

APPROPRIATE ADJUSTMENT TO THE MILITARY CONSTRUCTION

V.Tsymbal

The end of H1 2013 has been marked by frustrated military construction designs contrary to expectations of many members of the Russian Government and Presidential Executive Office. It appears that the problem has been caused not only by economic factors which are out of the scope of the Russian military organization. Other causes have come to the forefront – systemic mistakes in the national planning and management of the military construction itself.

On the anniversary of signing the Presidential Decrees dated May 7, 2012, including those which were intended to implement military construction plans and programs in the Russian Federation and plans on modernization of the military-industrial complex (MIC), President Putin requested the Russian Government to report on *how his instructions had been executed*. The President promised strict control and severe individual performance measurement of the execution of his instructions. Not only vague generalities about anticipated success, but also concrete military and economic parameters came in sight of the President. It is to be recalled in particular that at a ceremony of officers promotion and awarding of top military grades President Putin once again said about¹ misperceptions of “optimal structure of military expenditures” which is to be attained in a short-term period: “The maintenance of the Armed Forces must account for 30 percent or less of the expenditures, whereas their equipment and development must account for 70 percent”. President Putin said that this is “a challenging task, but it must be fulfilled”.

It should be noted that Russia’s federal budget has no clear division of expenditures on maintenance, equipment and development of the Armed Forces, though the UN reporting standard for national military expenditures provides for such division. Therefore, reporting annually to the United Nations, Russia meets the standard. Regretfully, no such military expenditures classification is used domestically in the Russian Federation.

The foregoing leads to a concrete proposal whose implementation must precede optimization of military expenditures. The package of federal budget documents should be complemented with *a compulsory annex* which explicitly specifies the paragraphs, subparagraphs, and special expenditure items which are classified as “maintenance”, “equipment and development”. While leaving intact the existing budget expenditure classification which is familiar for financiers, it would allow one to know the ratio between these groups of ex-

penditures, monitor the dynamics in the years to come and the observance of the Presidential instructions. It is highly important that this proposal requires no changes in the budget process legal framework.

At the same time, the Ministry of Defense and the MIC should be request to provide materials which would prove optimality of certain items of the structure and parameters of military expenditures, as well as their comparison with similar characteristics for modern nations, especially G8 and G20 countries.

Such a request is quite reasonable, because preliminary analysis of the range of potential values of the foregoing ratio of military expenditures (on maintenance / development) shows that the recently submitted substantiation with a reference to the experience in other countries was incorrect. Regretfully, disinformation was provided instead of reliable data. It is not so important whether the disinformation was deliberate or not. Y. Baluyevsky, Chief of the General Staff of the Armed Forces of the Russian Federation, was the first to pronounce the disinformation in the fall of 2005, as follows: “The entire world has been developing under the following scheme: around 60 percent is spent on arms purchase, research and development, and around 30–40 percent on monetary allowances and logistics and troops training”². Later, the same was repeated by S. Ivanov when he held the Minister of Defense office. He was followed by other public officials, including President Putin, who expressed their regret about spending most “on consumption” rather than “on development”.

However, the real facts about “the entire world” were as follows. According to the United Nations, in 2004 (i.e. on the eve of Y. Baluyevsky’s report) expenditures on equipment and development of the armed forces accounted for 36.2% of total military expenditures in the United States; 30.4% in Great Britain; 36.2% in France³. In this context, Russia’s expenditures

1 Красная звезда // 29 декабря 2012. (Krasnaya Zvezda // December 29, 2012)

2 Российская газета // 1 ноября 2005. (Rossyiskaya Gazeta // November 1, 2005)

3 United Nations Reports on Military Expenditures in 2004 No. A/59/192; A/60/159.

Table 1

THE SHARE OF U.S. MILITARY BUDGET EXPENDITURES IN THE DEVELOPMENT OF THE ARMED FORCES, %

Budget items \ year	2008	2009	2010	2011	2012	2013
WMSE procurement	24.5	20.3	19.5	19.1	18.5	17.5
R&D	11.8	12.0	11.5	11.1	18.5	17.5
Construction of military facilities	3.3	4.0	3.2	2.3	1.8	1.5
Housing provision	0.4	0.5	0.3	0.2	0.2	0.2
Total, inclusive of 'others'	41.4	36.9	35.2	33.0	31.8	30.7

Source: М. Тканова. Проект военного бюджета США на 2013 финансовый год // Зарубежное военное обозрение, №10, 2012. С.15–20 (M. Tkanova. U.S. Draft Military Budget for 2013 Fiscal Year // Zarubezhnoye Voennoye Obozreniye. No. 10, 2012. pp. 15-20)

on equipment and development, which accounted for 29.7% in 2004, was a bit below the values which are typical of developed nations.

