

3.8. Situation in the Russian Military Complex and Military Reform Trends

At the beginning of 2002, everything proceeded according to the adopted concept (dating back to 1998) of development of the armed forces and no radical change thereof was anticipated. However, speaking of international military security it is appropriate to mention the following: the developments after September 11, 2001 and the US military operation in Afghanistan were viewed by military experts as something new and of considerable military and strategic importance. Yet, many military experts (judging by publications in the mass media) believed that those developments had nothing to do with Russia, and the country's domestic problems dominated the political agenda. Russia carried out restructuring of its military-industrial complex and developed beneficial military and technical cooperation, particularly, with China and India, while Russian generals reported that Chechen fighters would soon be defeated. It was planned to start a military reform in accordance with the principles of the existing Concept of National Security of the Russian Federation and the Military Doctrine and in conditions of a favorable economic development as soon as the victory was won. Approval of the State Arms Program contributed not only to adoption of the government order, but also to beginning of work for fulfillment thereof. In addition to that, Russia entered the year 2002 with the news that the President of the Russian Federation had taken on restructuring of the system of manning of the armed forces of the Russian Federation, while the Government of the Russian Federation had not only held a special meeting on that issue late in 2001, but also took a number of concrete measures to that effect, on which basis a Concept and later a Program of such a reform would shortly be developed.

Reflection of the Military and Economic Concepts in the 2002 Federal Budget

The estimate of the volume of military expenditure and distribution thereof for the Year 2002 was largely determined by the success achieved in administration of the 2001 budget. Military expenditure planned for 2001 was financed practically in full. A great portion of the state's old debts to the armed forces was repaid. However, at the beginning of the year certain promises made by the Government of the Russian Federation (in particular, the promise to raise the sum of money allowances to servicemen) remained unfulfilled.

In analyzing military expenditure provided for in the 2002 budget, the following expenses are distinguished in this study:

- a) direct military expenses which are related to the country's military preparations and mostly correspond to the Standard Form of Reporting adopted by the United Nations;
- b) expenses (sometimes referred to as indirect expenses) which are related to the country's military activities in past periods (payment of pensions, conversion of defense industries, utilization and liquidation of arms and such military reform-related expenses as payment of allowances to retired servicemen and the like).

Table 44 shows data on expenditures planned for 2002 with breakdown by the recipient of budget funds, including, firstly, components of the armed forces of the Russian Federation (the Ministry of Defense and the armed forces under control thereof, as well as the Ministry of Internal Affairs and the Federal Security Service with troops, military formations and authorities under their jurisdiction), secondly, some non-military entities and organizations which are direct recipients of a portion of military allocations of the Russian Federation.

Table 44

Military expenditures of the armed forces of the Russian Federation in 2002 (planned)

№ of item	Type of the expenditure	Amount, mil rubles	Share in the federal budget's expenditures, %	% GDP
	The National Defense Section	284158	14.59	2.6
1	<i>Military expenditure on the armed forces under the 'national defense' section, including:</i>	270697	13.9	2.47
1.1	Development and upkeep of the armed forces of the	263864	13.55	2.41

	Russian Federation			
1.2	Mobilization and non-military training, including the following expenses:	3270	0.17	0.03
	Federal Military Railway Service	2395	0.12	0.02
1.3	Preparation of participation in collective security and peace-keeping operations	2728	0.14	0.02
	Law Enforcement and State Security Section	173863	8.93	1.59
2	<i>Military expenditure on the armed forces under the 'law enforcement operations and state security' section, including:</i>	62972	3.23	0.58
2.1	Internal troops of the Ministry of Internal Affairs of the Russian Federation	13571	0.7	0.12
2.2	State security authorities	31813	1.63	0.29
2.3	Border service authorities	17588	0.9	0.16
3	<i>Other sections of the federal budget, including:</i>	4392	0.23	0.04
3.1	Financing of specialized building authorities	654 662	0.03	0.01
3.2	Financing and equipment of troops of the Ministry of Rescue in Emergencies, Including the following expenditures:	3716	0.19	0.03
3.2.1	Allowances of the personnel of the armed forces	1982	0.1	0.02
3.2.2	Combat training and material and technical maintenance of troops	898	0.05	0.01
3.2.3	Procurement of military equipment, industrial goods and property	740	0.04	0.01
3.2.4	Repair of military equipment, industrial goods and property at industries	71	0	0
3.2.5	Insurance guarantees to servicemen	25	0	0
3.3	Civil defense	22	0	0
4	TOTAL: the aggregate military expenses of the armed forces of the Russian Federation	338061 338069	17.36	3.09

