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Russia's Massive Rearmament Program Spared From 10 Percent Defense Cut

By Matthew Bodner

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Russia will cut defense spending 10 percent this year but will not touch its massive rearmament program, which eats up more than 60 percent of the defense budget, Deputy Defense Minister Tatyana Shevtsova told news agency Interfax on Wednesday.

"We believe that the budget planned for implementing the state rearmament program is an investment in the defense industry. It guarantees orders for business, new jobs and stable revenues [for the industry]," Shevtsova was quoted by Interfax as saying.

It was not immediately clear from Shevtsova's statements whether the 10 percent reduction would be based on the size of the military budget as a whole or just on the 40 percent not devoted to new procurements.

The decision to spare the rearmament program from a budget cut represents a huge victory for the defense establishment, according to Ruslan Pukhov, director of the Moscow-based Center for Analysis of Strategies and Technologies, a defense industry think tank.

"Historically, whenever there is a financial crisis and the government has to reduce spending, military procurement is the first to go," Pukhov said. Many economists have already called for Russia to slow the pace of its rearmament campaign, which dictates 20 trillion rubles ($300 billion) in spending over 10 years.

The defense industry's victory may be short-lived, Pukhov added: "If there is another readjustment in spending, it is very likely that procurement will take a hit."

The defense spending cuts come as part of the government's anti-crisis measures, published on Wednesday, which aim to bring federal spending goals in line with economic realities — namely, falling oil prices, the collapsing ruble and pressure from Western sanctions.

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Russia's 2015 defense budget was originally slated to come in at 3.3 trillion rubles ($49 billion), a 812 billion ruble ($12 billion) increase over 2014 and Russia's largest annual defense budget on record.

Even if the cuts apply to the entire military budget, a 10 percent reduction — bringing this year's military budget to around 3 trillion rubles ($45 billion) — would not reverse the upward trend in Russia's defense spending.

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