

# The Arms Trade Treaty and Russian Arms Exports: Expectations and Possible Consequences

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## Introduction

The adoption of the Arms Trade Treaty (ATT) would undoubtedly affect all the leading arms exporters and importers, including Russia, which is the world's second-biggest arms exporter. This study aims to assess the possible effects of the Arms Trade Treaty, if and when it is adopted, on Russian arms exports. To that end we are going to review the current state of these exports; look at the distinctive features of the Russian arms export control system; and speak to representatives of the Russian government, leading Russian defense companies, and international relations experts about their expectations from the ATT.

## 1. Russian arms exports in 2002-2011. Export control system: current state, outlook and transparency.

### 1.1 Russian arms export control system

Arms exports – which fall under the Russian definition of "military and technical cooperation", along with imports – are very important for the Russian economy. Weapons, military hardware and dual-use technologies are Russia's biggest export item after natural resources (i.e. hydrocarbons, metals, and coal). The defence sector is Russia's only high-tech industry which is internationally competitive.

Arms exports and the revenues these exports generate are essential for the Russian defence companies' business and for their ability to develop new weapons systems. It is no exaggeration to say that large Chinese and Indian contracts were instrumental in the survival of the entire Russian defence industry in the 1990s, when domestic procurement collapsed amid the economic crisis in the wake of the break-down of the Soviet Union. But the arms export system which emerged during that decade gave individual defence companies too much independence; many of them were allowed to sell weapons to foreign customers directly, without the involvement of the Russian government or state intermediaries. After Vladimir Putin came to power in 1999, the government began a slow but steady process of centralization of the whole military and technical cooperation (MTC) system. It set up the sole authorized state intermediary to handle all arms export and import operations, and then gradually continued to expand that intermediary's remit. Simultaneously it began the process of political monopolization of the defence sector; the essence of that process was the concentration of all decision-making in this area in the hands of Sergey Chemezov, one of Putin's closest friends who has now become the leader of a major Russian business grouping.

When Putin was appointed prime minister in August 1999, Russia had three state-owned arms export intermediaries. The biggest of the three, Rosvooruzheniye (Russian Armament) was in charge of selling new military hardware. The second-biggest, Promexport, specialized in exporting used weaponry from the Russian MoD's surplus; its annual sales were up to 300m dollars. The third intermediary, Rossiyskiye Tekhnologii (Russian Technologies) was supposed to market Russian defence technologies abroad, but by 1999 it had not managed to secure any significant contracts. In addition to the three state intermediaries, several defence companies were authorized to sell to foreign customers directly. These included the MiG corporation, the Tula-based KBP (a designer and maker of anti-tank and air defence weaponry), and NPO Mashinostroyeniya (Machine-building, a designer of anti-ship missiles).

In May 2000 Putin began to take Russian arms trade under his administrative and political control. He appointed Sergey Chemezov, a former Soviet political intelligence officer who served with Putin as a KGB agent in East Germany, as head of Promexport, Russia's second-biggest arms export intermediary. In August 2000 Promexport was merged with Rossiyskiye Tekhnologii. In November 2000 Putin signed a decree setting up Rosoboronexport, the sole state intermediary authorized to handle arms exports and imports. In April 2004 Chemezov was appointed as head of Rosoboronexport, and in 2007 all the individual Russian defence companies which were authorized to sell finished weapons systems directly to foreign customers were stripped of that right. They were still allowed, however, to bypass Rosoboronexport on exports of spare parts, services and upgrade solutions for the systems they had previously supplied. At that time the only remaining rival or the Chemezov clan was Lt. Gen. Mikhail Dmitriev, head of the Federal Service for Military and Technical Cooperation (FSMTC, to which Rosoboronexport is formally subordinated). In 2008 the Chemezov clan began its expansion in the defence industry proper. That is when the government set up the Rossiyskiye Tekhnologii (Russian Technologies) state corporation and gave it ownership of a huge number of various assets in the defence sector and in the related industries. The most important of these assets are in the helicopter industry, aircraft engine industry, and the design and manufacture of high-precision weapons. The corporation also controls VSMPO-AVISMA, a giant titanium maker.

Finally, since Putin's election for another term of office in 2012 and the arrival of the new Russian Cabinet, the Chemezov clan has achieved total domination of the entire MTC system, and significantly strengthened its positions in the defence industry. Chemezov's main opponent since 2000, Gen. Dmitriev, has been sent into retirement; he has been replaced as head of the FSMTC, the supervising agency, by Aleksandr Fomin, who is a subordinate of Chemezov. Denis Manturov, another friend of Chemezov, has been appointed as minister of industry and trade. As present, the only remaining political and administrative counterbalance to Chemezov is Defence Minister Anatoliy Serdyukov, who is also a member of Vladimir Putin's team.

It is therefore safe to say that at present Russia has a rigid vertical hierarchy in the defence industry and arms exports, controlled by the ruling political and economic clan of Vladimir Putin. The Russian system of military and technical cooperation with foreign countries is headed by the Russian president. He sets the general policy and has the ultimate say on all key MTC decisions, including arms exports, lease, and temporary transfer of weapons into and out of the country. He also determines which countries weapons can be sold to, or bought from. The Putin administration has set the following objectives for Russian MTC with foreign countries:

- Facilitate to the fullest possible extent the promotion of Russian defence products on the foreign market
- Prevent any damage to the Russian defence capability and preclude any situations which could lead to such damage
- Ensure the compliance of Russia's activities in the area of military and technical cooperation with the country's international commitments

The Russian Federation Commission for Military and Technical Cooperation is an advisory and consultative body under the Russian president. It is led by the president himself, and coordinated by the government and the Defence Ministry, including the Federal Service for Military and Technical Cooperation. All Russian exports of finished defence products are channelled via the sole authorized state intermediary, Rosoboronexport, which has the status of a federal state-owned unitary enterprise (FGUP). There is also a list of 23 Russian defence companies authorized to deal with foreign customers directly, bypassing Rosoboronexport, in such segments as repair and maintenance, upgrades, and supplies of spare parts. But Rosoboronexport has the absolute monopoly on exports of all finished weapons systems which fall under the scope of the proposed Arms Trade Treaty (ATT).

All arms export contracts require the authorization of the Russian president and the Cabinet. The resolution giving the go-ahead is drafted by the company authorized to handle the proposed contract. The draft must then be approved by the federal executive bodies, including the Foreign Ministry, the MoD, the Finance Ministry, the Federal Agency for State Property Management, the External Intelligence Service (SVR), the Federal Security Service (FSB), the State Technology Commission under the Russian president, and the Justice Ministry. Once the draft has been agreed with all these agencies, it is submitted to the FSMTC, which then submits the resolution for the final approval to the Cabinet and the Russian president. The FSMTC is also authorized to consider requests for weapons supplies from foreign customers.

One of the key principles of the proposed ATT is the principle of responsibility of the states. Under that principle, each arms exporter must ascertain that the hardware to be supplied will end up in the hands of the officially declared recipient. The implementation of that principle should minimize the chances of weapons falling into the hands of any party other than the legitimate end user. Essentially, that principle has already been implemented in the Russian system of military and technical cooperation, so Russia should be safe from any criticisms on that front.

After analyzing the events in Lebanon in 2006, when RPG-29 rocket-propelled grenade launchers supplied by Russia to Syria and Jordan ended up in the hands of Hezbollah militants, the Russian Cabinet issued Resolution No 604 of October 6, 2006, entitled “On approving the procedure for monitoring the compliance of foreign state recipients of individual categories of Russian military hardware with their commitments regarding the use of that hardware”. The resolution introduces controls not only before the weapons have been shipped from Russia, but also after those weapons have been received by the foreign buyer. Under the terms of the resolution and of the amendments introduced in 2009, if the need arises, a Russian government commission (including Foreign Ministry, FSMTC, MoD and FSB representatives) can go to the country in question and ascertain that the weapons sold by Russia to that country are still present on the country’s territory, and that they are being used for purposes which comply with the end-user certificate. It is worth noting that the introduction of these new controls faced resistance by the importer countries. At present, however, most of the Russian defence customers (including India, Egypt, Syria and Venezuela) have accepted the new Russian terms.

On the whole, the Russian MTC system is very advanced and effective; in many ways it goes beyond the requirements of the proposed ATT. In essence, this is a rigid top-down system, closely controlled by the ruling regime. The mechanism based on the end-user certificates issued by the importer country enables Russia to minimize the leakage of weapons into illicit circulation.

## **1.2. Russian arms exports in 2002-2011: an overview**

In 2002-2011 the Russian presence on the global arms market demonstrated the following trends:

- A sharp growth in exports from 4.8bn dollars in 2002 to 13.2bn in 2011.<sup>1</sup> Up until 2005 - or perhaps even until 2007-2008 - Russian arms exports were growing both in unit terms and dollar terms. In recent years, however, growth has continued in dollar terms thanks primarily to rising prices of weaponry and dollar inflation, whereas in unit terms transfers have been flat or even declining.
- Geographic diversification of export destinations. In the early 2000s China and India accounted for up to 80 per cent of Russian arms deliveries on export contracts. By the end of the 2000s, however, Russia had five or six large defense customers, each accounting for 8-15 per cent of its exports. India, however, still remains the most important Russian customer by a wide margin, accounting for 25-30 per cent of export deliveries.

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1 CAST Estimate.

- Attempts by the government to monopolize arms exports. All exports of finished weapons systems must now be channeled via a single state-owned intermediary, Rosoboronexport, although some individual defense companies still have the right to sell spare parts directly to foreign customers.
- Signs of a looming crisis, which began to emerge in 2011. This is caused primarily by the saturation of the Chinese defense market, growing competition in the Indian market, the Arab Spring revolutions, and Russia's decision to join sanctions against Iran.

### 1.2.1 Growth curve

Russian arms exports have grown every single year over the past 12 years, from 3.68bn dollars in 2000 to 13.2bn in 2011.

**Table 1. Russian arms exports in 2002-2011, million dollars, in current prices.**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total	4,800	5,400	5,780	6,126	6,460	7,550	8,350	8,965	10,370	13,200
Via Rosvooruzhenie/ Rosoboronexport intermediaries	4,000	5,075	5,120	5,226	5,300	6,200	6,725	7,436	8,691	10,713

Source: CAST estimate

In dollar terms, Russian arms export deliveries have tripled over the past decade. Until recently, the Russian portfolio of arms export contracts was growing even more rapidly. Throughout the 1990s it remained flat at 6-7bn dollars. By 2007, however, it had reached 32bn, of which Rosoboronexport accounted for about 23 billion dollars. The figure peaked at 48bn dollars in late 2010, of which Rosoboronexport accounted for 38bn (the rest of the contracts were signed by companies authorized to sell spare parts for previously supplied weaponry directly to foreign customers).<sup>2</sup>

These figures are not adjusted for inflation; clearly, one dollar bought a lot more in 2000 than in 2011. Still, growth has been very impressive, and it has been underpinned by growing unit sales, especially in the segment of heavy fighter jets.

The Su-27/30 family of heavy fighters has been one of the primary drivers of Russian arms export growth. Large contracts for the fighters themselves also generate sales of expensive spare parts and airborne weaponry. Below is a table showing Su-27/30 exports over the past decade.

<sup>2</sup> Портфель заказов «Рособоронэкспорта» составляет 38 млрд долларов (Rosoboronexport portfolio accounted for 38 billion dollars) // ARMS-TASS, APMC-TACC 24.06.2010.

