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ANALYSIS

Prospects for Russia's Defence Spending

By Julian Cooper, University of Birmingham and SIPRI

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Abstract

During the last decade Russia has undertaken a significant reform of its armed forces and implemented a substantial renewal of their stock of armaments. Not surprisingly, this has had a major impact on the country's expenditure on defence in terms of the volume of funding and its share of both the federal budget and gross domestic product (GDP). Here these issues are explored and an assessment made of future prospects for Russia's military spending.

Defence Spending in the Russian Federal Budget

In Russia all consideration of defence spending in official circles is confined to the budget chapter 'national defence', the sub-chapters of which cover all the direct military expenditure of the armed forces of the Ministry of Defence (MOD) (personnel, operations and maintenance, investment, the procurement of weapons and military research and development (R&D), plus some other military-related outlays, in particular the recruitment and some pre-service training of conscripts, spending on the procurement of nuclear devices, arms sales and the provision of military services undertaken within the framework of formal state agreements, and the funding of mobilisation preparation of the economy. A significant proportion of the spending covered by this budget chapter is strictly classified, namely procurement and R&D undertaken within the framework of the annual state defence order (SDO), which sets out the requirements of the MOD to be met by the defence industry and the ministry's own facilities, all spending on nuclear devices, and investment and other spending under the special state programme for the development of the defence industry.[1]

In order to arrive at total military expenditure according to the standard definition employed by NATO and the Stockholm International Peace Research Institute (SIPRI), some additional spending in other chapters of the Russian budget must be included, in particular the MOD's housing, education, health provision, culture, sport, mass media and pensions. There is also spending on the paramilitary forces of the Russian National Guard and the Border Service of the Federal Security Service, plus some additional ear-marked funding for facilities involved in the development and production of nuclear munitions. Two types of spending under 'national defence' need to be excluded, namely mobilisation preparation of the economy and the disposal or recycling of weapons withdrawn from use.

Defence Spending in Recent Years

The trend of defence spending in recent years is shown in Figure 1 and Table 1 on p. 4.

From 2010 to 2015 defence spending grew rapidly in nominal terms and as a share of GDP, total spending reaching almost five per cent by the end of the period. These were years when the rate of inflation was in decline and using the GDP deflator shows that defence spending was also growing significantly in real terms. After 2015 spending stabilised in nominal terms and began to decline as a share of GDP and also by volume in real terms. By 2018 the GDP share was back to the initial level of 2010. Russia now has a three-year federal budget updated each year. Preparation has now started on drafting the budget for 2020–22. The budget for the current year is subject to amendment in the course of its implementation, sometimes more than once: the budget for 2019 will soon undergo its first revision but this is unlikely to involve any appreciable increase in defence spending. The indications are that the general trend of defence spending will be maintained, as in the current budget to 2021, shown in Figure 1 and Table 1 on p. 4. If this trajectory is implemented even in 2021 Russia will be devoting a relatively large share of GDP to defence: 3.6 per cent compared to the USA's 3.2 per cent in 2018. However, US spending is now being increased to a quite significant extent and the trend is towards a convergence of GDP shares.

Making Good Many Years of Neglect

The rapid growth of defence spending during the years 2010 to 2015 was to some extent a product of increased pay for military personnel and investment in improved housing and social facilities, but the principal factor was a substantial boost to spending on the technical re-equipment and modernisation of the armed forces within the framework of the ambitious State Armament Programme (SAP) to 2020 adopted at the end of 2010. As shown in Figure 2 and Table 2 on p. 5, budget fund-

1 For details of the defence budget see Julian Cooper, 'The Russian budgetary process and defence: finding the "golden mean"', *Post-Communist Economies*, Vol. 29, No. 4, December 2017, pp. 476–490.

ing, supplemented by state guaranteed credits to the defence industry, underwent extremely rapid growth and by 2015 accounted for more than half of total budget funding under the chapter 'national defence'. Unfortunately, given the classified nature of spending on the SDO, the volume of budget spending has to be estimated from the documentation made available by the Ministry of Finance, the Treasury and the Accounting Chamber. However, the volume of credits granted is reported openly.

The rate of growth of funding of the SDO began to decline after 2016 but it is now more difficult to establish the trend because the MOD is withholding some funding until all the year's contractual obligations have been met. This means that some payments for new weapons are being disbursed in the early months of the following year after delayed deliveries have been made. This accounts for the apparent sharp decline in 2018 and the same may happen later this year.

It is important to understand why the Russian leadership decided to undertake this substantial modernisation of the equipment of the MOD armed forces. Throughout the 1990s and for much of the 2000s the state of the economy was such that there was little possibility of any meaningful spending on arms procurement, apart from some funding to maintain the strategic nuclear forces in a reasonably modern state. When the economy began to revive strongly in the 2000s, there was still no agreement on how the armed forces were to be reformed and at that time there were many other pressing priorities for budget spending. It was only after the short war with Georgia in autumn 2008 that the country's leadership realised that reform and serious modernisation of the armed forces had become an urgent necessity.

Rapid Re-equipping of the Russian Armed Forces

From 2011 to 2017 Russia re-equipped the armed forces with modern weaponry within the framework of SAP-2020.[2] The programme was over-ambitious in its expectation that completely new systems could be developed and put into production quickly, but it did prove possible to significantly increase the acquisition of modernised armaments, giving rise to a significant enhancement of Russia's military capability, both nuclear and conventional, within a relatively short period of time. Table 3 on p. 6 summarises some dimensions of the achievement to the end of 2018 when compared with the original 2020 targets.

The main performance indicator of the SAP is the share of modern systems in the stock of armaments and other military equipment held by active service units. In 2012 the share was a claimed 16 per cent, but by 2015 it had risen to 47 per cent, and by the beginning of 2019 61.5 per cent, with a claimed 82 per cent for the strategic missile forces, 74 per cent for the aerospace forces, 62 per cent for the navy and 48 percent for the ground forces.[3] The original goal for 2020 was 70 per cent and, as stated by President Putin on several occasions in recent years, with the share of modern weapons approaching this target the rate of growth of procurement is moderating, transition being made to a more normal rate of annual renewal of equipment, the costly task of once and for all rapid modernisation having been achieved. To take up the slack in the defence industry, companies will be expected to increase their production of hi-tech civilian goods for both domestic and export markets.

SAP-2020 was to have been followed from the beginning of 2016 by SAP-2025. In the event the uncertain economic and international situations led to a delay in the adoption of a new programme and its successor, SAP-2027, started in 2018. Total funding for the MOD forces is almost the same in nominal terms as for SAP-2020, namely 19,000 billion roubles, but in real terms substantially less.[4] It is clear now that when it was approved by Putin many details had not been finalised. Only now are some detailed targets being revealed for the number of new systems to be procured by 2027, e.g. the delivery of 76 fifth-generation Su-57 fighters, starting in late 2019, 114 Ka-52M and 100 Mi-28NM combat helicopters, both modernised with account of combat use in Syria.

At the same time, the advanced new systems first revealed by Putin in January last year will begin to enter service, including the 'Sarmat' heavy ICBM, the 'Avangard' hypersonic boost-glide system, the 'Kinzhal' air-launched 'hypersonic' missile and the 'Peresvet' laser air defence system.[5] However, most of the R&D necessary for these weapons has probably been completed and they are unlikely to be acquired in large quantities so will not involve sizeable additional expenditure.

2 On SAP-2020, its priorities, and early implementation see Julian Cooper (2016), 'Russia's state armament programme to 2020: a quantitative assessment of implementation 2011–2015', *FOI Report*, FOI-R-4239-SE, March, https://www.foi.se/rapportsammanfattning?reportNo=FOI-R--4239--SE.

3 'Armiya Rossii kardinal'no obnovlena', *Krasnaya zvezda*, 13 March 2019.