Note: It is believed that the sum specified in Item 2.2. includes expenses on financing of authorities of the Federal Security Service (FSS), Intelligence Service (IS) and certain national security authorities of the Russian Federation..

In calculation of the values of the relative amounts of expenses shown in Tables 44, 45 and 46, the following reference values were used: the volume of the Gross Domestic Product, 10.9 trillion rubles and the total expenditure of the federal budget, 1947 billion rubles. Shown **in bold type** in Tables 44 - 45 are total allocations, including both direct and additional expenditure provided for in Federal Law № 99-FZ of July 24, 2002 on Amendment of the Federal Law on the 2002 Federal Budget.

Table 45

Military Expenditure Not-Related to Financing of the Armed Forces (plan)

№№ of item	Type of the expenditure	Amount mil rubles	Share in the federal budget's expenditure, %	% , GDP
<i>The National Defense Section of the Federal Budget (pls. refer to Table 1)</i>				
1	Military program of the Ministry of the Atomic Energy	13994	0,72	0,13
2	Russian Defense Sports and Technical Organization (RDSTO)	40	0	0
3	Financing of operation of branches of the economy which work for the needs of national defense (the Ministry of Industry, Science and Technology)	303	0,02	0
<i>Other sections and sub-sections of the federal budget</i>				
4	Preparation of the economy for mobilization	500	0,03	0
5	Subsidies and subventions to budgets of ZATO , including:	12 219	0,58	0,1
5.1	Subsidies and subventions to ZATO	10544	0,54	0,1
5.2	Subsidies and subventions for upkeep of infrastructure of the city of Baikanur	675	0,03	0,01
5.3	Subsidies and subventions to ZATO budgets	1000	0,05	0,01
6	TOTAL: aggregate military expenditure not related to financing of the armed forces of the Russian Federation	27056	1,39	0,24

Note: Some of the expenditure specified in the Table can be regarded as military expenses only formally, in particular, expenses on upkeep of the infrastructure of the city of Baikonur, since the primary occupation of the above city's residents consists in servicing of commercial launches of space devices and those for the needs of the national economy.

Table 46

Expenditure Related to Military Activities in Past Periods (plan)				
№№ of item	Type of the expenditure	Amount mil rubles	Share in the federal budget's expenditure, %	%, GDP
1	Pensions to servicemen, including those granted via:	40274 47502	2.07 2.44	0.37 0.43
	- the Ministry of Defense	37291	1.91	0.34
	- the Ministry of Finance	2983	0.15	0.03
2	Pensions to servicemen of law-enforcement institutions, including those granted via:	18562 23493	0.95 1.01	0.17 0.21
2.1	- the Ministry of Internal Affairs	12791 16209	0.66 0.83	0.12 0.15
2.2	- the Federal Security Service	4514 5475	0.23 0.28	0.04 0.05
2.3	- the Federal Service of Tax Police	472 547	0.02 0.03	0 0
2.4	- the Ministry of Justice	785 1056	0.04 0.05	0.01 0.01
3	Utilization and liquidation of arms	10315	0.53	0.09
4	Conversion of the defense industry: the Ministry of Industry, Science and Technology	250	0.01	0
5	Military reform, including in the spheres within the jurisdiction of:	16545	0.85	0.15
	- the Ministry of Rescue in Emergencies	103	0.01	0
	- the Ministry of Defense	14997	0.77	0.14
	- the Ministry of Internal Affairs	916	0.05	0.01
	- the Federal Border Service	529	0.03	0
6	The State Housing Certificates Program (1998-2002) within the framework of the federal Housing specialized program for the 2002-2010 period	5400	0.28	0.05
7	TOTAL: Expenditure related to military activities of the Russian Federation in past periods	91346 102505	4.69 5.32	0.83 0.99