**Table 2**

**Export deliveries of newly made Su-27/30 fighters in 2000-2010 (excluding Su-27SK assembly kits sold to China; Su-30MKI kits sold to India; and used aircraft supplied from Russian army surplus)**

Country	2002	2003	2004	2006	2007	2008	2009	2010	Total
China	10 Su-27UBK, 19 Su-30MCK	19 Su-30MCK	24 Su-30MK2	-	-	-	-	-	28 Su-27UBK, 76 Su-30MCK, 24 Su-30MK2
India	10 Su-30MKI	12 Su-30MKI	10 Su-30MKI	-	16 Su-30MKI	4 Su-30MKI	6 Su-30MKI	10-12 Su-30MKI	
Algeria	-	-	-	-	6 Su-30MKI (A)	8 Su-30MKI (A)	14 Su-30MKI (A)	-	28 Su-30MKI (A)
Venezuela	-	-	-	4 Su-30MK2V	12 Su-30MK2V	8 Su-30MK2V	-	-	24 Su-30MK2V
Malaysia	-	-	-	-	6 Su-30MKM	6 Su-30MKM	6 Su-30MKM	-	18 Su-30MKM
Indonesia	-	2 Su-27SK and 2 Su-30MCK	-	-	-	2 Su-30MK2	1 Su-30MK2	3 Su-27SKM	5 Su-27SK/SKM, 5 Su-30MCK/MK2
Vietnam	-	-	4 Su-30MK2	-	-	-	-	4 Su-30MK2*	8 Su-30MK2
	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>39</b>	<b>35</b>	<b>38</b>	<b>4</b>	<b>40</b>	<b>28</b>	<b>27</b>	<b>17-19*</b>	

Source: CAST Database

The table shows that deliveries of the Su-27/30 aircraft peaked in 2007, and have been declining steadily ever since. A similar trend can be observed for deliveries in all other weapons categories; the only exception was a spike in ground weaponry deliveries to Venezuela in 2010.

### 1.2.2 First signs of a looming crisis in 2010

The first signs of a slowdown in Russian arms exports began to emerge in 2010. In dollar terms, export deliveries continued to grow, rising from 10.4bn dollars in 2010 to 13.2bn in 2011.<sup>3</sup> But there have also been several indicators of a looming crisis. Most importantly, Russia failed to win three important contracts it was bidding for. First, it was not even shortlisted in the Indian MMRCA tender for 126 medium multirole fighters. Second, it lost to the Americans another Indian contract, for 22 attack helicopters. And third, it was unable to sell its Kilo-class submarines to the Indonesian Navy, which opted instead for three obsolete Project 209 Korean submarines, made under German license. Each of these failures has its specific reasons – but taken all together, they signal a worrying outlook for Russian arms exports.

An even clearer indicator that the non-stop growth trend of the past decade may be coming to an end is that the Russian portfolio of arms contracts shrank last year, probably for the first time since 1999. The Rosoboronexport portfolio stood at 38.5bn dollars in

3 CAST Estimate.

late 2010; in late 2011 the figure was only 32.5bn. According to Mikhail Dmitriev, former head of the Federal Service for Military and Technical Cooperation, the overall Russian portfolio (i.e. Rosoboronexport plus independent suppliers) has gone down from 48bn dollars in late 2010 to 40bn in late 2011.<sup>4</sup>

In any event, it is clear that for the first time in many years the value of newly signed contracts has dropped below the value of deliveries for the year; as a result, the combined value of outstanding contracts has gone down. There is little doubt that the trend will continue into 2012. Russia is expected to deliver about 14bn dollars worth of weaponry to foreign customers before the year's end. That includes the Vikramaditya aircraft carrier and two Talwar-class frigates, plus a Project 971I submarine, which was delivered to India earlier this year. It is highly unlikely that Russia will manage to sign 14bn dollars worth of new contracts this year. This means that the value of the Russian portfolio of outstanding defense contracts will continue to shrink; several years down the line this will inevitably lead to falling deliveries as well. The available figures for the first six months of 2012 are in line with these projections. During that period, Russia delivered 6.5bn dollars worth of weaponry, but signed only 5.7bn dollars worth of new contracts.

Another thing to consider is that whereas Russian arms exports have grown every single year over the past 10 years in dollar terms, in units terms weapons transfers have been flat or even falling for the past five years at the very least. In other words, the appearance of growing exports is being sustained by the rising unit prices of weaponry. To illustrate, the contracts for the Sukhoi fighters (which have been the main driver of export growth) were almost twice as big, in unit terms, during the 1999-2003 five-year period compared to the second half of the 2000s.

The table below lists Russian exports of Su-27/30 fighters during two five-year periods: 1999-2003 and 2006-2010. No new contracts for these aircraft were signed in 2004 and 2005.

**Table 3. Su-27/30 fighters ordered by foreign customers in the first and second half of the 2000s, units**

	1999-2003	2004-2005	2006-2010	Total
China	128	0	-	128
India	140	0	58	198
Algeria	-	0	44	44
Venezuela	-	0	24	24
Vietnam	4	0	20	24
Malaysia	18		-	18
Indonesia	4	0	6	10
Uganda	-	0	6	8
Total	294	0	158	452

Source: CAST Estimate

*Reasons for the decline in new orders: saturation of markets, stronger competition, the Arab Spring, the Iranian embargo*

The first set of reasons for the expected reduction in Russian arms exports has to do with the situation in Russia's traditional export markets.

4 Российские оружейники набрали заказов более чем на \$40 млрд (Russian arms manufacturers portfolio accounted for 40 billion dollars) // RBK Daily, 15.02.2012.

- China. The PRC remained Russia's biggest defense customer until about 2005-2006, when new Chinese orders started to fall off owing to the growing capability of the country's own defense industry. In 2000-2001 China accounted for 60 per cent of new Russian arms exports; the current figure is barely above 4 per cent.<sup>5</sup> In essence, China continues to place new orders in only two segments: aircraft engines and helicopters. In recent months there have been signs of a revival of Chinese interest in some of the latest Russian weapons systems, such as the Su-35S fighter and the S-400 SAM system.<sup>6</sup> Nevertheless, Russian arms exports to China will never return to the levels last seen in the 1990s and early 2000s. In fact, instead of being a large customer, China is increasingly becoming Russia's competitor in other countries' defense markets.
- The Indian defense market is becoming increasingly competitive. Every major global arms exporter, with the exception of China, already has a presence in India. Also, as the country is becoming richer, its demand is gradually shifting towards the higher price categories of weaponry, where Russia tends to lose out to the more high-tech Western and Israeli products.
- As a result of the Arab Spring, Russia has lost the promising Libyan market. It has 1.3bn euros worth of outstanding arms contracts with the country. If potential new contracts are taken into account, Russian losses could be as high as 4.5bn dollars. It is very likely that Russia will also lose the Syrian market; the value of the defense contracts with that country is estimated at 3.5bn-3.8bn dollars. On the other hand, the Arab Spring turmoil has led to a pick-up in Algerian demand; this could result in a new package of contracts comparable to the one signed in 2006. That, however, may never come to pass as Algeria could well become the next country to be swept by the Arab Spring.
- Following former President Medvedev's decision to join sanctions against Iran, Russia has lost the Iranian defense market, estimated at up to 1bn dollars a year.
- There is growing skepticism about the likelihood of any large new Venezuelan contracts owing to the state of the Venezuelan economy and the uncertain future of the Chavez regime.

It is therefore obvious that some of the traditional Russian export markets are becoming saturated; others may be partially or even completely lost to foreign competitors, or closed as a result of international sanctions. Vietnam and, to a lesser extent, Algeria are the only two markets where demand for Russian weaponry will probably remain sustainably high, generating up to 2bn-3bn dollars worth of new contacts every year. Vietnam, Algeria, India and other remaining Russian defense customers will probably continue to place 6bn-8bn dollars worth of orders for Russian weaponry every year. That is well below the exports figures seen in recent years.

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5 CAST Estimate

6 Россия поставит Китаю истребители Су-35 и зенитные системы "Триумф (Russia will deliver Su-35 fighters and S-400 Triumph air defense system to China) // Российская газета, Rossiyskaya Gazeta, 22.02.2010.

### *Competitive products: a three-year pause?*

Another problem is that many of Russia's most promising new weapons systems are still three to five years away from being offered to foreign customers. Some of those weapons are still in development; others are currently being supplied only to Russia's own armed forces as there is no spare capacity for export contracts.

In the heavy fighters segment the best Russia can currently offer is the Su-30MK2, which looks rather dated. The Su-30MKI/MKM/MKA family, designed specifically for the Indian market, is relatively more advanced, but it also requires deep modernization. There is only one large contract for that family left in the pipeline; India is expected to buy another 40 Su-30MKI aircraft. Meanwhile, the latest Su-35 will remain in development for another three or four years. Besides, relatively few countries operate heavy fighters, and their markets are reaching saturation point. As for the medium and especially light fighters segment, Russia does not have any competitive products to offer to its foreign customers.

In the military transports segment, Russia has the Il-76, which still remains popular. But production of the upgraded model in Ulyanovsk will not begin for another two or three years. In addition, all production capacity will probably be taken up by domestic orders, and the new aircraft itself will have a price tag of up to 100m dollars. The outlook for its exports is therefore not very bright.

### *1.2.3 Russian arms exports in 2000-2011: product range*

#### *Aircraft*

The Su-30MK family of heavy fighters has undoubtedly been the best-selling Russian weapons system over the past eight years. China alone has bought 100 finished aircraft and 100 assembly kits since 1999; another 50 or so finished aircraft plus 50 assembly kits have been sold to India. Algeria has bought 28 Su-30 aircraft, Venezuela 24, and Malaysia 18. Small batches of Su-30MK and Su-27 fighters have been sold to Vietnam, Indonesia and Ethiopia. In some years the Russian output of heavy fighters reached 50 units, which is comparable to the U.S. figures. Russian exports of the MiG-29 medium fighters have also seen a substantial growth. The MiG corporation went through a very difficult period in the late 1990s, when its exports fell to almost zero; but in the early 2000s it managed to win the custom of several poor Asian and African countries, including Sudan, Bangladesh, Burma and Eritrea. Then in 2004 it won an important contract to develop and supply 16 MiG-29K carrier-based fighters to the Indian Navy. The fighters are to be based on the Vikramaditya carrier (the former Soviet aircraft-carrying cruiser Admiral Gorshkov).<sup>7</sup> Sales of fighter jets also generate demand for expensive airborne weaponry and ground equipment for the maintenance of these aircraft; in some cases such contracts are worth hundreds of millions of dollars on top of the price of the aircraft themselves. On the whole, the aerospace segment accounts for about 50 per cent of Russian arms exports; the other big arms exporters, such as the United States, Britain and France, have a similar export structure.

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7 INS Vikramaditya: Waiting for Gorshkov...// Defence Industry Daily 10.06.2012.

