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Finance Minister Says Russia's Grand Rearmament Plans are Unaffordable

By Matthew Bodner

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Russia's Finance Minister Anton Siluanov speaks during the Reuters Russia Investment Summit in Moscow.

Russian Finance Minister Anton Siluanov says that Russia will not be able to afford its current level of military spending in the long term, as an economic slowdown amid declining oil prices and Western sanctions forces Moscow to drastically alter the expected funding environment.

Russia is currently pursuing a 20 trillion ruble ($500 billion) rearmament program through 2020, and announced last month that another defense program with comparable spending is in the works for 2016-25.

The 2016-25 rearmament plans, however, may not enjoy the same lavish level of funding as the ongoing program. "We want to reconsider the amount of resources devoted in the course of this new program, so that they are more realistic," Siluanov was quoted by RIA Novosti as

saying Tuesday.

Siluanov explained that the current proposals for the program were formulated when Russia's economic outlook was brighter.

Russia's economy has suffered from various punitive measures enacted by Western governments over Moscow's annexation of Crimea in March and its alleged role in Ukraine's crisis. U.S. and EU sanctions, besides targeting specific Russian companies and individuals, have also made many foreign bankers skittish over investing in any companies based in Russia.

Meanwhile, the declining value of the ruble, rising inflation, and falling oil prices have forced the Economic Development Ministry to halve their growth forecast for next year to 1 percent.

"Right now we simply cannot afford to carry out [the 2016-25 armament plan] and will work out a means to determine what can be funded by the budget with the defense minister," Siluanov said at a Federation Council hearing.

Various statements from defense officials in recent months have painted an increasingly ambitious picture for the Russian government's military modernization goals. Most recently, Deputy Prime Minister Dmitry Rogozin said that Russia's nuclear forces — the backbone of Russian military power — would be completely outfitted with new missile systems by 2020.

Despite the strain on the federal budget, some analysts have said that high spending on defense helps boost the economy. A report released by Moscow's Higher School of Economics in late September showed that military and related defense expenditures, such as "the production of ships, airplanes, spacecraft and other means of transportation," was one of the primary driving forces of a surge in industrial production.

However, the report cautioned that these developments mask stagnation across most other areas of manufacturing.

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