It is to be noted that repayment of the public debt in respect of the government defense order (fulfilled before 2000) is also related to military activities of the Russian Federation in past periods. In accordance with Resolution № 1020 of December 29, 2000 by the Government of the Russian Federation on Repayment of Debt in Respect of the Government Defense Order, that debt (which, according to estimates, exceeds 16 billion rubles) was restructured and to be repaid before January 1, 2003. However, in the 2002 federal budget it was not explicitly shown and, for that reason, it was not taken into account.

So, the total amount which was officially allocated and due to financial authorities of the armed forces at execution of the 2002 federal budget (Item 4 in Table 44) accounted for over 17 percent of the federal budget's expenditure. The total sum of military expenditure not related to financing of the armed forces of the Russian Federation (Item 6 in Table 45) was far less significant.

However, it is to be noted that in 2002 the share of the military expenditure actually available to the armed forces of the Russian Federation was reduced by 5 percentage points on the 2001 figure (in 2001, it accounted for 22 percent of the federal budget's expenditure). The same situation can be observed with the total military expenses provided for in the 2002 federal budget (Item 1 in Table 47). The share of such expenditure in the budget's total expenditure went down to 18 percent, as against 24 percent in 2001. With the expenditure related to military activities in past periods taken into account (Item 2 in Table 47), military expenditure went down from 28 percent in 2001 to 23.4 percent in 2002.

Table 47

Aggregate indices of military and related expenditure				
№№ of item	Type of the Expenditure	Amount mil rubles	Share in the federal budget's expenditure, %	%, GDP
1	Total military expenditures (both those related to financing of the armed forces and those not related to it) (total of values of Line 4 in Table 1 and Line 6 in Table 2)	353128 353136	18.13 18.13	3.22 3.22

2	The sum of the total military expenditures and those related to military activities of the Russian Federation in past periods	444474	22.82	4.06
	(total of values of Line 1 in the present Table and Line 7 in Table 3)	455633	23.40	4.16
3	Total expenditure on the national defense, law enforcement and national security (see Table 1)	458021	23.52	4.19

The figures of the total expenditure on the national defense, law enforcement and national security (Item 3 of Table 47) are illustrative in that they permit comparison of the level of the 2002 expenditure (4.19 percent of the GDP) with the notional quota which was approved by the President of the Russian Federation in 1998. Under the above quota, total expenditure should have accounted for 5.1 percent of the GDP. However, the planned level of expenditure was not only below the quota, but even went down on the 2001 figure (4.47 percent of the GDP).

If expenditure on national defense is examined separately, the situation is about the same. Under the quota, 3.5 percent of the GDP should have been spent for that purpose, which is much more than the proportion observed in 2002 (2.6 percent).

It is also be noted that with passing on August 7, 2002 of a new conceptual document (the Guidelines of the State Policy of the Russian Federation in Development of the Armed Forces in the Period ending in 2010) all mention of such quotas has become improper (the quotas are simply not provided for in that document).

Also, such an issue as an increase in the above analyzed expenditure at revision of the 2002 federal budget needs to be explained in particular. It is to be noted that that increase concerned only armed forces pensioners' pensions, which were raised in line with an increase in the amount of money allowances of servicemen and had nothing to do with direct military expenditure. A certain portion of additional subsidies was allocated to the Department of Specialized Building of the Russian Federation.

Speaking of the absolute amount of the military expenditure, its inadequacy, to say nothing of its reduction in the face of very real military threats, has been in contrast with the disproportionately high spending on military preparations of a number of other countries, the US first and foremost. In such a situation, it becomes ever more important not only to establish control over budget spendings, but also find new ways to increase budget revenues; as a result, considerable funds can become available to the country for solution of many of its present problems, including speeding up of the military reform.

