

Russia to Pay in Advance for Military Import Substitution Drive

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The Russian government is seeking to pay up front for 80 percent of the costs of a drive to replace Western military hardware with domestic analogues as Moscow struggles with bans on military exports amid the Ukraine crisis.

The advance funds will be specifically used to reduce dependency on military components and hardware from "countries that are members of NATO and the European Union," according to an order published on the government's website Wednesday.

President Vladimir Putin's rearmament campaign, an ambitious 20 trillion ruble (\$350 billion) program to replace 70 percent of Russia's military equipment by 2020, has run into hurdles amid tensions between Moscow and the West over the Ukraine crisis.

U.S. sanctions and an EU arms embargo placed on Russia last summer prevent defense firms from purchasing advanced components such as military-grade electronics from the West, forcing Russia to dump time and money into developing analogous products. Russia has also suffered under Ukraine's own military export ban, which has pushed back the modernization of Russia's surface fleet by several years.

The Finance Ministry and Industry and Trade Ministry will now work on a draft law to be submitted by the end of July on the advance payment.

The order, signed by Prime Minister Dmitry Medvedev, did not say how much the drive was expected to cost, or over what period of time it is expected to be completed.

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