### *Naval equipment*

In the naval weaponry segment, China used to be Russia's most important customer. Over the years it has bought three destroyers, a dozen submarines, and large numbers of ship-based missile systems. India has bought three of the latest Talwar-class frigates, placed an order for another three, and is now pursuing an ambitious modernization program for its submarine fleet. In addition, New Delhi has been buying large batches of anti-ship and anti-aircraft naval missile systems. In a number of cases India was the launch customer for such systems, essentially financing their development and the launch of mass production. One of these projects is BrahMos: a heavy, supersonic, long-range PJ-10 missile, which has a sea-launched, air-launched and ground-based version. Finally, one of the largest and most complex Indian contracts was the purchase in 2004 of the Admiral Gorshkov, a former Russian aircraft-carrying cruiser. The contract includes re-fitting the ship to carry the MiG-29K horizontal take-off fighters. The ship itself was sold at the price of scrap metal, but the repairs and upgrades are paid for by the Indian side. According to media reports, the contract is worth 972m dollars; on top of that, India has paid over 2bn dollars for 45 carrier-based MiG-29K fighters.<sup>8</sup>

### *Air defense and ground weaponry*

The largest of the known buyers of Russian air defense systems is China, which has bought a total of 27 batteries of the S-300PMU-1/2 long-range SAM systems.<sup>9</sup> There was also a lot of interest in these systems from Iran (which is thought to have placed an order for 5 batteries, but the contract was cancelled at the order of President Medvedev), and from Syria (which signed a contract for two batteries in 2009, but now the deal is on hold due to the crisis in that country).<sup>10</sup> Algeria is thought to have bought four to eight S-300PMU-2 batteries; Vietnam has bought two batteries of the S-300PMU-1. As for the Russian exports of ground weaponry, the geography of those exports is very broad, although it is worth specifically mentioning India, which has bought about 700 T-90 tanks. Other large buyers include Algeria and Venezuela.

#### *1.2.4. Geographic diversification*

In the 1990s Russia depended on just two large buyers, China and India, for about 80 per cent of its arms exports. The figure peaked in 2000, when China accounted for 60 per cent of those exports, and India for another 25 per cent.<sup>11</sup>

The structure of exports to these two countries was very different. China imported large numbers of mass produced or conservatively upgraded weaponry; the deadlines were often very tight, with large batches delivered over relatively short periods. For example, the contract for the development and delivery of Su-30MKK fighters was signed in 1999; the first aircraft were delivered the following year. The model was a rather primitive upgrade of an existing design; still, the schedule of the whole project was unprecedented. Over the five years between 2000 and 2004 Russia delivered to China a total of 100 Su-

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8 INS Vikramaditya: Waiting for Gorshkov...// Defence Industry Daily 10.06.2012.

9 China buys air defense systems from Russia // Reuters, 02.04.2010.

10 Russia halts sale of air defense missiles to Iran // The Washington Post, 12.06.2010.

11 CAST Estimate.

30MKK fighters and another 20 Su-27UBK combat trainers, i.e. an average of 25 aircraft per year, not counting the Su-27SK kits for local assembly in China.

In contrast with the Chinese, the Indian buyers had extremely high requirements to the performance and level of technology of the weapons they ordered in Russia. Indeed, in the mid-1990s those requirements were at the upper limits of what the Russian defense industry could realistically offer. Initially, the orders placed by the Indian Air Force and Navy were not very large, with deliveries staggered over relatively long periods. A classic example of an Indian contract was the 1996 order for the development and subsequent delivery of the Su-30MKI fighter; a total of 32 aircraft were to be delivered over a three-year period, in batches of 10 to 12. The project involved a very large research, R&D, and engineering component. It also involved significant technological risks as the Indians insisted on integrating a lot of French, Israeli and Indian-made hardware in the Su-30MKI design.

The Russian defense companies lucky enough to land some Indian and Chinese contracts therefore had a rather fortunate combination of large-volume, tight-scheduled, and risk-free orders for mass-produced systems from China, and complex high-tech orders for advanced new weaponry from India. That complementary combination was instrumental in the industry's survival and technological development; the Chinese provided the volume, and the Indians stimulated R&D. However, the situation changed sharply after 2005. By that time the Chinese market had become saturated; in addition, the country's own defense industry had become capable enough to cater to many of the PLA's (Chinese army) requirements. Meanwhile, India had gained enough experience with the new and exclusive Russian weaponry, whereas the Russian makers of that weaponry had ironed out the early problems which every new weapons system struggles with. New Delhi started to buy in bulk. In addition to the 172 Su-30MKI fighters which it ordered in 1996 and 2000, the Indian Air Force signed a contract for another 58 aircraft. The Indian Navy bought three Talwar-class frigates in addition to the first three delivered in 2003 and 2004. Rumors are now circulating that India intends to buy a third batch of these ships.

Russia has always been aware that exports which depend on just two large buyers cannot be sustainable. It has always been clear that as the Chinese defense industry becomes increasingly capable, China will either reduce imports from Russia or perhaps even end them altogether. The Indian market, meanwhile, has always been open to foreign suppliers. Even back in Soviet times, Russian defense companies had to compete with British, German, French and Swedish rivals for Indian custom. The collapse of the Soviet Union was a shock for the Indian military, who shortly afterwards launched a deliberate policy of diversifying their sources of defense technology as much as possible. Over the past 15 years, Israeli and French suppliers have carved a much large share of the Indian defense market for themselves. The United States, too, has been showing great interest in that market since the 1990s. The American strategy of entering that market was put on hold for a time after India tested nuclear weapons – but by the mid-2000s Washington was once again discussing the possibility of selling combat aircraft to the Indian Air Force.

For all of these reasons, Russia has always been working to diversify its arms exports destinations. These efforts yielded first results in 2003, when a series of large contracts was signed with three of the largest Southeast Asian states. Vietnam placed an order for

two S-300PMU-1 batteries,<sup>12</sup> four Su-30MK2 fighters and several Project 12418 missile boats. Malaysia signed a 900m-dollar contract for 18 Su-30MKM fighters.<sup>13</sup> Indonesia bought four Su27/30 fighters and 10 helicopters, worth a total of 200m dollars. The three countries placed about 2bn dollars worth of orders for Russian weaponry that year. That signaled the rise of Southeast Asia as a third major Russian defense customer, in addition to India and China.

Further progress towards diversifying the Russian defense customer base was made in 2006, when large contracts were signed with Algeria (7.5bn dollars)<sup>14</sup> and Venezuela (3.6bn dollars).<sup>15</sup> Two Middle Eastern states, Syria and Iran, also placed relatively large orders. As a result, the Russian defense contracts portfolio had become fairly well balanced. In 2007 India accounted for 30 per cent of Russian weapons deliveries; China for 24 per cent, Venezuela 14 per cent, Algeria 10 per cent, and Vietnam about 5 per cent.<sup>16</sup> This breakdown has remained relatively unchanged to this day, although China's share of deliveries has continued to decline, whereas the share of Vietnam and Syria has grown. Vietnam is now buying about 1bn dollars worth of Russian weaponry every year, whereas Syria has placed large orders for air defense systems, coastal defense anti-ship missile systems, and MiG-29M/M2 fighters. Large new contracts have also been signed with Venezuela since 2006; the country placed 6.4bn dollars worth of new orders in 2009. Algeria bought 2bn dollars worth of Russian weapons in 2007, and 1.5bn dollars worth in 2011.<sup>17</sup> As of early 2011, the Russian portfolio of outstanding defense contracts was worth 48bn dollars; Indian contracts accounted for 28 per cent of it; Venezuelan for 16 per cent; Vietnamese 12 per cent; Algerian 9 per cent; Syrian 8 per cent; and Chinese about 6 per cent.<sup>18</sup>

Over the coming years we expect demand to remain strong from the Indian, Vietnamese and Algerian customers; Venezuelan demand will probably decline owing to the growing economic difficulties and political risks. There are signs of growing demand for Russian weaponry from the oil-producing states in Africa (Equatorial Guinea) and the CIS (Azerbaijan, Kazakhstan, and Turkmenistan). It is therefore safe to assume that even if Russian arms exports begin to decline, their geographic structure will remain fairly diversified.

### *Conclusions*

As of mid-2012, the Russian position on the global arms market could be described as follows:

1. Russia is the world's second-largest arms exporter after the United States, with annual exports of over 13bn dollars.

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12 First batch of Russian missile air defense systems sent to Vietnam // RIA Novosti, 11.08.2005.

13 Malaysia Receives its SU-30MKMs // Defence Industry Daily 17.11.2011.

14 Algerian Arms Deal Brings Russia \$7.5 billion, Gas Market Leverage // Defence Industry Daily 24.02.2012.

15 Venezuela ranked top importer of Russian arms // RIA Novosti, 27.12.2011.

16 CAST Estimate.

17 Российские оружейники набрали заказов более чем на \$40 млрд (Russian arms manufacturers portfolio accounted for 40 billion dollars) // RBK Daily, 15.02.2012.

18 CAST Estimate.

2. However, there is next to no room for any further growth in those exports. In fact, it is very likely that over the coming years Russian arms exports will remain flat or even begin to decline owing to the situation in Russia's traditional markets. Some of these markets are becoming saturated; others are disappearing completely because of embargos or major political upheavals.
3. The role of exports in maintaining Russia's defence industry capability is becoming less important; sales to foreign customers are likely to fall, whereas Russia's own defence procurement programs are being ramped up. In a number of segments (especially in air defence weaponry and airborne ammunition) the industry will have to work flat out to fulfil the orders placed by the Russian MoD; there will simply be no spare capacity for exports.

### **1.3 Russian arms sales to authoritarian, repressive and destabilizing regimes, and to potential conflict zones**

The world's authoritarian and destabilizing regimes have the most to fear from the ATT; if the treaty is signed, they will face new restrictions on arms imports. Russia has traditionally been viewed as one of the suppliers of weapons to such countries. It must be emphasized, however, that Russia has never supplied weapons to other countries in circumvention of UN Security Council sanctions. In order to assess the possible threat of Russia losing the markets of the "pariah states", we have analyzed the Russian arms transfers to these countries.

#### *Syria*

Up until recently, Syria has been the largest recipient of Russian weapons among the countries which can be categorized as authoritarian, repressive or destabilizing. In early 2011 the Russian portfolio of outstanding Syrian arms contracts was worth 3.5bn-3.8bn dollars (8 per cent of the total Russian portfolio). Over the past five years the largest Syrian contracts included:

- An order for eight batteries of the Buk-M2E medium-range SAM system, worth about 1bn dollars. The first two batteries were delivered in 2010, and another two presumably in 2011. The remaining four are scheduled for delivery in 2012-2013.
- The Pantsir-S1 gun-missile air defence system (36 units), worth up to 700m dollars. Deliveries commenced in 2008, but only 12 units have been delivered so far. Final deliveries are scheduled for 2013.
- Two batteries of the K300P Bastion-P mobile coastal defence anti-ship missile systems equipped with 36 K310 Yakhont supersonic anti-ship missiles, worth 250m dollars. The first battery was delivered in 2010, the second in 2011.<sup>19</sup>
- Formally, there is a contract between Russia and Syria for the delivery of 12 MiG-29M/M2 fighters, with an option for another 12, worth up to 600m dollars. In late 2011 the Russian manufacturer built one MiG-29M prototype and one MiG-29M2 (two-seater) prototype; in then began to build the 12 final-

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<sup>19</sup> Syria deploys "Bastion" missile system along coastline // The Voice of Russia, 15.12.2011.

spec aircraft. The first batch was supposed to be delivered before the end of 2012 – but that is unlikely to happen until the political situation in Syria becomes clearer.

- In December 2011 Russia and Syria signed a 500m-dollar contract for 36 Yak-130 trainers. To the best of our knowledge, production of these aircraft at the Irkut corporation plants will not begin until the political situation in Syria becomes clearer.<sup>20</sup>

Based on this information it is safe to say that over the past five years Russian arms sales to Syria consisted mainly of air defence and anti-ship weaponry. At the same time, we are aware of at least three cases of Syrian contracts for powerful or destabilizing weapons being cancelled or put on hold, including:

- A 2006 contract for the Iskander-E tactical missile system, which was officially cancelled. Even though the missile has a range of only 280km, in the Middle East such range essentially constitutes strategic capability.
- A contract for 4 very capable MiG-31E fighter-interceptors, which never entered into force
- A contract for two batteries of the S-300PMU-2 SAM systems, which was cancelled (or put on hold, according to other sources)

Now that Syria is in a state which approaches civil war, it appears that Russia is merely completing deliveries on contracts which commenced before 2011. All deliveries on new contracts have been put on hold until the political situation in the country becomes clearer.