Indeed, there was a need to raise expenditures on equipment and development of the Russian Armed Forces, but they shouldn't have exceeded 60–70%.

Discrepancies concerning a rational ratio of expenditures (on maintenance / development) have become strained. Many nations had to reduce their military output in response to the economic crisis. Instead, Russia is going and, most importantly, intends to go in the opposite direction.

The recently published UN data about military expenditures¹ refer to 2011. According to the data, world's leading powers' spending on the equipment and development of their armed forces accounted for the following percentage of their total military expenditures: 32.4% in the United States; 30.1% in Great Britain; 33.1% in Germany; 21.1% in Canada. The European Union, being considered as totality of all EU member countries, showed 22%². Though China and India failed to provide their correct data to the United Nations, SIPRI³ experts say that these states also spend around one third on the equipment and development of their military establishment.

According to the Russia's report to the United Nations, Rb 411,545 of Rb 1,241,804, i.e. 33.1%, were spent on the equipment and development of the Russia's Armed Forces in 2011, whereas Rb 475,521 of Rb 1,423,342, or 33.4%, were spent on the equipment and development of the entire state military establishment, including so called other forces. Therefore, in 2011 we caught up with the world's leading powers with regard to this indicator. However, some of our top-rank government officials still have paralogical inference of falling behind giving priority to the "development".

It should be noted that statements of our military officials contradict not only the UN data, but also the

publications of their own competent specialists. For instance, a journal of the General Staff of the Armed Forces' Main Intelligence Directorate published the following data collation on the percentage of expenditures on the development of the U.S. Armed Forces by year (Table 1).

In general, analysis of the world's leading powers' expenditures shows that other countries have been made no harsh attempts towards quantitative increase in weaponry, military and special equipment (WMSE). Furthermore, there is a visible trend towards making changes in allocation of military expenditures in other countries, with decreasing expenditures on the development.

The disinformation provided by some of top-rank government officials had such an effect on the substantiation of the State Armament Program (SAP) for a period of 2011–2020, that it resulted in drastic increase in planned expenditures on military R&D and arms procurement. However, the military-industrial complex, as the locomotive of the economy at large, has no effect whatsoever on growth in civil products.

IEP's specialists have made regular attempts to reveal the illusion. They published their articles in IEP's reviews, made reports at different events attended by specialists from the Ministry of Defense of Russia. Since the illusion has acquired the status of Presidential instructions, nobody dares to dispel it. Perhaps, some government officials are afraid to do that, others have other reasons for doing nothing. Many would like to spend Rb 20 trillion in the next decade. It is characteristic that now government officials don't say that they have substantiated a share of 70%, whereas the President has regularly been repeating the requirement to bring the share of expenditures on equipment and development of the armed forces to this value.

What are the consequences in real life? The planning which is built on lies has been revealing its ridiculousness. Finally, according to the information published by RIA NOVOSTI on June 14, Russian military experts began to discuss aspects of deferring the implementation of plans and part of SAP expenditures to a later period. Some explain it through complexity of works on new military equipment models, others believe that the de-

1 United Nations Reports on Military Expenditures in 2011 No. A/67/128; A/67/128Add.1.

2 Maria Leonor Pires. Europe and United States Defence Expenditure in 2010 // European Defence Agency, 2012.

3 SIPRI Yearbook: Armament, Disarmament, and International Security. Translated into Russian/ IMEMO RAS. – M.: – 2012.

cision is expectable, because the military industry is not ready to perform the required works, and it is not for the first time that the SAP is going to fail.