4 See Julian Cooper (2018), 'The Russian State Armament Programme, 2018–2027', *Russian Studies*, NATO Defence College, 01.18, May, http://www.ndc.nato.int/research/research.php?icode=0

5 Julian Cooper, 'Russia's Invincible Weapons: Today, Tomorrow, Sometime, Never?', *CCW Research Paper*, May 2018 and 'Russia's "Invincible" Weapons: An Update', *CCW Research Paper*, March 2019, both available http://www.ccw.ox.ac.uk/russia-nordic-baltic-defence-security

Conclusion

There is no doubt that the Russian armed forces are now much better equipped and more capable than they were a few years ago, reinforced by combat experience in Syria. It is likely that the country's leadership considers the allocation of substantial resources to the military in recent years was money well spent, creating conditions for a more moderate growth of spending from now on, bringing resource provision as a share of GDP more into line with US practice. This will ease the realisation of the top priority task now facing the country, boosting the performance of the economy and securing better living standards.

About the Author

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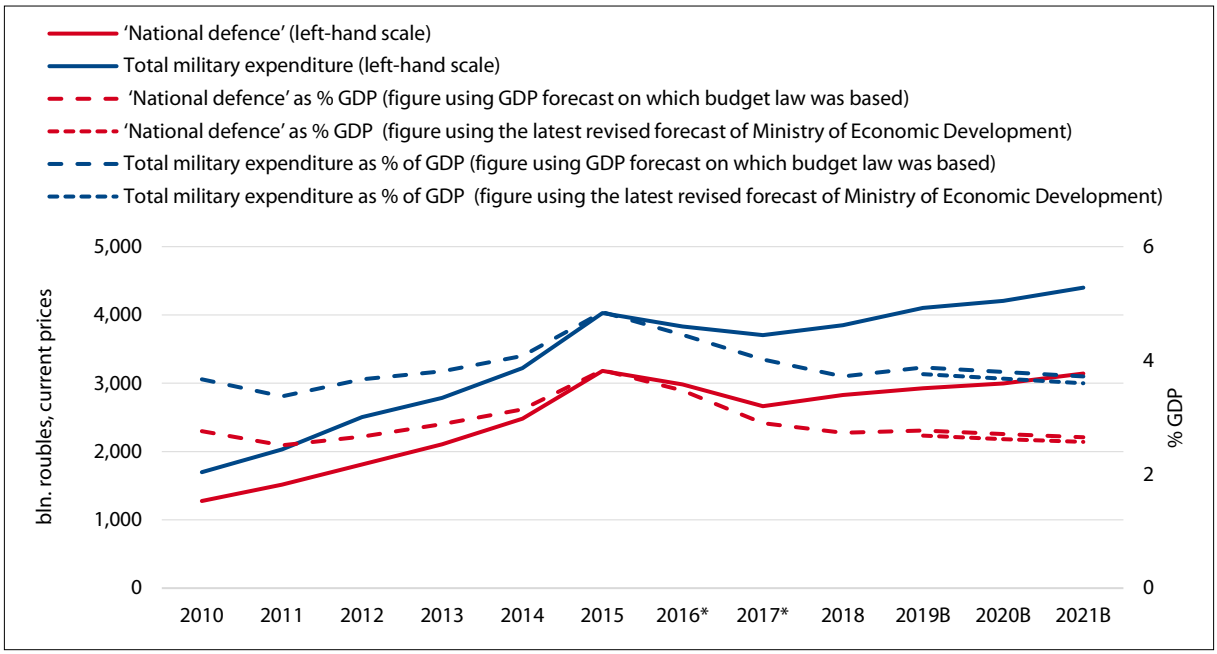
Figure 1: Russian Defence Spending, 2010–18 and in Budget for 2019–2021



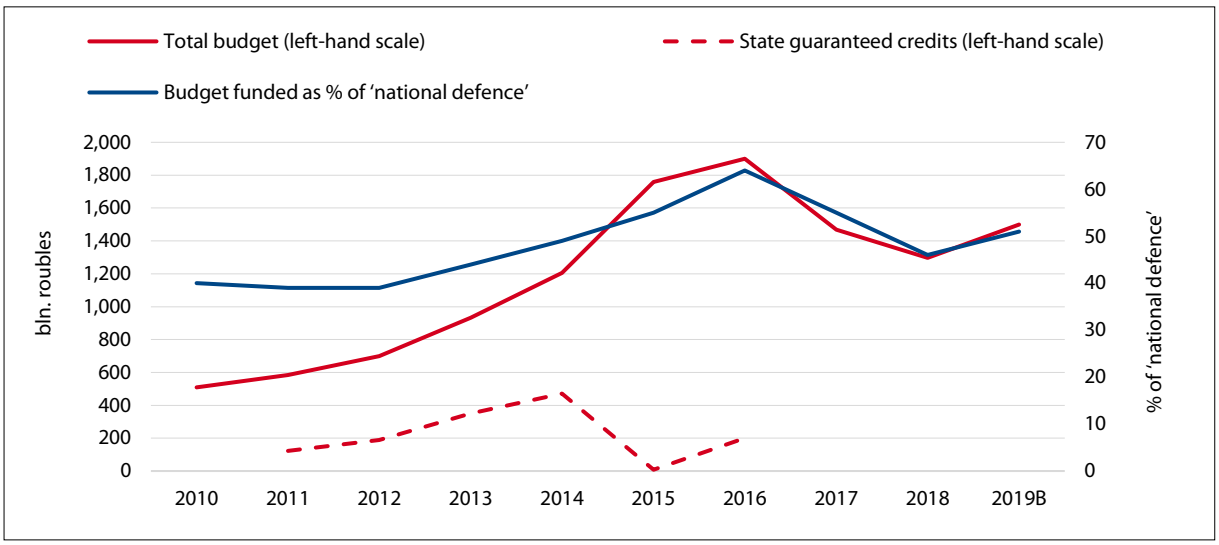
** Figures for 'National defence': excluding one-off settlement of past debts to defence industry.*
Source: Compiled from data of annual laws on budget implementation, the law on the budget for 2019–2021, and Rosstat's latest GDP statistics.

Table 1: Russian Defence Spending, 2010–18 and in Budget for 2019–2021 (billion roubles, current prices)

Year	'National defence'	'National defence' as % GDP	Total military expenditure	Total military expenditure as % GDP
2021B	3,143	2.65/2.57[a]	4,400	3.72/3.60[a]
2020B	2,999	2.71/2.62[a]	4,206	3.80/3.68[a]
2019B	2,926	2.77/2.68[a]	4,105	3.88/3.76[a]
2018	2,826	2.73	3,850	3.72
2017	2,666[b]	2.90	3,704	4.02
2016	2,983[b]	3.47	3,831	4.45
2015	3,181	3.83	4,026	4.85
2014	2,479	3.14	3,224	4.08
2013	2,104	2.88	2,787	3.81
2012	1,812	2.66	2,505	3.67
2011	1,516	2.51	2,029	3.37
2010	1,276	2.76	1,698	3.67

a. First figure using GDP forecast on which budget law was based; second using the latest revised forecast of Ministry of Economic Development.
b. Excluding one-off settlement of past debts to defence industry.
Source: Compiled from data of annual laws on budget implementation, the law on the budget for 2019–2021, and Rosstat's latest GDP statistics.