### *Iran*

The largest Iranian contract that has been fulfilled since Russia withdrew from the Gore-Chernomyrdin Protocol is the delivery of 29 Tor-M1 short-range SAM systems, worth up to 1bn dollars. In addition, Russia has supplied to Iran small batches of the Su-25B/UBM strikers and Mi-17 transport and assault landing helicopters. Presumably in 2006 Russia and Iran signed a contract for 5 batteries of the S-300PMU-2 long-range SAM systems, worth up to 1bn dollars. However, in April 2009, when the systems had already been made and even loaded onto rail platforms for shipping to Iran, President Medvedev personally intervened to put the contract on hold.<sup>21</sup> Then in June 2010 Russia supported UN Security Council Resolution 1929, which imposed an embargo on the delivery of all the main weapons categories to Iran. In compliance with that resolution, Russia has limited its arms sales to Iran only to those weapons categories which do not fall under the UN sanctions (apparently, that means spare parts for previously sold weaponry). Tehran responded by taking Moscow to the International Court of Arbitration in Geneva, demanding 4bn dollars in compensation for Russia's failure to fulfil this and several other contracts.<sup>22</sup> Now that Vladimir Putin has replaced Dmitry Medvedev as Russian president, there is a theoretical possibility that the Iranian contracts for the air defence systems which do not fall under

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20 Syria to get more arms from Russia soon: think-tank // Al Arabiya 26.06.2012.

21 Russia supports Iran sanctions, but with limits // The Washington Post, 09.04.2010.

22 Russia should resume S-300 export to Iran: Analyst // RIA Novosti, 05.07.2012.

the UN Security Council sanctions will be resumed. Realistically, however, such a decision is unlikely so long as the military-political tensions remain over Iran.

We estimate that since the signing of the contract for the Tor-M1 SAM system in the mid-2000s, Russia's annual arms deliveries to Iran have been in the region of 300m dollars.<sup>23</sup> The figure could have reached up to 1bn dollars had Russia refused to support the UN Security Council sanctions against the country.

### *Burma*

The Burmese defence market is dominated by China and Ukraine, but Russia has also made relatively large arms deliveries to Burma over the past decade. In the 2000s it supplied 12 MiG-29 fighters worth about 150m dollars; 12 Mi-17 helicopters; and up to 100 D-30 howitzers. According to unconfirmed reports, Russian deliveries have also included an unspecified number of upgraded Pechora-2M air defence systems. The biggest contract in recent years was the 2009 order for 20 MiG-29SE/B fighters and seven Mi-35 attack helicopters, worth a total of 400m euros. Possible future contracts include orders for naval weaponry, air defence systems, and either new fighters or upgrades of the existing MiG-29 fleet to the MiG-29SMT specification.<sup>24</sup>

### *Sudan*

Most of the Russian arms deliveries to Sudan were made in the early 2000s, when Russia supplied 12 MiG-29 fighters worth 140m dollars; 20 Mi-24 attack helicopters; up to 24 Mi-17 transport helicopters; and 60 BTR-60 APCs. In later years the Sudanese defence market was dominated by China and Belarus; there have been no recent reports of any large Russian arms sales to the country.

### *Cuba*

The last known large Russian arms transfer to Cuba was the weaponry of the former Russian 7<sup>th</sup> Motor Rifle Brigade, which was pulled out of Cuba back in 1993. Since then, owing to Cuba's financial difficulties and Russia's commercially driven approach to the arms trade, Havana has been able to buy only small batches of spare parts for previously supplied weaponry.

### *North Korea*

In the late 1980s North Korea and the Soviet Union signed production-under-license agreements for several weapons systems which were relatively advanced at the time, including the MiG-29 fighters, BMP-2 infantry fighting vehicles, anti-tank weapons, and man-portable SAM systems. But the projects were later put on hold because Pyongyang could not honour its financial commitments. Over the period until 2006 Russian arms supplies to North Korea were limited to small batches of spare parts, aircraft engines, small arms, used helicopters (including one Mi-8T, two Mi-26T, and one Ka-32), and 32 BTR-80A APCs. In 2006 Russia joined international sanctions and the arms embargo on North Korea.

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23 Russia completes SAM delivery TO Iran // RIA Novosti, 24.01.2007.

24 More MiG-29s for Myanmar // Defence Industry Daily 02.03.2011.

## Uganda

In 2010 Uganda unexpectedly and sharply increased its arms imports. Among other defence contracts it placed 750m dollars worth of orders in Russia. The biggest of these contracts was for 6 Su-30MK2 fighters (four aircraft were delivered in 2011 and two in early 2012). This was the first Russian sale of newly-made heavy fighters to sub-Saharan Africa.<sup>25</sup> In addition, Uganda is thought to have bought 31 T-90S tanks and other ground weaponry.

## Zimbabwe

The only Russian arms sale to Zimbabwe dates back to the war in DR Congo, when troops from Zimbabwe and several other African countries entered the country's territory. Russia supplied six Mi-24V and Mi-24P attack helicopters to Harare. Also, the Zimbabwean Air Force is known to have acquired six MiG-23BN fighter-bombers – but these were probably supplied by Libya. Since then there have been no reports about any Russian arms deliveries to the country.

In July 2012 it was reported that Russia's Rossiyskiye Tekhnologii (Russian Technologies) company may be intending to buy the Darwendale platinum deposit in Zimbabwe, the world's second-largest in terms of reserves. It was said that Russia will pay for its stake in Darwendale by supplying weapons to Zimbabwe. There are, however, serious questions about the feasibility of the entire project.<sup>26</sup>

**Table 4. The table below shows the value of Russian arms supplies to the rogue states; it is based on the SIPRI Arms Transfers Database. The figures are in millions of US dollars, with prices adjusted to the 2011 exchange rate.**

Country	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002-2011
Iran	158	146	26	26	703	552	26	26	26	26	1,708
Syria	12	12	12	12	28	0	139	322	506	423	1,462
Sudan	55	148	488	196	46	46	46	105	71	108	1,309
Myanmar	230	0	0	0	24	0	0	0	65	428	748
Uganda	0	0	33	0	0	0	0	24	0	408	464
North Korea	15	15	15	9	9	9	9	9	2	0	88
Total rogue states	470	321	574	243	810	607	220	486	670	1,393	5,779
Total Russian arms export	9,737	9,004	10,525	8,861	8,837	9,453	10,286	9,094	1,0115	1,3543	99,454
Rogue states percentage	4.8	3.6	5.5	2.7	9.2	6.4	2.1	5.3	6.6	10.3	5.8

Source: SIPRI Arms Transfers Database

Note: The SIPRI Arms Transfers Database has no information about Russian arms deliveries to Zimbabwe

25 Uganda receives Su-30s // DefenceWeb, 02.03.2011.

26 Rossiyskiye Tekhnologii interests in Darwendale platinum deposit in Zimbabwe // RIA Novosti, 27.06.2012.

Based on our analysis of Russian exports and on the table above it is safe to say that the defence markets of the pariah states are not really important for Russia. In recent years these markets accounted for 2-10 per cent of Russian arms sales. In the coming years that figure was very unlikely to go up in any event, owing to the widely predicted fall of the Assad regime in Syria and the UN Security Council sanctions against Iran. That is why the loss of these markets as a result of the signing of the ATT would have no significant effects on Russian arms exports. Russia can well afford to abandon these markets for the sake of its international reputation.

#### **1.4 Transparency of Russian arms exports. Russian reports to the UN Register of Conventional Arms**

One of the key objectives of the proposed ATT is to augment the transparency of international arms trade. At present, the main instrument of ensuring the transparency of international arms transfers is the UN Register of Conventional Arms. The Register was set up in accordance with a UN General Assembly resolution of December 6, 1991; it has been up and running since 1992. The register consists of official national reports about the transfers of weapons falling into seven categories: battle tanks, armored combat vehicles (ACVs), large caliber artillery, combat aircraft, attack helicopters, warships, and missiles (excluding air defence missiles). A separate item introduced in 2003 is man-portable SAM systems. Russia is one of the few countries which have submitted their reports to the register every single year since 1992. It must be said, however, that as a transparency instrument, the Register has been in a crisis over the past several years, because the number of countries submitting their reports has been steadily going down. To illustrate, in 2000-2005 annual reports were submitted by 115-126 countries; the figure then declined to 113 in 2006, 91 in 2007, 80 in 2008, and 72 in 2009 and 2010. The African continent has accounted for much of that reduction. The downward trend was reversed only in 2011, when 84 countries submitted their reports.<sup>27</sup> Many of the national reports, however, are not very informative; they omit a significant portion of weapons transfers, and do not specify the specific type and model of the hardware being supplied. Also, the Register does not include weapons upgrade contracts.

To assess the level of transparency of Russian arms exports, let us compare the Russian 2010 report to the UN Register with the corresponding reports of the countries which import Russian weaponry, and with the list of Russian arms deliveries identified by CAST using media reports and other sources. Even a cursory glance at the Russian report and the corresponding annual reports of the importer countries demonstrates that the Russian reporting is much more comprehensive. For example, the 2010 Russian report contains information about a total of 1,235 weapons systems supplied to other countries; the reports of the importer countries for the same year list a total of only 564 systems. For more detailed analysis, please see the table below.

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27 UN Register of Conventional Arms, <http://www.un.org/disarmament/convarms/Register/>.

**Table 5. Analysis of the Russian 2010 annual report to the UN Register of Conventional Arms**

Weapons category	Importer	Units of hardware listed in the Russian report	Units of hardware listed in the importers' reports	Deliveries identified from Russian and foreign media reports
Tanks	India	20 tanks	20 tanks	20 T-90S and T-90SK (command version) main battle tanks made by UVZ under a 2006 Indian contract
	India	Not listed in the report	Not listed in the report	160 tank kits for assembly in India
	Cyprus	27 tanks	Not listed in the report	2009 Cypriot contract for 27 T-80U tanks from the Russian army surplus
	Turkmenistan	Not listed in the report	Report not submitted	6 T-90S tanks
	Venezuela	Not listed in the report	Report not submitted	35 upgraded T-72M1M tanks (out of the total of 92 for which the order was placed)
ACVs	Bangladesh	40 units	Report not submitted	The first 40 units out of the 60 BTR-80A APCs ordered by Bangladesh
	Indonesia	17 units	Report not submitted	17 BMP-3F amphibious fighting vehicles to Indonesia
	Kuwait	25 units	Report not submitted	25 BMP-3 vehicles delivered under a 2009 contract
	Libya	4 units	Report not submitted	4 BMP-3 vehicles delivered; deliveries under the contract were then interrupted owing to the outbreak of civil war in Libya
	Sudan	45 units	Report not submitted	45 BTR-80A
	Yemen	94 units	Report not submitted	94 APCs delivered under a 2009 contract for 100 BTR-80A
Artillery	Turkmenistan	8 units	Report not submitted	8 Smerch MLR systems
	India	Not listed in the report	Not listed in the report	14 Smerch MLR systems
Combat aircraft	Indonesia	3 aircraft	Report not submitted	3 Su-27SKM fighters
	Vietnam	2 aircraft	Not listed in the report	4 Su-30MK2 fighters
	India	Not listed in the report	Not listed in the report	30 Su-30MKI aircraft (including 20 finished units and 10 assembly kits)
	India	Not listed in the report	Not listed in the report	3 A-50IE AEW aircraft
	India	Not listed in the report	Not listed in the report	App. 10 MiG-29K fighters