Priority needs to be given to such expenses as 'pay off' efficiently, both in the civilian sphere (stimulation of highly technological innovative activities) and the military sphere.

Adjustment of the Strategy of Development of the Armed Forces as a Reaction to Exogenous and Endogenous Factors

As we know, the issue of efficient adjustment of the strategy of development of the armed forces is not a new one. The year 2002 was not an exception. Discussed below are some of the factors, which in 2002 either brought about conceptual changes or caused high-ranking officials make statements on need for such changes.

The first of those factors is related to the following global processes: a) continuous growth in the scale of human activity; b) emergence of transnational corporations which are more powerful than many individual states and c) globalization of international economy with the civilized world entering a new stage in its history, known as 'postindustrial'. Knowledge has become an important asset sought after by both governments and companies and at the same time a source of power which can be used for creative and destructive purposes alike. However, the top military are slow in taking in those processes. Typically, there was no mention of importance of knowledge in the article on methodology of development of the armed forces by A. Kvashnin, Head of the General Staff of the Russian Federation, published in the Military Thought Magazine late in 2001. Notably, the article was written on the eve of discussion by the Security Council of the Russian Federation of issues related to development of Russian science. If applicable recommendations by the Security Council have been heeded in the effort to reform the armed forces, the results of that are not yet to be seen.

Another important factor is change in distribution of power centers in the world. As is known, there is only one superpower left after the collapse of the Soviet Union and the end of the cold war, which superpower is seeking to be the sole power center in the geopolitical environment. It is to be noted that, keeping a low profile on that matter, the United States has guided the NATO's strengthening through expansion eastwards towards Russia's borders and that expansion was declared to be allegedly in the interests of Russia. In that situation, Russia can only rely upon its nuclear weapons. That situation cannot be ignored in analysis of the balance of forces and military threats in the world. At the same time, the potentials of the countries, such as China and India, which are not content with the above world order have been growing. As the geopolitical situation is getting more complicated, Russia has to make its choice, define its interests and find ways of securing thereof. The President of the Russian Federation naturally reacted to those developments by stating the need to revise the National Security Concept. That belief is shared by the Security Committee of the Russian Parliament which intends to revise the law on national security. (The need to revise the National Security Concept was underlined in the IET's review on the 2001 results.)¹

The third factor (which is often rated first by politicians) is threat of international terrorism, which threat has become a reality not only for Russia, but also for many other countries, including the USA. However, it is to be noted that present-day terrorists take into account the above two factors and ever more rely on the power of knowledge and humanity's achievements seeking to use these to their own ends. From the geopolitical point of view, present-day terrorism is of a global nature, but unlike 'established power centers' power centers of terrorism are dispersed and more difficult to identify.

The system of views of the future of the armed forces of the Russian Federation, which proceeds from the factors listed above and is discussed below is based on the following:

1. Analysis and generalization of views of experts adhering to the official views exemplified by the ideas expressed in the anniversary collected papers of the Security Council of the Russian Federation; similar views are professed by the President of the Academy of Military Sciences;

2. The authors' perception of potential goals of Russia's foreign and domestic policy, Russia's National Security Concept, the Military Doctrine, the ways of attaining those goals and the means required for implementation of the proposed strategies.

It is quite natural that the above approaches do not always produce similar outputs. Problems related to development of the armed forces are so complicated and have so many aspects to them that it is almost impossible to find the correct solution thereof in principle, especially in a situation where some experts rely on theory, while others on experience, traditions and practice. It is obvious, however, that should recommendations by theorists be taken into account in decision-making by practitioners, that could be a positive factor contributing to solution of those problems.

For the purpose of ensuring more effective military security it is also important to analyze a large number of non-military factors of national security (political, economic, information, social and other); in the present-day conditions, these need to be given more attention, since the best way to resolve conflict situations consists in nipping potential threats in the bud.