Figure 2: Approximate Actual Spending on the Annual SDO Within the Framework of SAP-2020 from the Federal Budget and State Guaranteed Credits



Source: 2010–2018, Vasilii Zatsepin, 'Voennaya ekonomika i voennaya reforma v Rossii' in Rossiiskaya ekonomika v 2018 godu, tendentsii i perspektivy, *Institut ekonomicheskoi politike im. E. T. Gaidara, Moscow, 2019, pp. 606 and 616; 2019, Aleskei Nikol'skii, 'Novye rakety prikazano sdelat' za dva goda',* Vedomosti, *5 February 2019.*

Table 2: Approximate Actual Spending on the Annual SDO Within the Framework of SAP-2020 from the Federal Budget and State Guaranteed Credits (billion roubles)

Year	Total budget/state guaranteed credits	Budget funded as % of 'national defence'
2019B	1,500	51
2018	1,297	46
2017	1,469	55
2016	1,900/201	64
2015	1,759/8	55
2014	1,205/471	49
2013	933/350	44
2012	700/188	39
2011	584/123	39
2010	509	40

Source: 2010–2018, Vasilii Zatsepin, 'Voennaya ekonomika i voennaya reforma v Rossii' in Rossiiskaya ekonomika v 2018 godu, tendentsii i perspektivy, *Institut ekonomicheskoi politike im. E. T. Gaidara, Moscow, 2019, pp. 606 and 616; 2019, Aleskei Nikol'skii, 'Novye rakety prikazano sdelat' za dva goda',* Vedomosti, *5 February 2019.*

Table 3: Arms Procurement, 2011 to 2018, and SAP goal to 2020 (number)

	Total 2011–18	Total to 2020, SAP	Per cent 2020 goal
ICBMs	105	} 400+	} <60
SLBMs	c. 130		
Military satellites	74	100+	<75
Fixed-wing aircraft	c. 525	c. 850	c. 62
Including combat	368		
Helicopters	c. 705	1,150	c. 61
Including combat	c. 203	c. 330	c. 62
UAVs	c. 2,350	4,000+	c. 59
S-400 air defence systems (divisions)	42	56	75
Strategic nuclear submarines	4	8	50
Multi-role nuclear submarines	1	7	14
Diesel-electric submarines	5	6–10	c. 50
Large surface combat ships[a]	19	50	38
'Bal'/'Bastion' coastal defence systems[b]	17	c. 20	c. 85
Main battle tanks (new)	[c]	2,300+	
'Iskander' missile systems[d]	10	10	100

a. Mainly frigates, corvettes and small missile ships.
b. Division sets
c. Very few new tanks have been procured, a few new 'Armata' and some modernised T-90s and T-72s. Now newly built T-90M, T-80BVM and T-72B3s are being supplied, to a total of c. 200 a year.
d. Brigade sets
Source: Compiled from numerous Russian press, journal and Internet sources, therefore approximate. Russia does not publish official data on arms procurement.

ANALYSIS

Russia Builds Up and Cuts Down Its Naval Power

By Pavel K. Baev, Peace Research Institute Oslo (PRIO)

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Abstract

Russian leadership cherishes ambition for the status of "great naval power", but the 2027 State Armament Program envisages big cuts in funding for shipbuilding. Top priority is assigned to completing the series of eight *Borei*-class strategic submarines and a new plan for developing a nuclear-propelled underwater vehicle. Submarines of different types will constitute the main strength of the Russian Navy, but many capabilities (amphibious operations, anti-submarine warfare) are set to deteriorate. Constant strategic demands for countering perceived threats in four isolated naval theatres (Arctic, Baltic, Black Sea, Pacific) necessitate high risk-taking and increase the possibility of accidents.

The Blue-Water Dream

Geography has determined Russia to be a continental power, but the strategic ambition of its rulers has consistently sought to overcome this predicament ever since Peter the Great employed his nascent Navy to achieve victory against mighty Sweden. The closest Russia ever came to becoming a naval power was at the start of the twentieth century—only to be devastatingly defeated by rising Japan at Tsushima, one of the greatest naval battles in history. The Soviet Union worked hard on build-

ing an ocean-going Navy, which had some 300 major surface combatants and 350 submarines (including 85 strategic subs armed with ballistic missiles) at the start of the 1980s. That armada shrunk to a tenth of its former size during the 1990s, but the dream of "owning" the adjacent seas persisted. President Vladimir Putin has invented the tradition of naval parades and will proudly preside over the third in St. Petersburg in late July.

Such parades are always picture-perfect, but the Russian leadership has discovered real value in showing the traditional St. Andrew flag on various occasions, from anti-piracy patrolling in the Indian ocean to joint naval exercises with China in the contested South China Sea. The protracted intervention in Syria has involved many demanding naval tasks, from long-distance missile strikes to delivering massive volumes of supplies. The awkwardly entitled document "Foundations of the State Policy of the Russian Federation in the Field of Naval Activities for the Period until 2030", approved by Putin on 20 July 2017, reiterates the determination to uphold the status as a "great naval power" despite the escalating threats and sets the rather odd guideline to "secure the position of the second most combat capable Navy in the world." Achieving parity with the US Navy is clearly out of the question, but the ambition for the second-best position has already encountered a predictably disconcerting meeting with reality.

The 2027 State Armament Program (SAP), approved belatedly in early 2018, takes a more realistic view on the availability of resources for building up the military than its predecessor SAP-2020, approved in 2011, and the most painful cuts in funding have targeted the Navy. The fierce struggle for shrinking money flows is set to continue among feuding lobbies, but shipbuilding appears to be a designated loser. Some revisions in the SAP-2027 have already been executed, primarily because Putin has placed a new emphasis on developing and deploying several fanciful new weapon systems, only one of which—the nuclear-propelled underwater vehicle *Poseidon*—belongs to the Navy. The reinforced priority of modernizing Russia's nuclear arsenal means that the only component of naval power that can expect sustained funding is the squadron of strategic submarines.

On the Nuclear Track

The need to replace the ageing *Delta-III* (built in the late 1970s) and *Delta-IV* (built in the late 1980s) strategic submarines (SSBN) was recognized as urgent and massive during Putin's second presidential term, so in the SAP-2020, the project for developing and starting the series of *Borei*-class (Project 955) submarines was the single most expensive item. The first keel was laid in 1996, two more—in 2004 and 2006, and these three submarines (*Yury Dolgoruky*, *Aleksandr Nevsky*, and *Vladimir Monomakh*) were commissioned in 2013–2014. Five more keels were laid in 2012–2016, and the delays could make the Navy wait for the final delivery until 2023. Further plans envisage two more *Boreis* to be built by the end of the next decade, when the last *Delta*-IV is due to be retired. The main problem with this long-term project was not about the hulls, but the *Bulava* (SS-N-32) ballistic missile, which has a checkered track record of tests and was finally accepted for service only in June 2018, after a four-missile salvo launch from the *Yury Dolgoruky*—the first *Borei*-class submarine.

This costly upgrade of the naval leg of the Russian strategic triad presents no problem for global strategic stability and does not constitute an acceleration of an arms race. The nuclear-propelled *Poseidon* is, however, a different story. This unmanned underwater vehicle is supposed to have a range of 10,000 km and carry a 10-megaton warhead, which makes it a strategic weapon system of a new class. The data on this underwater "drone" is fragmented and confusing, so that even the feasibility of its nuclear engine is doubtful, while the speed, range, and navigation system are subject to wild speculations. One piece of information that is relatively solid is that the designated carrier of this vehicle is the *Belgorod* nuclear submarine, started back in 1992 together with its sister-ship *Kursk* (lost in a tragic accident in August 2000), reconfigured in 2012 as a "special purpose" submarine, and finally launched in April 2019, with the commissioning expected in 2020. If successful, this enterprise will open a new high-risk dimension in the nuclear arms race.