	China	7 helicopters	Not listed in the report	3 Ka-28 anti-submarine helicopters and 4 Ka-31 AEW shipborne helicopters
	Venezuela	4 helicopters	Report not submitted	4 Mi-17V-5 transport and attack helicopters
	Brazil	6 helicopters	6 helicopters	6 Mi-35M attack helicopters
	Burma	4 helicopters	Report not submitted	4 Mi-24P helicopters from Russian army surplus
	Ethiopia	8 helicopters	Report not submitted	8 Mi-24P helicopters from Russian army surplus
	Indonesia	3 helicopters	Report not submitted	3 Mi-35P attack helicopters
	Peru	Not listed in the report	2 helicopters to Peru	2 Mi-35P attack helicopters
	Azerbaijan	Not listed in the report	Report not submitted	4 Mi-17 transport and attack helicopters
	Iraq	Not listed in the report	Report not submitted	8 Mi-171E transport helicopters
	Afghanistan	Not listed in the report	Report not submitted	10 Mi-17V5 transport and attack helicopters
	Sudan	Not listed in the report	Report not submitted	4 Mi-17 transport and attack helicopters
	Turkmenistan	Not listed in the report	Report not submitted	2 Mi-17 transport and attack helicopters
Helicopters	Poland	Not listed in the report	Not listed in the report	2 Mi-17 transport and attack helicopters
Warships and submarines	Algeria	Not listed in the report	Report not submitted	2 Project 636 diesel-electric submarines

Missiles and missile launchers, including man-portable SAM systems and excluding long-range SAM systems	Algeria	139 units	Report not submitted	RVV-AE, R-27 and R-73E air-to-air missiles, X-29 and X-59ME air-to-surface missiles for the Russian Su-30MKI(A) fighters bought by Algeria
	Brazil	110 units	110 units to Brazil	48 launchers and 62 man-portable SAM missiles (9K338 Igla-S system)
	Egypt	440 units	Report not submitted	Unknown number of Igla-S man-portable SAM missiles
	India	112 units	110 units to India	80 air-to-air missiles (presumably short-range R-73E missiles), 30 3M54E (Club system) anti-ship missiles
	Indonesia	4 units	Report not submitted	Presumably 4 missiles for Indonesian frigates
	Peru	Not listed in the report	312 units to Peru	24 9P163M-1 launchers and 288 9M133 missiles of the Kornet-E anti-tank system
	Syria	81 units	Report not submitted	Presumably 17 missiles for the Bastion-P coastal defence missile system and 64 X-31A/P air-launched anti-ship and anti-radar missiles
	Vietnam	32 units	The report lists 48 missiles, without naming the supplier country	16 missiles for the K300P Bastion-P coastal defence missile system and 16 3M24E anti-ship missiles (Uran-E system)
	UAE	Not listed in the report	Report not submitted	44 Pantsir-S1 air defence gun-missile systems
	Syria	Not listed in the report	Report not submitted	6 Pantsir-S1 air defence gun-missile systems
	Turkey	Not listed in the report	78 Kornet-E anti-tank missiles to Turkey	70-78 Kornet-E anti-tank missiles

Colour coding


- Weapons listed in both the Russian and the importer country's reports
- Weapons listed in the Russian but not the importer country's report
- Weapons listed in the importer country's but not in the Russian report
- Weapons not listed in either the Russian or the importer country's report

The following conclusions can be made from the table above:

- The Russian 2010 report to the UN Register of Conventional Arms is fairly comprehensive; it includes about 80 per cent of all known Russian weapons deliveries.
- Most of the importers of Russian weapons do not submit their country reports to the Register.
- The Russian report to the Register tends to be more detailed and comprehensive than the reports of the importer countries.
- At the same time, the Russian annual reports do not include information about the specific types and models of the weapons sold to foreign customers.
- Russian reports to the Register do not include information about repairs or upgrades of weaponry for foreign customers.

- The Russian report does not include information about deliveries of assembly kits.
- The Russian 2010 report does not include information about deliveries of transport-and-attack helicopters (they are classed as merely transports) or anti-tank missile systems (which are categorized as light weapons). In addition, the Russian report does not include SAM systems as there is no such category in the UN Register.

Another thing to note is that information about repairs and upgrades of weaponry, or about production of weapons under license, is not submitted to the Register, either. Such contracts make up a significant portion of Russian arms exports, and they are normally covered in the media. On the whole, Russian reports to the UN Register do not entirely reflect the real level of transparency of Russian arms exports. The Russian media often carry information about many weapons deals which are not included in the Register (such as repair and upgrade contracts, or production-under-license deals). Also, top managers of the Russian defence companies often speak about such contracts for advertising purposes, to attract the attention of the media and possible business partners. As a rule, the technical and financial details of these contracts are not disclosed, but the overall number of weapons systems being delivered is usually made public. As a result, the overall level of transparency of Russian arms exports can be rated as average. Russian arms trade is not quite as transparent as the arms exports and imports of the Western countries - but it is far more transparent than the weapons deals of the importer countries in Asia, Africa and Latin America.

## 2. Survey of Russian expectations and attitudes to the Arms Trade Treaty

For the purposes of this study we have conducted a series of interviews and surveys among government officials, leading experts and defense industry representatives. They were asked about Russia's position on the proposed Arms Trade Treaty (ATT), as well as their own opinions and expectations.

### 2.1 Interviews with government officials

In order to clarify the Russian position at the future UN Conference, we have conducted interviews with representatives of all three government ministries and agencies tasked with formulating the Russian stance on the ATT: the Foreign Ministry, the Defense Ministry, and the Federal Service for Military and Technical Cooperation (FSMTC).

#### *2.1.1 Interview with Anatoliy Antonov, deputy defense minister in charge of international cooperation*

Q: Dr Antonov, you have been keeping track of the ATT project from its very inception. You have led the Russian delegation at several rounds of talks to discuss the possibility of negotiating such a treaty. How did the ATT proposal and the Russian position on it evolve over time?

A: The idea of signing an international treaty was aired by the former British foreign minister Jack Straw in 2005. Later on the need to sign an international treaty regulating arms trade was formulated as a collective position of the EU countries. The distinguishing feature of the new project was the idea of including a human rights and humanitarian component into arms export controls. Of course, in that form the treaty would have looked like a poorly disguised attempt to create a useful instrument against competitors in the area of military and technical cooperation. In that form, it was not acceptable to anyone, including the leading exporters and the importers, who argued that the proposed treaty would impinge upon their right to defend themselves. That is why Russia initially took a wait-and-see stance.

But the idea did not fizzle out, and the countries which initiated the ATT managed to put it on the UN agenda. In addition, a number of events took place which had their effects on the Russian position, including the 2006 war in Lebanon, when RPG-29 anti-tank rocket-propelled grenades Russia sold to Syria ended up in the hands of Hezbollah militants. These events demonstrated that Russia lacks proper instruments to control the resale and re-exports of its weapons. Another important factor is that the United States, which initially opposed the ATT idea, has also reversed its position.

That is why Russia decided that since we cannot stop the process, we need to turn it to Russia's advantage. That is how the current Russian position on the ATT came about; the essence of it is that we want the treaty to ban the leakage of weapons from legitimate circulation to illicit trafficking. That will require improved controls over arms circulation - first and foremost, controls over what the importers do with those weapons. It is the importer countries who must improve their national practices in controlling arms circulation, because all the leading arms exporters already have stringent and effective national control systems.

Q: What types of weapons must be covered by the ATT, in Russia's opinion?

A: Russia will stick to the *Seven-Plus-One* formula. The Seven in this formula is the seven categories of the existing UN Register [of Conventional Arms]. The register is a working instrument of control; it is acceptable to everyone, and Russia has always supported that instrument. The additional eighth category is small arms and light weapons. The success of the entire ATT will depend on the inclusion of this category and on the success of the negotiations on this category. If countries cannot agree on controls over illicit circulation of small arms and light weapons, then what is the point of trying to reach an agreement on controlling the legitimate circulation of heavy weaponry? It will be pointless.

Q: Would joining such a treaty be in Russia's interests?

A: On the whole, no, it would not. What can such a treaty offer to the leading military powers such as ourselves, China or the United States? By signing such a treaty, we voluntarily impose restrictions on ourselves without getting anything in return. That is why if we are to be led by our own national interests rather than by the objective of getting the West to like us, then Russia should do what it can to get this treaty bogged down.

Q: What is your personal forecast for the ATT?

A: My forecast for the upcoming UN diplomatic conference on the ATT is that it will end without achieving any results. The treaty, i.e. the text of the proposed treaty does not yet exist, so strictly speaking, there is nothing to discuss. There is a draft proposed by the chairman of the preparatory committee - but that draft is more of a compilation of good wishes, which tend to be overly optimistic. In its current form it is not acceptable to any of the leading players. That is why for the foreseeable future, the UN Register will remain the main working instrument of international controls over arms circulation.

*2.1.2 Interview with Denis Davydov, an official with the Russian Foreign Ministry's Security and Disarmament Department, who is in charge of preparing the Russian position at the diplomatic conference on the ATT.*

Q: Mr Davydov, tell us about the progress on formulating the Russian position on the ATT at the UN diplomatic conference.

A: The standard procedure for preparing the national position at diplomatic talks is as follows. We have sent out requests for recommendations for the delegation of Russian diplomats to all the Russian government agencies which are involved in military and technical cooperation. These include the Defense Ministry, the Ministry of Economic Development, the Federal Service for Military and Technical Cooperation, and the Federal Security Service (the FSB). Based on their recommendations and on the outcomes of consultations with the diplomats of our leading military and technical cooperation partners, such as India and China, we have formulated the Russian position.

Q: Have you thought about involving the expert community and non-governmental research institutions in discussing the ATT proposals?

A: The standard procedure of formulating the national position at diplomatic talks – especially on such a sensitive issue as controls over the arms market – does not include the participation of non-governmental organizations. But let us not forget that at this moment we are merely formulating the initial position. I believe that after the diplomatic conference on the ATT in July, a broad range of experts will be able to join the discussion of the proposed treaty.

Q: What will be the Russian position on the ATT?

A: The main principle on which the Russian position is based is the principle of reasonable sufficiency. From our point of view, there is simply no point in proposing an overly optimistic draft which will not be acceptable to many countries. That is why it is necessary to formulate and adopt a document which would be acceptable to everyone. Therefore, Russia is ready to support the ATT if the treaty takes into account the interests of all states. In our view, for the treaty to be mutually acceptable, it must not include any discriminatory components aimed against individual countries. We believe that the main objective of the ATT should be the prevention of illicit transfers of weapons, and the leakage of weapons and military hardware from legitimate, state-controlled circulation to illicit circulation, with weapons falling into the hands of terrorists and criminals. To achieve that goal, we believe that all countries need to improve their military and technical cooperation practices, primarily by means of the system of national reports

about arms exports and imports. Russia has a very stringent national system of export controls; weapons and military hardware can be supplied only via state-owned and government-run organizations. If all the leading weapons exporters and exporters had an export control system such as Russia's, the problem of illicit weapons circulation would not have become so pressing.

Q: What are the types of weapons and hardware which Russia believes must be covered by the ATT?