In this study, the authors could not analyze all the documents related to development of the armed forces or determine the extent to which those documents are justified due to the fact that an excessive number documents are classified. It is to be noted that such a political document as the Guidelines is also a classified material. However, proceeding from the general laws of development of military science, military theory and facts available for analysis it is possible to formulate the principal provisions of an effective strategy of development of the armed forces of the Russian Federation. Those principles are formulated below in the following five points:

¹ See: Russian Economy in 2001: Trends and Prospects. Issue 23. IET. Moscow, 2002.

1. Peaceful work of the people of Russia and completion of rational economic reforms are possible only if military security of the country is ensured. For that purpose, Russia needs efficient armed forces.

2. Major objectives of the Russian armed forces and the ways of attaining thereof (see Table 48) are clearly formulated even without any reference to a likely enemy.

3. Technically, for the purpose of attainment of those objectives it is important to preserve and develop nuclear weapons, highly intellectual (high-precision) weapons, dataware facilities of these and means of information warfare.

4. According to outputs of research, in formulation of military and strategic objectives emphasis on deterrence of aggression is more efficient from the economic point of view. Today, expenditure on prevention of war is much less than that on war, to say nothing of the damage any modern war can cause.

5. Manning of the armed forces in the time of peace should be such as to ensure recruitment on a voluntary basis of knowledgeable, healthy and moral defenders of the country who are ready to learn and professionally use the advanced methods of warfare and accomplish any military tasks. At the same time, the country needs reserves (trained in warfare techniques) that could be mobilized in addition to contract servicemen for the purpose of repulsion of an aggression (act of terrorism) if the strength of the peace-time regular forces and navy is insufficient to repulse such an aggression.

At present, the armed forces of the Russian Federation are unable to implement efficient strategic concepts and attain objectives set by such concepts, the principal reasons behind that being the failure to complete the military reform, imperfection of the system of manning of the armed forces, unacceptably low social status of servicemen, Russia's lagging behind developed countries in terms of availability of the more advanced weapons to its armed forces, misbalance between the strength of the armed forces and the level of their financing by the state and poor civilian control over the military.

For the purpose of solving the above problems, it is important from the economic point of view to upgrade the system of management by the state of development of the armed forces, which means upgrading of planning, drawing and administration of the military budget in accordance with the Budget Code of the Russian Federation and ensuring of effective transparency of the country's military expenditure and civilian control over such expenditure.

Described in the IET's previous reviews (issue 22 and 23) were certain measures, which seemed to be appropriate for today's Russia and its armed forces.

Table 48

Objectives of the Armed Forces and the Means for Their Attainment		
Conditions	Principal objectives	Ways and means for attainment of objectives
Peace	Prevention of aggression and attempts at force-based pressurizing from abroad, ensuring of high combat preparedness and fighting efficiency of troops, prevention of civil war and of terrorism, both on domestic and on global scale.	Strategy of deterrence (both nuclear and non-nuclear) as a part of a set of political, economic and other measures. Effective combat training of the regular armed forces and mobilization training of the reserves. Strategic forces and means of deterrence, front-line forces and means of deterrence, forces and means of ensuring of national security.
Hostilities (military conflicts or acts of terror)	Repelling of aggression, minimizing of civilian loss and economic damage, infliction on the aggressor (both organizers and perpetrators of illegitimate military actions and acts of terror) of such damage as would clearly reduce to nil any such advantages as may be achieved by them through the hostilities, make attainment of the objectives of the act of aggression/terror impossible and make the aggressor/organizers of acts of terror stop such acts.	Conventional and unconventional forms and methods of military action in combination with political, economic and other methods of pressure on the aggressor. Regular armed forces and means of the military machine of the Russian Federation, mobilization reserve (in case of need), armed forces of the allied states and of international organizations (primarily the UN).

Let us discuss these in greater detail.