The Disappearing Dreadnoughts

Large squadrons of big ships are a key feature in Russian strategic wishful thinking—as well as parades and shows of flag. For many years ahead, this longing is set to remain unfulfilled as the number of operational major surface combatants will go down. The intention to build a full-deck nuclear aircraft carrier is postponed indefinitely, and *Admiral Kuznetsov*, the only carrier in the Russian Navy, is undergoing long repairs after its inglorious combat deployment in the Eastern Mediterranean in late 2016. The promise to build a series of amphibious assault ships, issued after France had cancelled the delivery of two *Mistral*-class ships in autumn 2014, has been quietly withdrawn. Nuclear cruiser *Petr Veliky* is overdue for an overhaul, but the modernization of its sister-ship *Admiral Nakhimov* proceeds with delays, while two other ships of this class are laid up to be scrapped. The flagship of the Black Sea Fleet, cruiser *Moskva,* is undergoing repairs, and its sister-ship *Varyag*, the flagship of the Pacific Fleet, is waiting its turn. The

schedules for these repairs are in disarray because the largest dry dock PD-50 sunk in November 2018 after the clumsy exit of the *Admiral Kuznetsov*, and there is no replacement.

Cruisers may be good primarily for showing the flag, but what the Russian Navy really needs, and is going to see a critical shortage of, is the capability for executing amphibious operations. The Syrian intervention has created a high demand for delivering large volumes of supplies, and the seven ageing landing ships (two oldest *Alligator*-class built in the mid-1960s, and the youngest *Ropucha*-class commissioned in 1990) of the Black Sea fleet have been involved in a non-stop shuttle operation that is testing their performance to the extreme. Two equally old landing ships (*Ropucha*-class built in the mid-1970s) of the Northern fleet performed a remarkable feat of arms in the *Vostok*-2018 exercises, transporting a company of marines all the way from Severomorsk to Chukotka, but the retirement of these "work-horses" cannot be postponed beyond the middle of the coming decade. Only one *Ivan Gren*-class landing ship was commissioned in 2018 after 14 years in construction, and its sister-ship is due to join it in late 2019, while two keels were laid in April 2019. No strategic rationale for this neglect of a crucially important component of the Navy can possibly be found, but the significant decline of amphibious capabilities is nevertheless pre-determined.

The postponement of the plan for building a series of *Lider*-class destroyers for the indefinite future means that the largest new ships in the Russian Navy are the *Gorshkov*-class frigates, the first of which was commissioned in 2018, the second is due to join it in 2019, and the third—in 2022, while two more keels were laid in April 2019. In a joint task force, for instance around a *Mistral*-class ship, these frigates could have been useful units, but a single ship can perform only limited tasks, primarily missile strikes on shore. Several modifications of the *Steregushchy*-class and *Karakurt*-class corvettes are in production, and the main strength of this "mosquito-fleet" is the capacity to launch long-range *Kalibr* (SS-N-27) cruise missiles. Diesel submarines of the *Varshavyanka*-class are also armed with this missile; six of these relatively cheap vessels were added in 2015–2017 to the Black Sea fleet and six more are on order for the Pacific fleet. In the situation of shrinking squadrons, this capacity for delivering missile strikes on shore from long distance (perhaps even without leaving the harbor) is recognized by the Russian top brass as the main function of the Navy, which was properly tested in Syria.

Into the Sea of Troubles

Despite all the problems in shipbuilding, maintenance and funding, the Russian Navy will in the years to come challenge NATO's control over crucial sea lines of communication in three hard-to-counter ways. The first is the build-up of underwater capabilities, particularly as the *Yasen*-class nuclear submarines will be entering service despite the delays caused by the undisclosed problems with the *Severodvinsk*, started in 1993 and commissioned in late 2013. The *Kazan* is due to join the Northern Fleet in 2019, and five more submarines are under construction. The next generation *Husky*-class nuclear submarine will hardly become operational before the end of the next decade, but the combination of multi-purpose nuclear and diesel submarines, including the new *Lada*-class, will constitute a serious threat to Western naval activities in the Northern Atlantic and other theatres.

The second challenge is the emerging hyper-sonic weapon systems, which Russia may start deploying in the middle of the coming decade. Political bragging and propaganda exaggerations aside, it is still possible that Russia has achieved a useful lead in the development of hyper-sonic technologies, and the introduction of the *Zircon* (SS-N-33) anti-ship missile, successfully tested from ground-based launchers in 2017–2018, may produce a significant impact on the tactics of naval warfare. The vulnerability of major surface combatants to these missiles may increase to the level, where deployment of these high-value naval assets in such contested waters as the Black Sea or the Baltic Sea would be deemed too risky by the US and NATO command.

The third challenge is Russia's emerging capacity for integrating air defense and anti-ship assets and establishing extensive maritime "area denial" zones around Crimea, the Kaliningrad exclave and the Kola peninsula. Effective integration of such assets as the S-400 surface-to-air missiles and the *Bastion-P* coastal defense missile system requires greater interoperability and better long-range targeting than Russian forces can presently master, so the envisaged "bubbles" will remain vulnerable to puncture in the near term. Accumulating problems in the Russian space program could result in breakdowns in satellite intelligence and communication networks, which are crucial for the performance of modern weapon systems.

Conclusion

The fast build-up of some combat capabilities in the Russian Navy goes in parallel with deterioration of other capabilities, so its posture is becoming significantly unbalanced and inadequate for the broad range of tasks it is expected to perform. The high intensity of exercises and protracted deployments to remote areas result in technical over-exploitation of many ships, which increases the probability of catastrophic acci-

dents. Strategic demands for the over-stretched fleets to demonstrate readiness to counter the perceived threats from the US and NATO in four isolated theatres (the Arctic, the Baltic, the Pacific, and the Black Sea) keep growing, producing the need to, and the habit for, taking greater risks than the adversary. One drastic high-risk step could be the resumption of combat ships training with non-strategic nuclear weapons, which have been withdrawn and centrally stored since the early 1990s.

About the Author
Dr. Pavel K. Baev is a Research Professor at the Peace Research Institute Oslo (PRIO). Support for his research on the Russian strategic culture from the US Russia Strategic Initiative (RSI) is appreciated.

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ANALYSIS

Russia's Recent Arctic Activities: Military Threat or Development Strategy?

By Stacy Closson, Woodrow Wilson Center

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Abstract
Russia's vast Arctic zone covers one-fifth of the Arctic Circle and is home to two-thirds of the world's Arctic population. The seaways traversing Russia's Arctic provide critical access to the Atlantic and Pacific oceans for lands that are rich in oil, gas and minerals. Over the past decade, Russia has enhanced its presence in the north with military bases, equipment, and manpower. Western observers often claim that these moves reflect a strategy to shore up Russia's great power status and sovereign control over hydrocarbons and transportation corridors. However, the securitization of the Arctic may also reflect an internal struggle for control over the resources and infrastructure. One purpose of Russia's military in the Arctic may be to enhance socioeconomic development and sustain a population necessary to operate in the Arctic for decades to come.

Internal versus External Requirements for Military Buildup
The resettlement of Russia's former Soviet military bases in its High North over the past decade has led Western governments, analysts, and media to sound the alarm. Russia's revival of Arctic bases, the deployment of more soldiers, purchase of new weapons, and increase in training across its High North are assessed as evidence of Russia's military mindset. Russian authorities justify these developments as necessary to protect their national interests. Indeed, as warming temperatures melt the ice in the Arctic region, Russia's economic future rests on tapping into one-quarter of the world's undiscovered oil and gas and controlling new East–West shipping lanes with potential trade measured in the trillions of dollars.

However, there is also a domestic aspect to the growing military presence. The securitization of the Arctic has created competition among agencies for control over resources and infrastructure. Regional governments have also viewed the military as a way to recover from economic stress following the end of the Cold War. Municipalities must provide services to the population and federal allocations of funds are generally not enough to meet demand. In Russia, as in other countries, military installations come with federal dollars that can provide benefits to the neighboring communities, both directly through community services and infrastructure, and indirectly via business development and employment opportunities.