A: We are ready to support the Seven-Plus-One formula. It includes the seven categories of the UN Register; i.e. battle tanks, armored combat vehicles (ACVs), artillery, combat aircraft, attack helicopters, warships, and missiles and missile launchers. The additional eighth category is small arms and light weapons.

Q: What about supplies of spare parts for weapons systems?

A: That can be discussed – but I believe that many importer countries will be opposed to the inclusion of this category.

Q: What are the types of services that should be covered by the ATT, in Russia's opinion? Will the list of these services include the transfer of military technologies or organizing the manufacture of weapons under foreign license?

A: The inclusion of technology transfer and production under license in the ATT is opposed by many countries, including our important military and technical cooperation partners, such as India and Indonesia. That is why there is no point insisting on that item. Once again, our main objective is to produce a mutually acceptable document. As for the inclusion of such services as repair of weapons and military hardware, or training military personnel – that can be discussed.

Q: What specific mechanisms of preventing the leakage of weapons into illicit circulation should the ATT include, in Russia's opinion?

A: First and foremost, countries must improve their national controls over weapons supplies and circulation. That can be achieved by introducing a system of national reports on arms exports and imports. Russia submits regular reports to the UN Register of Conventional Weapons; it also submits reports under the Wassenaar Arrangement. As for the mechanism of restricting supplies, the UN already has such a mechanism in the form of UN embargo, which can be imposed by the UN Security Council. Russia is a permanent member of the Security Council, and this imposes special responsibility on us. Let me emphasize that Russia and its companies have never supplied any weapons or military hardware in circumvention of UN Security Council sanctions.

Q: Some representatives of the Russian defense industry voice concerns that the ATT can be used as an instrument of competition on the arms market. What can you say to that?

A: Russia will never accept a treaty which runs counter to its national interests or derogates from the rights of our companies. We believe that fears of the ATT being used to restrict legitimate weapons supplies are groundless.

Q: There is an opinion that since Russia is a major weapons exporter, it would not be in Russian interests to sign any treaties which restrict the opportunities for weapons supplies. There is also an opinion that the diplomatic conference in New York will not be successful owing to the resistance of the importer countries.

A: As a permanent member of the UN Security Council, Russia supports all the reasonable initiatives aimed at strengthening international security. We believe that the adoption of the International Arms Trade Treaty would be very important for international security; therefore the treaty should be adopted in the UN framework. We would not want such an important initiative to leave the UN framework – as happened, for example, with the Convention on Cluster Munitions. That is why the Russian delegation will make every possible effort to make sure that the ATT is adopted. But for this to happen, there needs to be a clear and mutually acceptable document with clearly defined criteria.

*2.1.3 Interview with Vladimir Klimenko, deputy head of the export control directorate of the Federal Service for Military and Technical Cooperation.*

Q: Mr Klimenko, the Federal Service for Military and Technical Cooperation is the government agency which monitors and regulates Russian military exports, so the proposed Arms Trade Treaty falls within your remit. When did the FSMTC join the discussion on the ATT, how did its position evolve, and what is that position at this moment?

A: There is a lot of unnecessary speculation and populism around the ATT. In the West it is believed that the debate about the need for an ATT began in 1996, when a group of Nobel Prize winners proposed an international code of conduct for arms transfers. The initiative was overly radical and populist; it was doomed to fail. Others believe that the history of the ATT began when Jack Straw, a former British foreign minister, proposed a comprehensive arms trade treaty in 2005. In our opinion, a meaningful debate about the treaty began at a meeting of government experts in 2008. That is when the Russian delegation expressed its position on the ATT; that position has not changed in any serious way since then. That is why I cannot say that our position has been evolving. During the initial discussions among experts, that position was – and still is – based on three key principles.

First, we believe that as such, legitimate international circulation of weapons does not pose a threat to international security. The real security threat is illicit weapons circulation, i.e. an uncontrolled and unregulated leakage of weapons from legitimate circulation between sovereign states into illicit circulation, with weapons falling into the hands of separatists, terrorists and criminals.

The second principle is this: only the UN Security Council has the right to decide which countries are in violation of their international commitments on arms trade. The ATT must not be discriminatory; it must not divide countries into the good ones and the bad ones.

The third principle is that the ATT talks must be conducted in the UN framework, and the treaty itself must be signed by all the leading arms exporters and importers. The text of the ATT must be adopted by a consensus; it must be acceptable to everyone. We cannot allow a situation whereby the decision on adopting the ATT is made by a simple

majority. After all, most of the countries in the world have very little involvement in the international arms trade. For example, what kind of position on the ATT can we expect from those Central American countries which do not even have their own armies, let alone defense industries? This is why the key role in the discussion of the treaty should be played by the leading arms exporters and importers, which can delegate groups of government experts on military and technical cooperation. But before discussing the proposed new treaty, we need to study the regional and national practices of arms circulation controls, and to understand why those practices are not effective enough in preventing illicit circulation of weapons.

Q: What are the weapons categories the ATT should cover?

A: The most viable proposal is the Seven-Plus-One formula, i.e. the categories already covered by the UN Register, plus small arms and light weapons. But until we have reached an agreement on the objectives of the ATT, there is no point discussing the scope of the treaty.

Q: There is an opinion that the adoption of the ATT would not be in the interests of the leading arms exporters because it would restrict their freedom to export weapons. What can you say to that?

A: Russia is not only a large arms exporter – it is also a permanent member of the UN Security Council, which means special responsibility. Russia has never voted against discussing the ATT; it abstained on all three UN Resolutions concerning the treaty, i.e. Resolutions 61/89, 63/240, and 64/48. Just like every other major arms exporter, we believe that there is no place for populism when discussing this treaty. The document must have clearly defined objectives and criteria. The existing drafts go too far in shifting the responsibility for weapons supplies onto the exporting countries. But the existing national controls of the exporter countries are already far more effective than the equivalent systems of the importer countries. Russia has a stringent national system of arms export controls. It has a single state-owned intermediary company authorized to export weapons, and a single agency which monitors weapons deals. Every arms export contract must be approved by the Russian president. Under the existing Russian laws and regulations on military and technical cooperation, we have the right to send to the buyer company a team of inspectors to verify that the weapons we have sold to that country are still on that country's territory, and that they are being used for the purposes stated in the end user certificate. Other leading arms exporters, such as the United States, also have stringent export control systems.

Meanwhile, many importer countries have extremely weak national controls. We believe that at some point in the future, the ATT must standardize the national controls of arms circulation. But the importer countries ask, why? They are perfectly happy with the existing situation. It is the importer countries who will probably put up the greatest resistance to a really effective treaty. We already have a similar situation with the UN Register. We do not include some of our arms supplies in our reports to the Register because that is what the buyer countries insist on. If we reject those demands, we will simply lose their custom. If the proposed treaty includes a requirement for compulsory reporting, we will support such a clause. But we must not be the only ones to support it; it must be supported by

other countries, the exporters as well as the importers, so that nobody is left with an unfair competitive advantage.

Q: What is your opinion of the draft proposed by the chairman of the preparatory committee? Can the draft be approved in its current state?

A: The chairman's draft can be a starting point for further discussion. But it cannot be approved as it is now. Its definitions of the criteria for application, i.e. the conditions under which countries undertake not to take part in a weapons transfer, are extremely vague. Besides, it lacks a clear instrument of restricting secondary arms transfers. Such an instrument could be adopted in the form of end-user guarantees, which would be compulsory for all transfers and for all the importer countries. Russia currently requires end-user guarantees from all the countries which buy weapons from it. But many other exporters do not insist on such an end-user certificate, which gives them a competitive advantage. If introducing the requirement for end-user certificates is now only part of the declared objectives of the ATT, then what is the point of that treaty? It becomes merely a declaration of intentions.

Q: The Russian position on the ATT is that first and foremost, the treaty must be aimed at preventing illicit circulation of weapons within individual countries. Should the proposed treaty contain clauses under which weapons supply restrictions can be imposed on individual countries? What about the clauses of the ATT under which the exporter country undertakes not to supply weapons if such supplies can lead to a destabilization in the region or negatively affect the economic situation of the importer country?

A: As a permanent member of the UN Security Council, Russia abides by Article 51 of the UN Charter, which says that countries have the right to self-defense, including the right to buy weapons for defense purposes. The mechanism for restricting supplies of weapons and dual-use products already exists in the form of UN Security Council sanctions. Russia has never supplied weapons in circumvention of these sanctions. As for the clauses in the proposed ATT draft which contain an obligation not to supply weapons if such supplies can undermine regional stability, I can only reiterate my position. Such clauses in the existing ATT drafts merely shift all the responsibility onto the exporter countries.

Let us take Libya, for example. Russia was a large supplier of weapons to that country when Libya had a strong government, i.e. the Gaddafi regime. The Libyan authorities gave us end-user guarantees for all the weapons we sold them. We were confident that those weapons would remain in the hands of the Libyan army, and that they would never end up in anyone else's hands. But then the Gaddafi regime was deposed, and for several months the situation in Libya was close to anarchy. Numerous depots full of weapons, including weapons bought from Russia, are no longer under the control of the central government; they are under the control of various smaller groups, including Islamists and bandits. Who is to blame for the situation whereby all these weapons may now fall into the hands of terrorists? Are we to blame Russia, for supplying weapons to the Libyan government? Or should we rather blame those who ignited the civil war in Libya, as a result of which a strong central government has been replaced by anarchy? Or perhaps the responsibility lies with the Libyan Transitional National Council, which is not in control of large portions of the country's territory?

Q: What could be the consequences of signing the ATT for Russia's military and technical cooperation with other countries? Do you share the pessimism of many Russian defense industry representatives who believe that the treaty would limit their access to several markets?

A: If the other participants of the diplomatic conference agree with the Russian position, then the main objective of the ATT will be to halt the leakage of weapons from legitimate circulation to illicit circulation. In that case the treaty will not affect the scale of Russian military and technical cooperation with other countries in any significant way. Our key defense customers are responsible and stable sovereign states. As for fears among defense industry representatives that the treaty will limit their access to various markets, any such limitations are unlikely to be significant. On the whole, however, the negative attitude to the proposed ATT in the defense industry is understandable; for that industry this is a restricting document, so it is hard to imagine the defense industry of any country welcoming the ATT.

Q: But Britain has said that its defense industry supports the idea of signing the ATT?

A: The ATT idea supported by the British defense industry is very different from the ATT which the British Foreign and Commonwealth Office has in mind. The British defense industry has backed the idea of harmonizing the national legislations on arms trade. They believe that such harmonization would make it easier to set up joint ventures in the defense sector, and to operate in other countries.

Q: Many Russian defense industry representatives are not very well informed about the progress of the talks on the ATT. Has the FSMTC thought about keeping our leading defense companies in the loop?

A: You know, for now the proposed ATT does not have any direct bearing on the defense companies. In any event, even if and when the ATT is signed, these companies will not have to deal directly with international legislation on military and technical cooperation - they will have to deal with Russian legislation, which will be amended in accordance with any new commitments undertaken by Russia. Speaking of export contracts, they will be supervised and regulated by us, i.e. by the FSMTC; the Russian suppliers will be dealing with us and with the state-owned intermediary. Also, the ATT is still quite a long way off from being signed. I think that is the reason why the defense companies are not well-informed about the progress of the ATT talks. If and when we have the agreed text of the treaty, the mass media will report it, and everyone will be able to see that text for themselves.

Q: It is thought that on the whole, the adoption of the ATT would not be in the interests of the exporter countries. What are the possible benefits of the ATT for Russia, in your opinion?