1) Adjustment of the National Security Concept and of the Military Doctrine is needed;

- 2) It is advisable that priority is given to development of highly accurate long-range weapons (as a means of targeted measured retaliation permitting strikes on both vital facilities of the aggressor and on terrorist camps);
- 3) Information on most types of military expenditure needs to be declassified and civilian control over such expenses needs to be introduced;
- 4) A concept of and program for switchover to a new system of recruitment of the armed forces of the Russian Federation need to be developed; some of the provisions of the Concept have been included in the new Guidelines, while others are to be developed in accordance with the Instructions issued by the Government of the Russian Federation following its Meeting of November 21, 2002.

It is also advisable that a considerable proportion of specific plans for reformation of the armed forces be unclassified. That would permit comprehensive checks of such plans' reasonableness by the academic community, civilian control over these and greater support of these by society at large, which would make such plans more feasible (in particular, allocation of funds from the federal budget would thus become uninterrupted).

Many of the above measures have already been taken or are provided for in officially adopted plans.

Administration of the 2002 Federal Budget

Figures concerning total federal on-budget expenditures in 2002 and expenditures related to the armed forces of the Russian Federation are shown in *tables 49, 50 and 51*. In those tables, progressive total of such expenditures in the period beginning on January 1, 2002 is shown as of the end of each month. In ordinary type, cash federal budget performance is shown, while in italic, federal budget administration by the item, sub-item and type of federal in-budget expenditure, as presented in reports (submitted by the Government of the Russian Federation to State Duma and based on data prepared by the Ministry of Finance of the Russian Federation) on federal budget execution in the first six months and the first nine months of the Year 2002 and also the expected federal budget performance in 2002 (as of August 1, 2002).

As can be seen from the tables, all the planned expenditures on the armed forces were executed in full. Moreover, in 2002, the total executed expenditures on national defense were 4 percent higher than planned (they amounted to 295.3 billion rubles accounting to 2.7 percent of the GDP).

The expenditure amounts marked with “*” in the tables are those causing certain doubt. These are shown in Federal Treasury reports without explanation of the causes of alteration of the planned amounts.

As can be seen from *tables 49, 50 and 51*, with certain sections and subsections of the federal budget the amount of financing considerably exceeded cashier execution. That means that recipients failed to produce any documentary proof of reasonableness of expenditures under certain items and types of federal budget expenditures and for that reason could not receive from the Federal Treasury funds allocated them in the Federal Budget.

The share of allocated but unassigned funds in the total amount of financing under military and related items of the 2002 budget is shown in *Table 52*.

According to *Independent Military Review* No. 45 (December 25, 2002 – January 16, 2003) in conditions of full financing the Ministry of Defense of the Russian Federation received less than its due in 2002 (by 25 billion rubles). The Ministry of Defense of the Russian Federation lacked funds to pay expenses under such items as money allowances of servicemen, subsistence and sanatorium-and-spa treatment. As a result, in December 2002 servicemen were not paid bonuses for the 4th quarter of 2002, reimbursement for undistributed food rations or compensation for sanatorium-and-spa treatment of servicemen who were in Chechnya.

Under-utilization of allocations from the federal budget in 2002 points to a low level of justification of expenses at drawing of the budget.

For the purpose of better justification of allocations from a federal budget, it is expedient that the following measures should be taken:

1. The Ministry of Finance of the Russian Federation should identify the specific items and types of expenditure of the federal budget under which allocated funds were not distributed in full.

2. Recipients of budget allocations should justify in detail to the Ministry of Finance of the Russian Federation their requests for budget allocations. Methods of justification of such requests are to be agreed upon with the Ministry of Finance of the Russian Federation.

3. Research and educational institutions of the Ministry of Defense of the Russian Federation, the Military Financial and Economic University of the Ministry of Defense of the Russian Federation, leading research and educational institutions of the Ministry of Internal Affairs and the Federal Security Service, as well as public associations of researchers should be engaged in development of methods of justification of such requests and execution of justifications.

4. Justification of expenditure by the section, sub-section, item and type of expenditure related to financing of the armed forces should be submitted by the Government of the Russian Federation to the State Duma together with the draft federal budget for the next year.

5. The State Duma should ensure expert evaluation of the above justifications in the course of consideration and approval of the federal budget for the next financial year.