This external versus internal view of the military presence in Russia's Arctic region produces different frameworks of analysis. The new activity generates questions as to the purpose, extent, and relevance of Russia's activities in its High North. Russian discourse does not always match its actions, which, in turn, do not always match foreign perceptions. What may be perceived as a larger military presence, may also be a domestic works project aimed at economic development, at least for now. The more we know about the government expenditures and the impact on the communities that support Russia's military in the High North, the more we may understand Russia's purpose there.

Military-Focused Resource Development

In Realist theory terms, Russia's military buildup in the Arctic is a push to strengthen Russia's position to shore up offenses against a perceived adversary and as part of a defensive positioning to secure sovereign boundaries and seaways for enhanced natural resource extraction and trade. In response, Arctic states, including NATO members Canada, Norway, and the United States, are shoring up their military assets in the Arctic, seemingly giving credence to the realist paradigm of a security dilemma.

For Russia, the focus is on protecting its northern borders and maintaining sovereignty over resources. The 2013 Russian Arctic strategy names NATO as the primary national security threat and declares countering that threat as a top priority. Russia's Military Doctrine of 2014 and the subsequent Maritime Doctrine names the Arctic a strategic priority and the military as the protector of natural resources. Russia's latest military strategy envisions a global competition to secure and develop Arctic resources.

Russia's military is concentrated on the Kola Peninsula on Europe's border. Developments in the past decade include the establishment of military towns on the Franz Josef Land archipelago and the Novosibirsk Islands. Going forward, there are plans for five more such towns, 10 airfields, and shipping more than 100 tons of military equipment to more than 150 remote garrisons. Additionally, there are plans for three land-based brigades in Murmansk, one each on the Norwegian and Finnish borders, with airborne units attached to them.

As during the Soviet era, arms buildup, exercises, and command and control of Russia's strategic nuclear triad is at the heart of protecting Russia from a Western threat. The Northern Fleet, Russia's largest, is based in the Arctic with critical access to the Atlantic Ocean, and the fleet's tactical nuclear weapons and strategic submarine capabilities bolster deterrence against the West.

There is a commercial aspect as well. Estimates vary, but Russia's Arctic is predicted to generate about 20 percent of its GDP and 22 percent of its exports in the future. As western Siberian hydrocarbons wane, Russia hopes to tap into the estimated 13 percent of the world's oil and 30 percent of the world's natural gas. In addition, the Russian Academy of Sciences estimates that the Russian Arctic contains the majority of Russian and global reserves for a number of minerals, including gold, chromium, magnesium, platinum, and diamonds. Rare earth minerals are mined in the Arctic, as well as nickel, cobalt, and cooper.

The key to reaching commercial viability of the natural resources is the Northern Sea Route (NSR). At the 2019 International Arctic Forum in St. Petersburg, President Vladimir Putin dismissed Western concerns about air patrols in the Baltic Sea and Arctic zones claiming that they are focused on making the NSR safe and commercially feasible. All Arctic states except Russia define the NSR as international waters according to the United Nations Convention on the Law of the Sea. Russia insists that the NSR is within its domestic waters and therefore only it can secure the sea route and give permission for passage. Surveillance, control and law enforcement in this vast and often uninhabited region, with scarce infrastructure and extreme climatic conditions, is a significant challenge. These operations require other security services to act, including the Russian Ministry for Emergency Situations, the Federal-Security-Services-controlled Border Troops, and particularly a civil coast guard.

The securitization of the NSR could also be aimed at deterring China. There is concern that China, while critical to current investments in energy projects in Russia's Arctic, as well as a consumer of Russian resources shipped through the Northern Sea Route East to Asia, could increase its influence over Russia's Arctic. Russia and China are discussing making the NSR part of China's Arctic Silk Road, one transport corridor among many in China's Road and Belt Initiative. Already the

route is seeing more traffic. In 2018 there were 27 traverses of the NSR, divided up into one-third intra-Russia, one-third Europe to Asia, and one-third the opposite direction.

State-Driven Social Development

A frequently overlooked aspect of Russia's military buildup is the social welfare component. Russia has the largest Arctic population and some of the poorest urban areas, mostly on seaways and rivers. Decades of Soviet-era industrial growth have marred the landscape and polluted the environment. Climate scientists suggest that changes are occurring faster in the polar regions of the planet and the instability of the permafrost is already testing the structural integrity of buildings and infrastructure in the Arctic. The flooding of cities likely will end in less accessible transportation routes, economic loss and human suffering.

Russia must implement a significant social welfare program to keep the North populated. The program serves as a social contract with the people as a type of benefit-sharing scheme. For years, as Russia has increased its military budget, social spending has declined. Russia's leaders wish to show that the Soviet practice of favoring guns over butter is not being repeated; rather, Russia wants to build sustainable communities in the Arctic, alongside military outposts. Russian authorities do not want to repeat the construction of the military project "Arctic Trefoil" on Alexandra Island that was delayed for years due to wage arrears and labor strikes.

The Russian government also must be sensitive to a public that has increasingly grown frustrated over the military expenditures in eastern Ukraine, Syria, and Venezuela. The perception that the homeland is suffering at the expense of military expeditions is lessening public confidence. It is estimated that Crimea receives the most money per person compared to every other region in Russia, including Moscow, and this is before accounting for funds from state-owned enterprises and federal funds that go through other nearby Russian regions primarily for energy and transportation services, not to mention the secretive military expenditures.

At the most recent meeting of international experts on the Arctic in St. Petersburg, President Putin mentioned a "brain drain" from the Arctic region and the need for infrastructure as two main trends affecting life in the region. Russia's Arctic population is shrinking fast, by around 15 percent since 2000. At a subsequent domestic Arctic forum held in Moscow, President Putin mentioned plans for large-scale programs for economic development of Russia's Arctic, and he urged Arctic residents to come up with their plans for sustainable development.

The government has launched an updated state program "Socioeconomic Development of the Arctic Zone of the Russian Federation," and its implementation deadlines have been extended from 2020 to 2025. The Ministry of Industry and Trade is the new executor of the program and the goals remain focused on raising socioeconomic development levels in the Arctic, ensuring safety, creating favorable conditions for the development of the Northern Sea Route, and science and technology. However, the program has suffered; the Ministry of Economic Development first proposed a budget of 209 billion rubles, but it was later reduced to 12 billion. Moreover, Prime Minister Medvedev in a read-out of the 2019 intra-governmental meeting mentioned that private investment is necessary to subsidize development, as well as tapping into the military budget.

The demand for a longer time horizon, greater funds, and more diversified sources of investment has come from the realization that the development of Russia's Arctic is complex and even controversial, but critical. The original Artic strategy to 2020 recognized some truths about the challenges to development in the Arctic. The extreme natural climate conditions, the low population density, the remoteness from basic industrial centers, the difficulties in transporting fuel, foodstuffs, and essential commodities to the Arctic, and the low sustainability of ecological systems all add up to high costs.

The Russian government has many forces compelling it to spend more on the population in the High North. First is the state of the overall economy. The economy has few options for growth, and real wages have declined while the government increases the retirement age. Discouraging signs are a decline in retail sales, disposable income, and money demand. Real interest rates are going up and the weakened ruble is linked to lower oil prices. There is good and bad news on regional finances. On the one hand, the government's decision to raise corporate tax rates have lifted regional revenue and regional budgets are actually in surplus. However, a majority of the regions are still dependent on federal subsidies.

Russia's northwest Arctic region has also lost several sources of foreign funding. These include individual Nordic country financing (led by Norway), co-Russian financing with the EU and participating countries, and leveraging monies from international financial institutions. These sources dwindled after Russia's 2012 foreign NGO law forbid cooperating with some of these entities. Additionally, following the imposition of 2014 Western sanctions on Russia, funding for a variety of Barents projects from several European development and investment banks have halted or postponed bigger infrastructure projects, and some smaller projects have failed to receive matching funds from the Russian government.