A: We believe that the greater transparency of the global arms market resulting from the adoption of the ATT would strengthen international security as a whole, and Russian national security in particular. We would also like the adoption of the ATT to give us more powerful instruments to protect our intellectual property in the area of weapons design. Many countries, including China and some Eastern European nations, are simply copying Russian and Soviet-designed weaponry without any permission or license.

Q: What is your forecast for the ATT in the near time frame? Will the treaty be signed any time soon?

A: We believe that the signing of the ATT in the near future is unlikely. In our opinion, many countries are not yet prepared to discuss the substantive part of the treaty. First and foremost, the importer countries are not ready for that.

## *2.2 Survey among the expert community*

In Russia the proposed ATT is very low on the agenda of the expert and academic community. Many prominent experts on international relations we have approached for comments declined to do so, saying that they are not sufficiently familiar with the subject. There are also very few research papers in this field; we have found published Russian-language articles on the ATT by only two experts: Vadim Kozyulin, a professor at the Academy of Military Sciences and fellow of the Russian Center for Policy Studies, and Natalya Kalinina, senior research fellow at the Institute of World Economy and International Relations. Both agreed to answer our questions.

Q: Are you aware of the ATT proposal and debate? Do you think there is enough information about that debate?

Vadim Kozyulin, Russian Center for Policy Studies: I am one of the very few Russian specialists who have been keeping track of the ATT initiative since 2005. There is a broad international debate on the subject, but in Russia only a few specialists know about these proposals. Most of the people working for companies in the field have never heard of the ATT, and have no idea what it is. So clearly there is not enough information on the subject.

Nataliya Kalinina, Institute of World Economy and International Relations: In Russia, only a few specialists know about the ATT proposal. There is no debate on the subject of Russia joining the ATT among the expert community. Essentially, the Foreign Ministry and the FSMTC are making their own decisions on the subject, without involving or informing anyone else.

Q: Are you aware of the official Russian position on the ATT?

Kozyulin: I have a pretty good idea of the official Russian position. It has remained essentially unchanged for the past several years. On the whole, Russia has adopted a skeptical, wait-and-see approach.

Kalinina: I am aware of the official Russian position, even though neither the Foreign Ministry nor the FSMTC has made any official announcements on the subject. It is a cautious and skeptical position, which is perhaps only natural for a country which is a major arms exporter.

Q: Do you agree with Russia's official position on the ATT?

Kozyulin: The Russian interests in the area of arms exports are mainly economic – in other words, Russia is interested mainly in making a profit. Such a position can be described as opportunistic. It ignores the existing international situation; it ignores such

things as human rights and the country's reputation on the international arena. This is why I do not agree with that position.

Kalinina: The current Russian position is, first and foremost, the position of an arms exporter which wants to continue making a profit and to hold on to its markets. Such a position does not offer Russia any advantages in terms of improving its international reputation or strengthening its own security.

Q: If you believe that Russia should join the ATT, then to what extent do you think Russia should support the treaty? Should it back a broader scope of the treaty (i.e. the inclusion into that scope of small arms, ammunition, spare parts, intermediary services, weapons production under license, personnel training, etc.) – or should it back a version of the treaty limited to the categories already covered by the UN Register of Conventional Arms - i.e. battle tanks, armored combat vehicles, artillery, combat aircraft, attack helicopters, warships, and missiles and missile launchers – with only direct supplies of finished systems covered by the treaty?

Kozyulin: I don't think this is a decisive issue. But on the whole, I support gradually increasing transparency in the arms trade.

Kalinina: The exact list of weapons systems covered by the proposed treaty is not really a crucial issue. The existing Seven-Plus-One formula (i.e. the UN Register of Conventional Arms, plus small arms and light weapons) could be entirely adequate. A far more important issue is the list of services to be covered by the treaty. I think it is very important for the ATT to cover the services of brokers and intermediaries - otherwise the treaty will have numerous loopholes. Speaking of the draft of the ATT proposed by the chairman of the preparatory committee, I think it lacks a very important definition: that of "destabilizing accumulation of weapons". In addition, the treaty should emphasize the particular destabilizing potential of some individual weapons systems, primarily man-portable SAM systems. Realistically, however, none of this will make it into the final text of the treaty owing to the opposition of exporters as well as importers. As a result, we are going to end up with a weak and toothless treaty, which does not impose any binding commitments on anyone.

Q: Do you think it would be in Russia's interests to join the treaty?

A: Kozyulin: Joining the ATT could result in some economic losses for Russia - but they would not be significant, and they would be made up for by Russia's improved reputation on the international arena. In the long run, Russia could even reap economic dividends if it learns how to use the treaty against those who violate it.

Kalinina: Given the low practical value of the treaty in the form in which it will likely be signed, and given its non-binding nature, I don't think that joining it or not joining will make much difference either way.

Q: Do you think that on the whole, joining the ATT would affect Russia's military and technical cooperation with foreign states?

Kozyulin: On the whole, joining the ATT would not have any major effects on Russia's military and technical cooperation with foreign countries, because the proposed treaty does not contain any direct restriction mechanisms other than those which already exist.

New restrictions on military and technical cooperation could appear at some later stages in the evolution of the treaty.

Kalinina: Given the weakness of the treaty, no, there will be no effects.

Q: Do you believe that the ATT can be used as an instrument of gaining competitive advantage in the arms trade?

Kozyulin: The ATT will inevitably be used as a platform for criticisms and discussions, so in a certain sense it can be viewed as an instrument of competition. In practice, however, the party which voices the criticisms will not be able to seize the market in question, i.e. it will not be able to use the ATT to win a market from some foreign competitor. So this danger seems completely overblown to me.

Kalinina: Once again, given the weakness of the treaty and its non-binding nature, I don't think anyone will be able to use it as an instrument of competition. That would require some restrictive mechanisms in the treaty, and there will be no such mechanisms. That is why the Russian defense companies have nothing to worry about. Russia's accession to the WTO is a far greater threat to them.

Q: What mechanisms of preventing the violations of the ATT do you think would be effective?

Kozyulin: Discussing contentious situations in two stages: first, at the bilateral level, between the initiator of the query and the party being queried. If that first stage fails to produce the desired result, the situation should be escalated to the international level and involve inspections.

Kalinina: There needs to be a clear and transparent mechanism of verification so as to ascertain the accuracy of the country reports on weapons transfers. That, however, would require a UN inspections mechanism.

Q: Do you believe that the adoption of the ATT would contribute to international security and stability? Can the ATT become an effective UN instrument?

Kozyulin: I don't think that it is possible any time soon. Too many parties have no interest in creating such an instrument. This is why I expect that the treaty which will eventually be signed will be weak. However, such a treaty would create a platform for discussion and open up the prospect of establishing more effective instruments in the future.

Kalinina: This is possible only in a fairly distant future, provided that the treaty evolves and acquires clear criteria and enforcement mechanisms.

### **2.3 Survey of Russia's leading defense companies**

As part of our study we have conducted a survey among the representatives of Russia's biggest defense companies, the leaders in their respective segments of the industry. We asked them whether they are aware of the ATT proposals, and what they think about them. Representatives of the following companies took part in our survey:

1. United Aircraft Corporation (OAK), the Russian aerospace giant which controls the key Russian assets in this industry, both in the military and civilian segment. One of its main export programs is exports of the Su-30MK fighter jets to India, China, Vietnam, Indonesia, Malaysia and Venezuela.
2. MiG corporation, one of Russia's leading designers and makers of combat aircraft. Its main export programs include exports of MiG-29 fighters to India, Burma and Sudan, as well as the repair and maintenance of the huge fleet of various MiG aircraft supplied over the years to many foreign countries.
3. United Shipbuilding Corporation (OSK), a state-owned holding company which controls the greater part of the Russian military shipbuilding assets, including the construction of submarines. Its key export programs include the exports of Project 1135.6 frigates to India; corvettes to Vietnam; and Project 636 submarines, also to Vietnam.
4. Russian Helicopters (Vertolety Rossii), the Russian state-owned holding company which controls all the Russian helicopter industry assets. Its main export programs include exports of the Mi-35 attack helicopters (the export version of the Mi-24) to Venezuela, Indonesia, Burma and Peru; Mi-17 multirole helicopters to India, China, Peru and many other countries; and repairs and upgrades of the existing fleet of Mi helicopters.
5. Tactical Missiles Corporation (KTRV) – the corporation controls the Russian makers of all types of guided missile weaponry, except for strategic ballistic missiles. Its main export programs include: exports of guided missiles for Russian-made fighter jets bought by China, India, Malaysia, Indonesia, Vietnam and Venezuela; sea-launched missiles to China and Vietnam; and the PJ-10 BrahMos anti-ship missile, a joint project with India.
6. Almaz-Antey Air Defense Concern, the leading Russian designer and maker of air defense systems. Its main export programs include: exports of the S-300 long-range SAM systems to China and Azerbaijan; exports of the Tor-M1 and Tor-M2 short-range SAM systems to China, Venezuela, Belarus, Cyprus, Iran and Greece; and service and maintenance of the existing fleet of Soviet air defense weaponry sold to foreign countries.
7. Uralvagonzavod (UVZ), the leading Russian maker of tanks and other heavy armor. Its main export program is the T-90S tanks sold to India, Algeria and Uganda, as well as exports of tank support fighting vehicles to Kazakhstan.
8. Machinery Research and Production Institute, the leading Russian designer and maker of artillery munitions, including ammunition for tanks, as well as for ground and naval artillery. Its main export programs include exports of artillery ammunition for the T-90S tanks sold to India; and ammunition for the naval artillery systems used on Russian-made ships in service with the world's navies.
9. Bazalt, a leading Russian maker of free-falling bombs, mortar rounds of all types and calibers, hand-held anti-tank rocket-propelled grenades, and hand grenades. Its main exports include hand-held anti-tank RPGs and rounds for them sold to many foreign countries, including Syria, Venezuela and Jordan.

10. Military-Industrial Company (Voenno-Promyshlennaya Kompaniya, VPK), a large maker of light armor. It controls the Arzamas Machinery Plant, Russia's leading maker of wheeled armored vehicles, which has sold its BTR-80A vehicles to several foreign countries, including Venezuela and Indonesia.

Questions of the survey were answered by these companies' senior managers, press secretaries and heads of marketing departments. Most of the participants agreed to take part in the poll on the condition of anonymity.

Question 1. Are you aware of the ATT proposal and the ongoing ATT debate? Do you think there is enough information about this debate?

Answers:

A: We are aware of the proposed ATT, and there is sufficient information about it - zero answers received

B: We are aware of the proposed ATT, but there is not enough information about it – 10 answers received

C: We are not aware of the proposed ATT – zero answers received

Question 2. Are you aware of Russia's official position regarding the ATT?

A: We are well informed about the Russian position on the ATT – 3 answers received

B: We have an approximate idea of Russia's position on the ATT – 7 answers received

C: We are not aware of Russia's position on the ATT - zero answers received

Most of the respondents are aware that on the whole, Russia supports the ATT, but they are not familiar with the details of the Russian position.

Question 3. Do you support Russia's official position on the ATT?

A: Completely support – 8 answers

B: Partially support – 2 answers

C: Do not support – zero answers

Question 4. If you think Russia should join the ATT, then to what extent should Russia support the treaty? Should Russia back the broader scope of the treaty (i.e. the inclusion into that scope of small arms, ammunition, spare parts, intermediary services, weapons production under license, personnel training, etc.) – or should it back a version of the treaty limited to the categories already covered by the UN Register of Conventional Arms - i.e. battle tanks, armored combat vehicles, artillery, combat aircraft, attack helicopters, warships and submarines, and missiles and missile launchers – with only direct supplies of finished systems covered by the treaty?

