyze stuff for us." There are a lot of things we do in this field: due diligence, business intelligence, market research, feasibility studies, you name it.

And then there is the miscellaneous defense crap that pays the bills, as we like to call it, only using stronger words. This cannot be put in a nutshell very easily. For example, we organized the 2011 offshoot of the [Kremlin-sponsored] Valdai Discussion Club that focused on military affairs. We also do what they call "lobbyism" in Russia, which is really just a networking medium for various players in the industry who might be interested in each other's services but don't know it yet. We are basically experts on human relations in our field, you could say.


Vladimir Filonov / MT

A Buk missile launcher, like the one allegedly used to down a Malaysian airliner, shown at an airshow last year.

Q: How many people do you employ and what is your budget?

A: We have about 10 in-house researchers who make up our "inner circle." Then there is the "second circle," another 10 or so experts who write for us either regularly or intensively, and the outer circle, whose lineup is no less precious to us, but who only contribute occasionally. There is one Brazilian journalist, a friend of mine, a real top gun with insider information who only wrote three articles for us, but all three were top-notch.

About a third of our income comes from our publications, another third from market research and the rest from the miscellaneous crap. Most of our clients are Russian. Our annual budget is about 1 million euros ($1.34 million), and we spend about 50 percent of that on salaries, our biggest outlay. Real talent is not cheap.

Q: Where do you get your information from?

A: Open source; the world is awash with information, you just need to sort through it and filter out the false and the obsolete. For example, 11 months after Russia's war with Georgia in August 2008, we had already written a book about it, called "The Tanks of August." But when we showed it to two separate reviewers, both said it looked like some of the information had come from a leak of a classified document from Russia's General Staff, and they advised us to delay the publication, which we did. Yet the entire work was open-source, confirmed by our contacts and experts.

You know the concept of "Sunday historians" — people who study history as a hobby in their free time? Well, we use occasionally the term "Sunday defense analysts." One of the contributors to "The Tanks of August," for example, was a municipal official from the regions who studied the Russian army's actions in Georgia through social networking posts and YouTube videos. When you have a lot of free time to focus on a single topic that you love, you can crank out phenomenal results that no academic think tank can hope to match. And though we pay these people, they really do it for the fame or, rather, the exposure.

Q: How do you ward off espionage accusations?

A: We use a three-layered defense. First off, you want more politics and economics in your publications, and less technical specifics — of which [the jailed researcher Igor] Sutyagin was very fond. [See box on Sutyagin for details.]

Second, you need to be loyal to the government. In this business, if you are not a loyalist, you're out. But this does not mean you have to chum up with the officials — again, like Sutyagin was always trying to do. Just play it straight.

And the third layer relates to what one Brazilian populist politician once said: "Poor people's main problem is that they lack rich friends." This does not just apply to Brazil. In our business as well, you also need influential friends. You don't need them to lobby for you, but just for clout, so that if someone reports you as a spy, the investigators will mull it over and think — "These guys show up on top television channels and fly with the defense minister" — and just drop it. Basically, you need a reputation. It is your shield.

Still, we have turned down contracts from Western companies in the past. It is better to skip out on some easy bucks than to end up behind bars over a misunderstanding.

Q: Do any conflicts of interest arise in your work?

A: Sometimes. We feature in the media regularly, and our public comments can impact our clients, especially publicly traded ones. So what we do is embargo our statements on matters concerning our current clients — and, when necessary, concerning our former clients as well. If we are working together, our silence is part of the arrangement.

Q: Who are your main competitors?

A: I don't think we have a direct competitor in Russia. Arms industry magazines are either stuck in the past, like the Defense Ministry's Foreign Military Review, or stick to the "pay us and we'll write for you" business model. As for academic think tanks, they are abundant, but

their quality is questionable to say the least, in particular the Russian Academy of Sciences' research institutes. I think that if you closed down its Institute for U.S. and Canadian Studies tomorrow, no one would even notice. My money's on talented "Sunday defense analysts" any day. I suspect things are not that great even at the analytical departments of Russian intelligence agencies, which are by and large unable to attract the best staff due to the lack of a general party line in the government for them to follow, the need to give up certain civil rights [personnel at most security agencies in Russia are banned from traveling abroad], and because intelligence is generally less important now than it was in the 19th and 20th centuries. But that is all guesswork.

We are not like most Western think tanks I know of either, because most of them are state-sponsored. They are like lions in a zoo — they never had to be mean and lean to survive. Release them, and they get hunted down or run over.

In general, there is a demand for high-quality defense analysis in Russia, but the supply is lacking, and the clients just accept it because what else can they do?

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