Finally, the Russian government continues to support laws and policies that restrict some private company activity in the Arctic. The government restricts Russian private energy companies such as Lukoil or Novatek from a greater share in energy projects. The Russian government also threatens to limit the use of ships in the NSR to only those registered to Russia to carry oil and gas.

Next Steps

An initial examination of Russian federal subsidies points to an unknown portion of funds budgeted for the military and broader security apparatus going towards regional budgets. It could be that a part of the federal funds designated for military installations subsidize local towns and cities. Regional budgets could be supplemented by military presence directly and indirectly, including jobs and training, but also subsidies towards education, housing, and municipal services, such as water, electricity, and gas. If this is the case, it could become apparent that the military expenditures serve both a strategic purpose, as well as a longer-term plan to redevelop the High North.

The Russian military buildup may be a signal to Russia's elites—from defense and other security ministries to the President—that natural resources are secured and that opportunities for profit, including infrastructure and transportation projects are ripe. There is a Keynesian principle to the Russian strategy of deficit spending in the Arctic, priming the pump as a way to spread money throughout a variety of economic sectors. Government contracts have long offered a means to make money for other sectors. Rosatom is taking on the management of the Northern Sea Route and the viability of shipping for Rosatom and Rosneft requires critical infrastructure—physical and technical, including cyber. The ship building industry also has an interest in the viability of this project, as does port development and the railroad.

The problem with any framework assessing Russia's military in the High North is that there is no agreed upon definition of "buildup." This is due, in part, to an argument among military analysts in the West as to what constitutes military spending in Russia. Difficulties in assessing the true level of spending increase as Russia makes secret more and more programs and the ruble to dollar conversion is less realistic as Russia relies on its own weapons production.

It is clear that more research must be done to assess the level, type, and direction of federal defense funds to the regions in Russia's Arctic. It is also clear that other sectors should be examined within this same framework. It would be useful to understand the extent differing priorities among governmental agencies, regional governments, civil society, and the commercial sectors have played in making the military the one sure investment in the Arctic and the impact this will have on society.

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ANALYSIS

The Impact of Economic Crisis on Counterterrorism Measures in Russia

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Summary

A growing body of the scholarship recognizes the impact of economic crises on radicalization and polarization in democracies. We know considerably less about the relationship between economic shocks and terrorism and counterterrorism in authoritarian states. This article explores the consequences of the 2014 economic crisis on counterterrorism measures in Russia engaging with the puzzle of the rising volume of the reported crimes of "terrorist character" against the backdrop of the overall decline in the levels of terrorist attacks across the Russian Federation. The study contends that an authoritarian regime threatened with an economic downturn is likely to intensify its counterterrorism prosecutions in order to shift public attention to security issues and increase its performance-based legitimacy.

A Puzzling Increase in Terrorist Crime

Following the disintegration of the Soviet Union, Russia experienced a surge of terrorist violence emanating from its tumultuous North Caucasus region, and it was among the top 10 most targeted countries in the decade following the 9/11 attacks in the US. In 2007, the Chechen insurgency evolved into the region-wide Islamist resistance, uniting a number of militant organizations under the umbrella of the Caucasus Emirate (CE). Responding to these terrorist threats, the Russian authorities adopted extensive counterterrorism legislation, stood up institutions responsible for combating terrorism, and streamlined the leadership and conduct of counterterrorist operations. While the Kremlin has traditionally prioritized the short-term tactics of suppression and force over long-term "softer" measures of counterturning violent radicalization, it invested considerable effort and resources into jumpstarting the economies of the North Caucasus and attempted dialogue with various religious and ethnic groups.

The intensification of Russia's counterterrorism measures in the run-up to the 2014 Olympic Games coincided with the exodus of North Caucasus fighters to the war zones in Iraq and Syria, which, some observers believe, was facilitated by the Russian secret service. The defection of most of the CE commanders to ISIS and the creation of a local ISIS affiliate, Vilayat Kavkaz, in 2015 further emasculated the insurgency in Russia's North Caucasus. As a result, Russia experienced a decline in terrorist incidents that occurred during the period of ISIS' emergence. According to the Russian government, however, the number of crimes of "terrorist character" skyrocketed during this time presenting a puzzle examined in this article. What explains the rise in the crimes of "terrorist character" in Russia against the backdrop of the decline in terrorist acts?

Drawing on studies of authoritarian legitimacy and evidence culled from the interviews with security experts in Russia, I argue that the Kremlin has intensified its counterterrorism prosecution of terrorism suspects in response to an economic downturn. When threatened with declining popular support due to economic crisis, authoritarian governments emphasize their counterterrorism agenda.

The remainder of this article proceeds in three sections. In the first, I present descriptive statistics on terrorism trends in Russia. In the second, I elaborate on the causal pathways connecting economic crises to counterterrorism. The last section presents supporting evidence from interviews and secondary sources.

Terrorism Trends in Russia

With its origin in the Chechen insurgency of the 1990s, terrorism in Russia has evolved into a highly fragmented, diffused, and complex network of diverse violent actors. While the CE established links to global jihadist movements and replaced localized claims for national independence with broader Salafi causes, it remained a local project fighting against deficiencies in governance, repression by public authorities, and pervasive poverty and corruption. The emergence of ISIS has added a hint of transnationalism to CE terrorist operations. Still, beneath the new brand of ISIS-inspired terrorism has been a long-running trend of homegrown violence inspired by diverse and varied causes.

Although terrorist violence has spread across Russia, the North Caucasus remains the epicenter of terrorism, whether measured by the number of terrorist incidents or causalities from terrorist attacks (see Figure 1 on p. 16). Furthermore, according to the Global Terrorism Database (GTD), maintained by the National Consortium for the Study of Terrorism and Responses to Terrorism at the University of Maryland, Russia has

seen a decline in terrorist violence from 250 recorded terrorist acts in 2010 to under 50 in 2016 (see Figure 2 on p. 17). These trends are confirmed by the limited official data published by Russia's National Anti-Terrorism Committee (NAK), which reported that the number of terrorist attacks in the country declined from 101 in 2011 to 3 in 2017.

The Russian government classifies terrorist activity into two broad categories. The first, entitled crimes of "terrorist nature", includes criminal activity banned by Articles 205–208, 288, and 360 of the Criminal Code of the Russian Federation. These crimes include the commission of terrorist acts, abetting terrorist activity through involvement, inducement, and recruitment for terrorist activity, and attacks on political figures and individuals protected by international law. Another category of crimes of "terrorist character" is broader and includes organizing or participating in an illegal armed formation, making a public call for a terrorist act, or planning a terrorist attack, among others. According to the data from Russia's Procurator Office, the number of registered crimes of "terrorist character" stabilized in the lower 600s in 2011–2013, but increased to 1,128 in 2014, 1,538 in 2015, and 2,227 in 2016 (see Figure 3 on p. 17). This trend in the rising volume of crimes of "terrorist character," as reported by the Procurator's Office, represents a puzzle against the overall decline in terrorist activity in Russia, as reported by the GTD and NAK, during the same time.

Explaining Terrorism Trends in Russia

I attribute the spike in the crimes of terrorist character in Russia to the impact of economic recession. In 2014, Russia was hit by a triple whammy of falling global crude oil prices, Western sanctions for Moscow's annexation of Crimea from Ukraine, and the Kremlin's counter-sanctions. The deep economic recession has inflicted widespread hardships on the Russian population, which is dealing with rising prices for basic consumer goods and reduced government spending on health care, education, infrastructure, and salaries in the government sector.