Table 49

Military and related expenditure of the Russian Federation in 2002 (mil rubles)

No item	Type of expenditure	Approved by 2002 federal budget	January	February	March	April	May	June	July	August	September	October	November	December
0	Total expenditure	1947386	78327	217271	364399	534606	674283	828267 909471	990163	1164636	133259 5 143427 4	158948 2	178007	204597 5 210603 1
1	National defense, including	284158	7513	21883	43863	69819	94836	119774 130778	1458772	1689881	189881 207864	218186	249720	295261 297902
1.1	Development and financing of the armed forces of the Russian Federation	263864	-	19134	39787	63813	87120	109938 120671	134893	156410	175913 193312	202413	232008	275767 277455
1.2	Ensuring of mobilization and non-military training of													
	The federal service of railway troops	2395	-					874 983	1261	1697	1998 2262	2380	2606	3340 3251
1.3	Preparation of and participation in ensuring of collective security and peace-keeping operations	2728	-	354 *	240	385	493	798 798	715	812	849 1169	937	1024	1077 2899

Table 49(continuation)Table 50

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[illegible]

2.1	Mobilization preparations of the economy	500	0,3	22	63	108	143	196 211	244	293	352 369	422	568	635 535
2.2	Civil defense	22	0	0	0,1	81*	2	6 9	7	9	9 16	15	17	22 22
2.3	Subsidies and subventions to budgets of ZATO, code TSSR 485, code VR 350	10544	-	-	-	-	-	5893	-	-	-	-	-	-

Due to the above faults of reports on administration of the budget, data shown in Tables 49, 50 and 51 is less itemized than that provided for by the budget. The least informative are monthly reports of the Federal Treasury. For the above reasons, not all the relevant data is shown in Tables 49, 50 and 51.

Table 51

Expenditure related to military activities in past periods

No item	Type of expenditure	Approved by the 2002 federal budget	January	February	March	April	May	June	July	August	September	October	November	December
1.1	Pensions to servicemen (Ministry of Defense of the Russian Federation)	40274 47502	-	5059	7437	12509	12812	15506 15808	19558	23652	27867 28179	32223	37215	42197 47525
1.2	Utilization and liquidation of arms	10315	258	667	6142	2437	3221	4392	3414	5545	7048 7378	7895	8928	10338 10760
1.3	Conversion of defense industry	250	0	0	63	63	84	105 105	127	153	178 178	178	236	250 250
1.4	Military reform	16545	38	773	2182	3657	4817	7866	7529	9340	10816 11789	12058	13054	14383 16549
1.5	Financing of the Housing program as part of expenditure on public investments	-	-	-	-	-	-	13	-	-	-	-	-	-

Table 52

Share of unassigned funds in the total volume of allocations for military and related purposes (the 2002 federal budget)

Section (sub-section) of the expenditure	Share of unassigned funds, %		
	For six months	For nine months	For twelve months
Total expenditure	8.9	7.1	
National defense, including:	8.4	8.7	8.4
Development and upkeep of the armed forces of the Russian Federation	8.9	8.7	
Military program of the Ministry of Atomic Energy	0	0	
Mobilization and non-military training	11.1	11.7	
Collective security and peace-keeping operations	0	27.4	
Financing of operation of branches of the economy which work for the needs of national defense	0	0	
Law enforcement and state security, including:	17.2	15.6	
Internal troops of the Ministry of Internal Affairs	23.8	17.7	
State security authorities	21.6	17.3	
Border service authorities and border troops	25.3	17.1	
Military reform		8.3	
Servicemen' pensions	1.9	1,1	

Requirements and the Existing Economic and Political Potential for Speeding Up the Military Reform

Dynamics of defense and security expenditure in the 1999- 2002 period and in the 2003 federal budget are shown in Table 53.

It is to be noted that for a long period of time starting from 1999 military expenditure of the Russian Federation has been growing. In that period, not only the authorities, but also the public at large became aware of the need to strengthen the country's military potential and create confidence not only for the sake of their security, but also for a normal course of development of civil economy. The international aspect has become as important of late; Russia is one of those countries, which responded to threats of international terrorism not only with public censure, but also with use of military force.