A: The scope of the treaty should be limited to the categories covered by the UN Register (7 categories) – 2 answers

B: The scope should include the categories covered by the UN Register, plus small arms and light weapons (SALW) – 8 answers

C: The list of weapons categories covered by the ATT should be broadened even further - zero answers

Question 5. Do you believe that on the whole, joining the ATT would be in Russia's interests?

A: It would be absolutely in Russia's interests – zero answers

B: On balance, it would probably be in Russia's interests – 4 answers

C: On balance, it probably would not be in Russia's interests – 5 answers

D: It would be absolutely against Russia's interests – 1 answer

The majority of the respondents said that they saw no benefits for Russia from joining the treaty. The rest said that Russia might benefit from the reduction in illicit circulation of weapons and the elimination of the grey market.

Question 6. Do you believe that if Russia signs the ATT, it would affect our country's military and technical cooperation with foreign countries in general?

A: No, it would not have any effects - 6 answers

B: It is unlikely to have any effects – 3 answers

C: It would have negative effects, because Russia would lose some of its markets – 1 answer

Question 7. Do you believe that the ATT can be used to gain a competitive advantage in the arms trade?

A: It can and will be used as an instrument of competition – 2 answers

B: It can be used, but not against Russian companies – 2 answers

C: Attempts will be made to use it in such a way, but without any success – 5 answers

D: No, it cannot – 1 answer

Most of the respondents said that in their opinion, the treaty was conceived by the Western countries as an instrument of gaining competitive advantage on the arms market, but in practice it will not become such an instrument owing to the opposition of the leading arms exporters as well as importers.

Question 8. Do you believe that the ATT would strengthen international security and stability? Can the ATT become an effective UN instrument?

A: Absolutely yes – 0 answers

B: Probably yes – 3 answers

C: Probably no – 6 answers

D: Absolutely not – 1 answer

Most of the respondents were skeptical about the ATT's ability to strengthen international security and stability.

## 3. Conclusions and recommendations

### 3.1 Russia's official position on the ATT

Based on interviews with representatives of the Russian Foreign Ministry and the two other agencies involved in the formulation of the Russian position on the ATT – the Defense Ministry and the FSMTC – we have arrived at the following conclusions:

- On the whole, Russia is not opposed to the ATT. What is more, the Russian Foreign Ministry is prepared to make efforts in order to achieve the signing of a comprehensive treaty involving as many UN members as possible. This is explained by Russian concerns that if the ATT talks in the UN framework fail, the initiative will continue outside the UN; it will become an initiative on an individual group of countries, just as it happened with the Inhumane Weapons Convention or the Convention on Cluster Munitions. In the Russian Foreign Ministry's opinion, that would undermine the prestige of the UN, and lead to reputational losses for Russia, which is a permanent member of the UN Security Council. Also, Russia expects that the adoption of the ATT will give Russian companies additional instruments to protect their intellectual property rights in weapons design. However, in Russia's opinion, the treaty must meet the following criteria if it is to be signed:
- Most importantly, Russia believes that the objective of the ATT should be to prevent the leakage of weapons from controlled and legitimate circulation between sovereign states into uncontrolled and illicit circulation, with weapons falling into the hands of separatists, terrorists and criminal groups. This position of principle was reiterated by representatives of the Foreign Ministry, the Defense Ministry, and the FSMTC.
- Russia believes that that main mechanism of preventing the leakage of weapons from legitimate circulation to illicit circulation is to improve and harmonize the national export and import control systems. Several people we spoke to stressed that the most pressing task is to improve the national control systems of the importer nations, because the export controls of the leading arms exporters are already quite effective. Russia is ready to propose the inclusion in the ATT of a clause stipulating state monopoly on arms exports and imports; in Russia itself such monopoly already exists.
- The government representatives we spoke to also highlighted the need for a system of end-user guarantees given by the importer countries. They said that this would be an important instrument of preventing the leakage of weapons into illicit circulation. In the opinion of the FSMTC representative, this instrument is indispensable for the effectiveness of the entire ATT.

- Government representatives were extremely skeptical about the idea of the exporter countries being required to take into account the possible negative consequences of arms supplies for regional security, the economic situation in the importer country and corruption implications. They said that it would be impossible to arrive at a set of clear criteria for such assessments, so adding such clauses to the ATT would be unacceptable.
- In terms of the weapons categories to be included in the scope of the ATT, Russia is prepared to back the Seven-Plus-One formula. i.e. the seven weapons categories covered by the UN Register of Conventional Arms, plus small arms and light weapons. The inclusion of ammunition and spare parts can be discussed, but Russia believes that too many importer countries would be opposed to that. Russia is against the inclusion of dual-use products and technologies in the scope of the ATT.
- In terms of the services to be included in the scope of the ATT, Russia is absolutely prepared to support the inclusion of direct supplies of finished weapons systems, i.e. sales (including credit-financed), leasing, and transfer free of charge. As for the inclusion of the services of intermediaries, Russia is prepared to discuss this. However, Russia is opposed to the inclusion in the scope of the ATT of the transfer of weapons production technologies and of production-under-license arrangements. The latter point reflects the position of Russia's leading defense customers, especially India and Indonesia.
- Russia is ready to back measures to improve the transparency of arms supplies. Officials we spoke to said that the Russian reports to the UN Register do not include some conventional weapons transfers to other countries because that is what the customers demand. If the leading arms exporters and importers agree to make full reporting compulsory as part of the ATT, Russia will support such a decision.
- Despite their generally positive attitude to the ATT, many of the people we spoke to, including MoD and FSMTC representatives, expressed their doubts that the treaty will be signed any time soon. They believe that the main obstacle will be the opposition of the arms importers, rather than the position of Russia or other arms exporters.

### **3.2 Possible consequences of the adoption of the ATT for military and technical cooperation with foreign countries**

- Our assessment of the consequences of the ATT being adopted for Russia's military and technical cooperation with other countries is based on the assumption that the text of the treaty will be approximately in line with the current position of the Russian Foreign Ministry - in other words, that it will be aimed primarily at preventing the leakage of weapons into illicit circulation. We believe it is highly unlikely that the future treaty will contain any significant steps towards preventing arms exports to countries which violate humanitarian principles, or proscribing arms sales which can undermine the social and economic situation in the importer country. Several EU countries insist on such

clauses, but they would meet too much opposition from the leading exporters as well as importers.

- At this time, Russia's main defense customers are large and stable countries such as India, China, Vietnam and Indonesia. Arms exports to these countries will not be affected in any significant way by the ATT, so there is no danger of Russia losing these markets just because of the adoption of the ATT.
- As for the countries branded by the West as rogue states, the likelihood of the loss of these markets as a result of the adoption of the ATT is significant - but it would be relatively painless for Russia because Russian arms sales to these countries are small.
- At present there are no arms export contracts in the Russian portfolio which would be clearly affected by the adoption of the ATT. Russia sells its weapons neither to non-state actors, nor to the regimes or countries which commit serious violations of international humanitarian legislation, acts of genocide, etc. Besides, Russia has never supplied weapons or military hardware in circumvention of UN Security Council sanctions.
- Based on all of the above, it is safe to say that if the final text of the ATT is more or less in line with the Russian position, the treaty will not cause any significant financial damage to Russia's arms trade with other countries. Russia can easily afford the loss of the markets of the co-called rogue states.
- It is also highly unlikely that the adoption of the ATT would affect the Russian arms imports.
- The adoption of the ATT would increase the transparency of Russian arms transfers, but it will not have any significant effects on the progress or volume of these transfers.

### **3.3. Awareness of the ATT in Russia and expectations from the signing of the treaty**

- All the experts we have spoken to, as well as representatives of the Russian defense industry, said that there is not enough information in Russia about the ATT proposal and debate

That opinion is borne out by our review of Russian-language publications on the subject of ATT. Apart from several news items about the meetings of the ATT preparatory committee, we have been able to find only three short reviews of the progress of the ATT debate:

Natalya Kalinina, Vadim Kozyulin. The Arms Trade Treaty: Making the Guns Fall Silent // Indeks Bezopasnosti (Security Index), No 3, 2010

Natalya Kalinina, "Prospects of the ATT", a chapter in the book "Russia's Military and Technical Cooperation with Foreign Countries: Basics, Problems, Prospects", 2010

"New Trends: the International Arms Trade Treaty", a chapter in a collection

of reference and training materials for FSMTC staff entitled “Export Controls of Military Hardware Sales”, 2010

This shows that there are very few Russian-language publications on the subject of the ATT. For example, there are a lot more published papers on Russia’s decision not to join the Inhumane Weapons Convention or the Convention on Cluster Munitions. Another indication of insufficient awareness of the ATT in Russia is that many defense industry representatives have very little knowledge of the details of the proposed treaty or Russia’s official stance on the issue. Also, several prominent Russian experts on international relations and arms exports declined our invitation to take part in our survey, citing their insufficient knowledge of the subject. Finally, many of the representatives of the leading Russian defense companies agreed to take part in the survey only after we had given them some time to study the subject.

- Most of the defense industry representatives we have spoken to supported the Russian position on the ATT. However, representatives of the expert community argued that the Russian position takes only the defense industry’s commercial interests into account, ignoring the country’s image and international reputation.
- Defense industry representatives and members of the expert community agreed that the ATT will not have any significant effects on Russia’s military and technical cooperation with foreign countries.
- Most of the Russian defense industry representatives and members of the expert community agreed that attempts to use the ATT to gain a competitive advantage will be made, but to no great affect.
- Most of the people we have spoken to also agreed that the ATT will not play any significant role in strengthening international security. At the same time, most of them spoke positively about the idea itself. Their skepticism is caused mainly by the need to agree the text of the treaty with too many participants.

### **3.4 Recommendations**

- There is very little information in Russia about the ATT debate. This creates fertile ground for various unfounded speculations and negative attitudes to the ATT. Many in Russia view the ATT initiative as an attempt by the West to restrict Russian arms exports and as an instrument of gaining competitive advantage in the arms trade. This is why we recommend a series of publications about the ATT in the Russian media to help achieve greater awareness of the objectives and goals of the treaty, and to demonstrate that the initiative is not aimed against Russia. It could also make sense to hold a regional workshop in Russia on the subject of the ATT for members of the expert community and defense industry representatives. That would help to overcome the negative attitude and skepticism about the treaty.
- As for the ATT itself, Russia is prepared to support the treaty if its conditions are met. To ensure Russia’s backing, EU countries need to drop the clauses which require taking into account the human rights situation in the importer country, the potential threat of weapons supplies to regional security and



economic situation in the importer country and the corruption potential of such weapons deals. On the whole, Russia is ready to accept the other key principles of the ATT, including the principle of responsibility of the states, the principle of transparency, and comprehensive controls. Russia is a key global arms exporter, so by winning its support at the upcoming talks, the initiators of the ATT could make significant progress towards the adoption of the treaty.

# UNIDIR RESOURCES

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The United Nations Institute for Disarmament Research (UNIDIR)—an autonomous institute within the United Nations—conducts research on disarmament and security. UNIDIR is based in Geneva, Switzerland, the centre for bilateral and multilateral disarmament and non-proliferation negotiations, and home of the Conference on Disarmament. The Institute explores current issues pertaining to the variety of existing and future armaments, as well as global diplomacy and local tensions and conflicts. Working with researchers, diplomats, government officials, NGOs and other institutions since 1980, UNIDIR acts as a bridge between the research community and governments. UNIDIR's activities are funded by contributions from governments and donor foundations.