The scholarship on terrorism features a long-standing debate about the role of economic factors, such as poverty, low economic development, and economic crises on terrorist violence. While there is empirical evidence supporting the argument that economic hardships arouse the feelings of deprivation and injustice that motivate individuals to violence, many researchers of terrorism contend that economic conditions are neither necessary nor sufficient conditions for terrorist violence. Furthermore, the costs of engaging in terrorist activity may be prohibitive in authoritarian states. Threatened by terrorism, authoritarian regimes can claim unprecedented authority to carry out extensive counterterrorism sweeps in the name of national security. Subsequently, strong authoritarian states have traditionally experienced lower levels of terrorist violence even when experiencing economic downturn.

I argue that there is, yet, another causal pathway of economic crises' influence on the government's counterterrorism responses that can help us understand the rise in the reported crimes of "terrorist character" in Russia. Authoritarian regimes do not rely on repression alone to stay in power. They maintain authority through a combination of the use of force, control and co-optation of civil society institutions, and constraints on political freedoms. Economic conditions also matter in authoritarian states. Individuals in authoritarian settings can extract information about the state of their country's economy from their personal experiences, and they can use this information to punish the country's leaders for poor economic performance. Therefore, authoritarian rule, like the one characterizing Russia, can be viewed as a type of "authoritarian bargain" whereby citizens of non-democratic states relinquish their rights for economic security. The risks associated with economic downturn can threaten the socio-economic foundations of authoritarian government by bringing about political volatility, including terrorism.

Authoritarian regimes, whose performance-based economic legitimacy is threatened, may seek to deflect the blame for an economic downturn by shifting public attention to the government's success in providing security. Security agendas, including the purported threat of terrorism and the government's efforts to root out the terrorist menace, can supplant any other public agenda, including economic and anti-corruption ones. Threatened with declining popular support due to the economic crisis, a semi-authoritarian government can be expected, therefore, to ramp up its counterterrorism agenda.

Exploring Connections between Economic Crises and Counterterrorism

Experts interviewed for this project shared a view that economic hardships were a weak motivating factor for terrorist activity in Russia. Some observers asserted that Russians had become accustomed to austerity measures and economic hardships. Others claimed that deplorable socio-economic conditions exacerbated by the economic crisis have been among the multiple precipitants of terrorism along with corruption, political marginalization, religious seeking, and the lack of opportunity. Several interviewees, however, noted economic hardships as a reason for foreign jihad. The reduced ability of the Caucasus fighters to raise funds from charitable dona-

tions, which declined drastically during the economic recession, and to procure arms and other supplies in support of their operations in Russia provided an additional incentive for departing the North Caucasus for the foreign war theaters in Syria and Iraq.

Multiple interviewees also observed how the fight against terrorism has been used by the Russian government as a distraction from economic hardships. The threat of global terrorism and Russia's counterterrorism efforts became the main theme of the 2015 presidential address to the Federal Assembly. President Putin opened his widely televised speech with a moment of silence in commemoration of all Russian citizens killed by terrorists. He thanked the Russian military fighting terrorism in Syria and assured the Russian citizens that his government has been engaged in "resolute struggle" with the remnants of an "armed underground" in Russia. The presidential discourse has also linked economic challenges to Western interference and impugned the West with support for terrorism.

The President's strong directive to the law enforcement officials have been construed as a mandate to root out the terrorist menace regardless of the costs and means. One of the interviewees noted that Putin wanted complete elimination of jihadists, and this incentivized criminal prosecution of "terrorists." At the level of security agencies, individuals in charge began regarding the presence of any foreign fighter—returned or recently departed—as a personal failure. As a result, the numbers of individuals suspected of joining the militants' formations in Syria and Iraq and placed on the official registries watched by the law enforcement agencies peaked, especially in the North Caucasus. Furthermore, widows, wives, siblings, children, parents, and other relatives of the militants as well as Salafi Muslims were placed on the "watch lists" by local authorities and repeatedly interrogated, fingerprinted, and detained. The door-to-door searches of villages and neighborhoods have also led to the arrests of hundreds of non-violent religious activists as well as the relatives of alleged jihadists who were detained in the wide net of security sweeps. Another expert added that all security agents want promotions. The economic crisis had shrunk the homeland security budget and contributed to cuts among law enforcement personnel. To keep their jobs and climb the career ladder, the agents have resorted to the fabrication of cases of foiled terrorist attacks or disclosed terrorist cells. At the local levels, a threat of terrorist charges has been used as an effective method of police extortion.

There is an alternative explanation to the observed pattern of relationships between economic crisis and terrorism in Russia which has to do with the extensive legislative changes that were adopted in Russia in 2016. In July 2016, President Putin signed a series of legislative provisions, known as the "Yarovaya Package," which expanded criminal liability for the crime of terrorism for children starting from 14 years of age, introduced a new crime of "not reporting on a crime of terrorism", and substantially increased penalties for various crimes of "terrorist character", among others. In this explanation, the increase in crimes of "terrorist character" is endogenous to these changes in counterterrorism legislation.

The "Yarovaya Package" legislation entered into force in late July 2016, more than 1.5 years into Russia's economic crisis. Therefore, it could not influence the terrorist crime statistics for 2014 and 2015. The number of crimes of "terrorist character" went down in 2017 by 16% following the stabilization of Russia's economy and suggesting its independence from the legislative trends.

Conclusion

This study argued that economic crises threaten to undermine the performance-based legitimacy of authoritarian regimes. To avoid a decline in public support due to the sliding economic performance, an authoritarian government will seek to deflect the blame for economic crises by trumpeting its success in the security realm or by shifting public attention to security issues. Subsequently, the authoritarian regime can be expected to intensify its counterterrorism measures and increase prosecutions for the alleged crimes of terrorism.

About the Author

Dr. Mariya Y. Omelicheva is a professor of strategy at National War College, National Defense University, Washington, D.C. Her research and teaching interests include the nexus of crime and terrorism, counterterrorism policy, foreign policy analysis, and authoritarian persistence.