However, the level of military expenditure should be justified. It is well known from the Soviet Union's experience (and that of other countries) that disproportionately high military expenditure can have a devastating effect on the national economy. Consequently, in justification of the budget it is important to analyze and take into account all the existing interests and all the existing threats and possible countermeasures. It is inadmissible that planning of public expenditure in the civilian and the military spheres should be done separately. Also inadmissible are justifications prepared by interested parties without participation of independent experts.

Table 53

Dynamics of expenditure on defense and security

Sections of the federal budget \ years	1999	2000	2001	2002	2003
Expenditure under the National Defense Section (in current prices / in comparable prices of 1999*), mil rubles	93702	140852	214688	281970	345726
	93702	117181	150598	173504	191653
Growth (%) on the previous year figure	-	25.1	28.6	15.2	10.5
Growth (%) on the 1999 figure	0	25.1	60.7	85.2	104.5
Expenditure under Law Enforcement and Ensuring of State Security Section (in current prices / in comparable prices of 1999), mil rubles	51324	79802	131621	165999	244644
	51324	66391	92329	102144	135618
Growth (%) on the previous year figure	-	29.4	39.2	10.6	32.8
Growth (%) on the 1999 figure	0	29.4	79.9	99.0	164.2

*Calculation in the comparable prices was done by the IET.

Unfortunately, as in the past years the Forecast of Social and Economic Development of the Russian Federation for the Year 2003 does include Section 8 (Ensuring of National Security by Economic Means), but the content of that section does not correspond to its title. Threats and risks to national security are considered only in the context of economic security. The economic aspect of repulsion of other risks and threats, including military ones, is not discussed.

Due to such an approach, the volume of military expenditure of the Russian Federation remains practically unjustified.

To justify the other approach, one can refer to the Concept of National Security of the Russian Federation which does not draw a line between civilian and military aspects and contains the following set of *Major Objectives in Ensuring National Security of the Russian Federation*:

- ☐ timely forecasting and identification of foreign and internal threats to national security of the Russian Federation;
- ☐ implementation of immediate and long-term measures aimed at prevention and neutralization of internal and foreign threats;
- ☐ ensuring of sovereignty and territorial integrity of the Russian Federation and inviolability of its borders;
- ☐ revival of the economy and pursuance of an independent socially oriented economic policy;
- ☐ breaking of scientific, technical and technological dependency of the Russian Federation on foreign sources;
- ☐ ensuring in the territory of the Russian Federation of personal safety of Russian nationals and other persons and their constitutional rights and freedoms;

- upgrading of the system of state authorities of the Russian Federation, relations between federal entities, local self-government and legislation of the Russian Federation, ensuring of harmonious inter-ethnic relations, strengthening of law and order and maintaining of social and political stability in the country;
- ensuring of strict compliance with the laws of the Russian Federation by all national, officials, state authorities, political parties and public and religious organizations.
- equitable and mutually beneficial cooperation by the Russian Federation with foreign states, primarily with leading ones;
- upgrading and maintenance of Russia's military potential at a relatively high level;
- strengthening of the regime of non-proliferation of nuclear weapons and means of delivery of these;
- taking of effective measures aimed at identification, prevention and suppression of intelligence and subversive activities by foreign states against the Russian Federation;
- radical improvement of ecological environment in the country.

Ensuring of national security and protection of interests of the Russian Federation in the economic sphere is a priority of the state policy.

Excessive secrecy has been the main obstacle to accurate and well-grounded execution of such comprehensive justifications. By now, it has largely been overcome. For that reason, the Government of the Russian Federation needs to justify military expenditure soundly in preparation of the 2004 federal budget.

At the same time, as was noted above in revision of the National Security Concept it is important to make adjustments to the list and especially the meaning of the principal objectives related to ensuring of national security. Though the need for certain adjustments is enough some other points in need of adjustment are still to be identified. The military budget should not be seen as a sheer burden on the national economy.