Recently, the Minister of Finance of Russia has allegedly agreed with the Ministry of Defense of Russia on the reduction of SAP expenditures in years to come. According to mass media with reference to the State Duma¹, it would mean that a part of the federal budget expenditures would be “deferred” from 2014–2016 to 2017–2018. Therefore, in years to come, military expenditures might be cut off by Rb 70,3bn in 2014, Rb 87bn in 2015 and Rb 95,5bn in 2016 against the previously expected values. However, the amounts to be reduced are being disputed. It would be pointless to go deep into analysis unless the federal budget is adopted. It should be noted that the program period (until 2020) and total expenditures of around Rb 20 trillion are supposed to remain intact in all of the proposals. In other words, advocates of huge expenditures on the State Armament Program (SAP) keep adhering to their strategy.

What are the potential consequences? Even a simple calculation shows that such an increase (given the deferral) in army equipment expenditures is impossible. Given around Rb 500bn spent on Air Forces and other branches during the initial year of SAP implementation, an average of Rb 2170bn should be annually spent on the SAP in the remaining period. No economy can show such growth rates, at least in times of peace. In other words, the SAP is doomed to fail.

It is the behavior of government administrators that aggrieves rather than expected SAP failure. Indeed, government officials are familiar with knots and bolts of arithmetic. Furthermore, many of them have academic titles in economics. However, they seem to have no guts to say to the President that he has been misinformed about the military-economic policy.

In the meantime, a new failure is impending in military staffing policy. They have failed to draft the required number of army conscripts. The contract enlistment program has been facing many difficulties. A basic monthly service pay of around Rb 20,000 against a countrywide monthly average of around Rb 28,000 is insufficient to find a sufficient number of young, healthy and smart nationals, even in economically depressed regions. Furthermore, having obtained a first-hand experience with service conditions and military pay, many contract enlisted servicemen are reluctant to extend their contracts².

Government administrators-economists keep providing the same explanation, saying that there is no way to increase military pay and improve the service conditions. A different story is their plan to increase (by 2.4 times) civil servant wages by 2018, whose current average monthly wage is Rb 72,100³.

However, a simple administrative solution would seem to be self-evident:

1) increase the service pay for contract enlisted servicemen and keep it above the countrywide monthly average level at the cost of “surplus funds” which are currently provided for the SAP;

2) and further maintain the costs of Armed Forces development at a level which should not be much higher than the level typical of the majority of modern states.

In other words, military expenditures should not be only reduced but also harmonized, or even increased per serviceman to ensure a minimal strength in Russia’s Armed Forces.

The Government keeps silent about a potentially approved administrative solution of the issues relating to military-economic and staffing policy. Instead, the Government has initiated other initiatives: conscribe young females, attract higher school graduates to 1-year military service with an opportunity to obtain a free second university degree afterwards, etc. However, these initiatives lack solid substantiation.

There is another significant factor. Our military expenditures shouldn’t have skyrocketed so ridiculously above a level which is typical of the majority of civilized states. This is how other countries might interpret what President Putin said about expected values this year at Security Council’s meeting on July 5, 2013: “...we have actually reached a 50x50 formula, i.e. budget funds are allocated in equal shares to maintain and equip the Armed Forces and their long-term development”⁴.

Therefore, government administrators are reluctant either to admit inaccuracy of basic assumptions to be able to substantiate all items and types of military expenditures without resorting to disinformation, or make them clear for all nationals. It would have helped attract a baseline minimum of ‘elite’ volunteers against the guarantee of high status and decent military service conditions. ●

1 Сморщков П. Бюджет разоружили на 253 миллиарда // Газета.ру, 2 июля 2013 (Smorschkov P. The budget has been disarmed by 254 billions // Gazeta.ru, July 2, 2013).

2 Ю. Букреев. Система разбалансирована полностью // Военно-промышленный курьер № 26,10–16 июля 2013 (Bukreev Y.

The system is totally misbalanced // *Voenno-promyshlenny kuryer* No.26, June 10–16, 2013).

3 Ф. Стёркин. На себя денег не жалко // *Ведомости*, 10 июля 2013 (Styorkin F. They are ready to spare as much as possible on themselves // *Vedomosti*, July 10, 2013).

4 <http://kremlin.ru/news/18529>.