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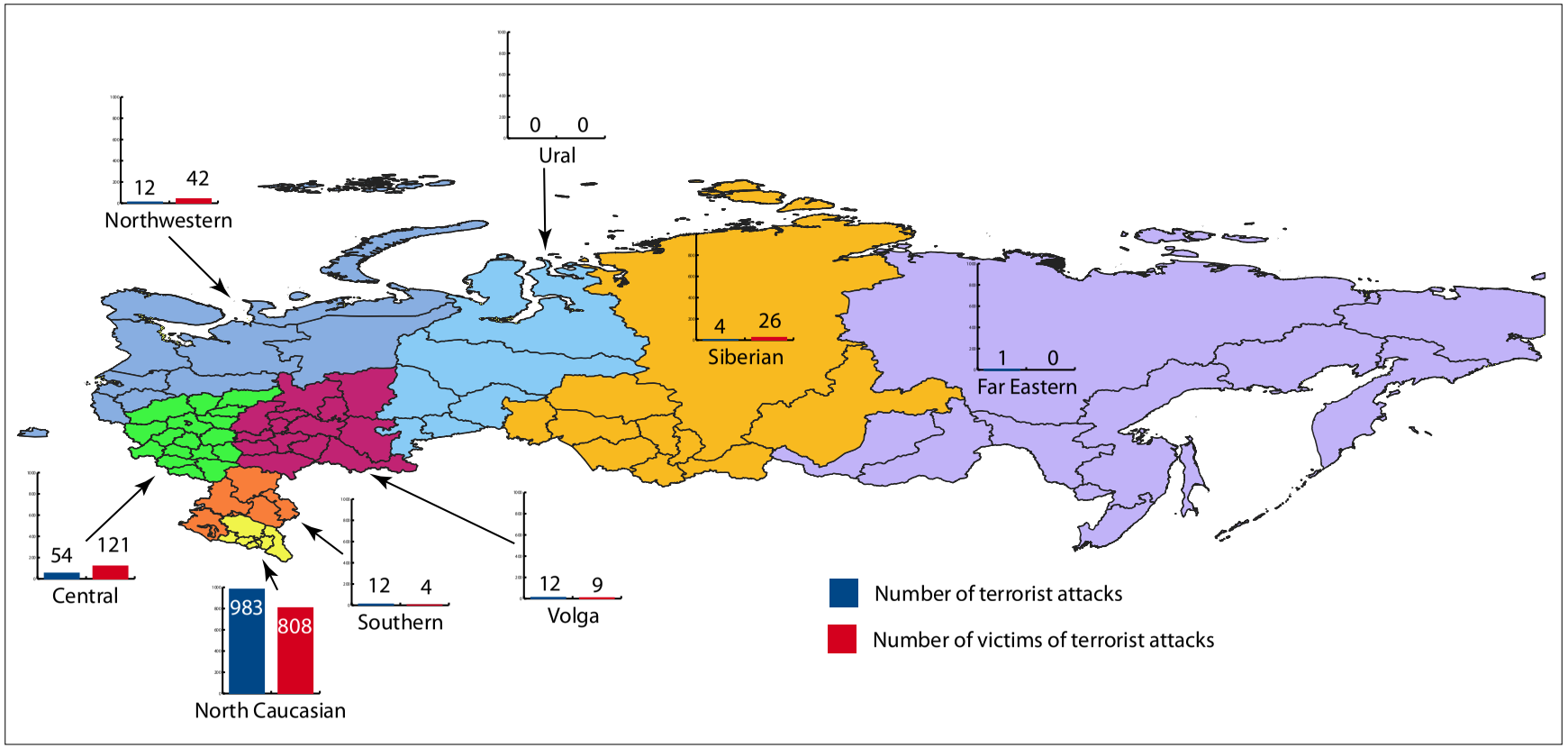
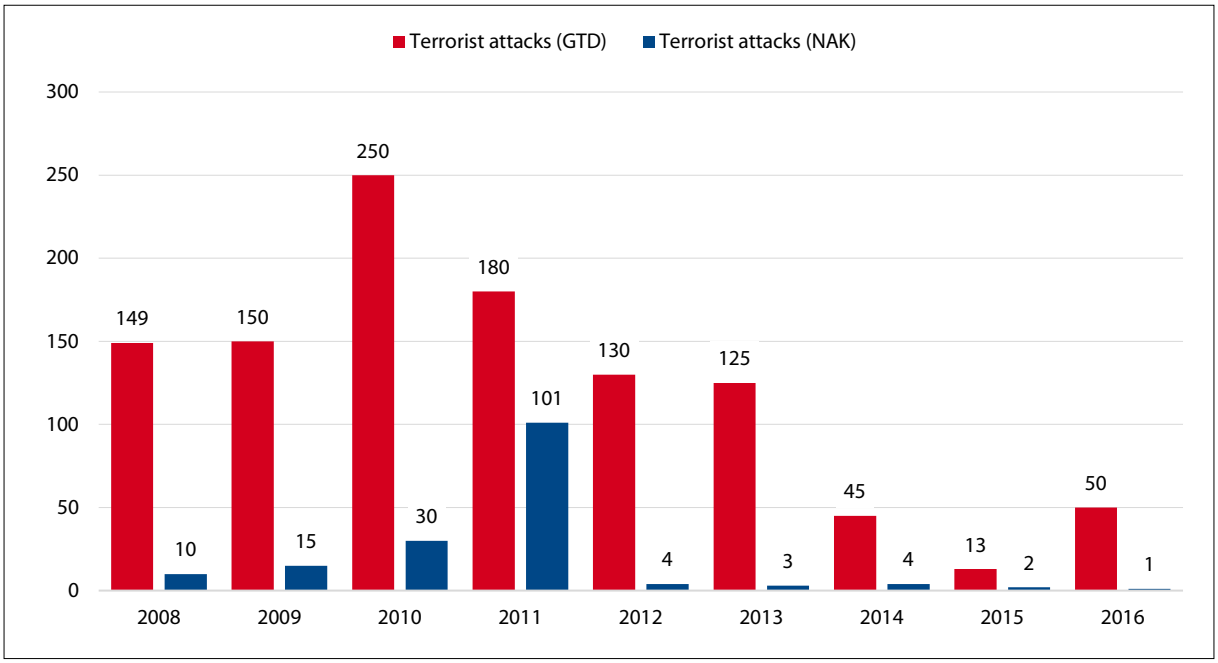
Figure 1: Terrorist Incidents in Russian Federal Districts: 2008–2016



Source: Global Terrorism Database (GTD), author's own calculations

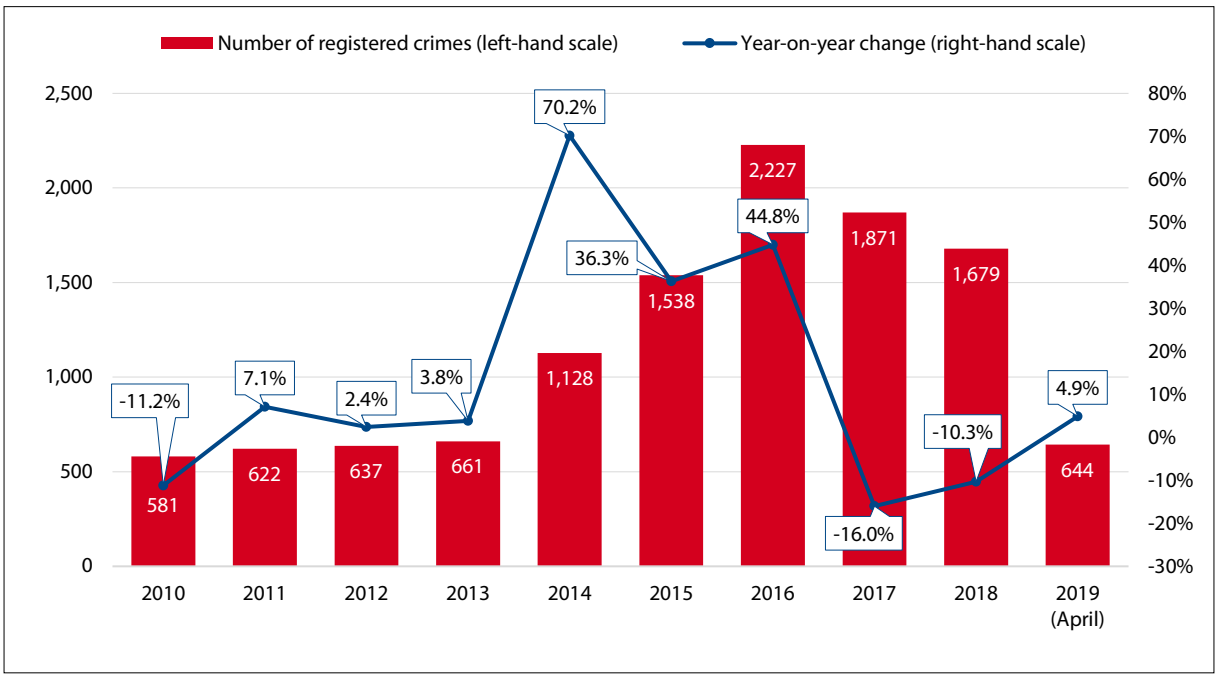
Map created by the Research Centre for East European Studies at the University of Bremen using QGIS and Adobe Illustrator, with geodata from http://www.diva-gis.org/gdata

Figure 2: Terrorist Attacks in Russia: 2008–2016



Source: Global Terrorism Database (GTD), Russia's National Anti-Terrorism Committee (NAK)

Figure 3: Number of Registered Crimes of "Terrorist Character" in Russia: 2010–2018



Source: Procurator's Office of the Russian Federation, http://crimestat.ru/offenses_chart

ABOUT THE RUSSIAN ANALYTICAL DIGEST

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