
Rosoboronexport, Spearhead of the Russian Arms Industry



Louis-Marie Clouet

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Summary

Rosoboronexport, a federal state unitary enterprise, is at the heart of Russian political power: it is the key pivot of the arms exports policy and of the ongoing consolidations of the Russian military-industrial complex (MIC). On behalf of its Director Sergey Chemezov, a close relation of President Vladimir Putin, Rosoboronexport has become the driving force for the renewal of Russia's military-technical policy, as it benefits from a quasi monopoly on arms exports. Through Rosoboronexport, the Russian state is seeking to modernize the Russian MIC—token of the country's power and influence on the international scene. In order to ensure the long-term success of its takeover operations of Russian industrial companies, Rosoboronoexport now needs to complete its transformation into an industrial holding company and strengthen its privileged position beyond the next Russian presidential elections to be held in 2008.

Rosoboronexport, Pivot of Russian Arms Exports

Perceiving it to be both an instrument of diplomatic leverage abroad and a vector of economic growth domestically, President Putin has placed the arms industry at the heart of Russian power. The arms export monopoly, Rosoboronexport (ROE), has become one of the key instruments of Russian foreign policy, which combines debt-reduction, hydrocarbons and arms. Since 2002 ROE has become an industrial holding company pivotal for the sectorial reorganizations undergone by the arms industry and, as such, has seized back control over industries deemed to be strategic. Chemezov's strategy raises the same issues as those characteristic of Russian re-nationalizations: Kremlin-ROE relations, individual ambition and enrichment and procedural opacity.

The System of Russian Military-Technical Cooperation

Russian arms exports have grown steadily since 1998: from less than US\$ 2 billion in 1998, they are expected to reach US\$ 7 billion in 2007. According to President Putin, Russia's order book totaled US\$ 30 billion in March 2007, pending contracts included.¹ In 2006, arms export deliveries reached a record US\$ 6.5 billion, placing Russia at the second rank of world arms exporters behind the United States. In 2004, the top twenty Russian arms companies' revenue depended on average over 70% on exports.²

The choice of centralization in terms of decision-making stemmed from the chaotic organization of the Russian arms trade in the 1990s along with the internecine competition between Russian companies and state agencies. Soon after he had been appointed Prime Minister on August 1999, Vladimir Putin chose someone close to him, Sergey Chemezov,³ to head Promexport, and subsequently ROE—the sole state agency born of

Translated from French by Jessica Allevione.

¹ "Russian Arms Exports Break a Record in 2006 (Putin)", *RIA Novosti*, 20 March 2007, <<http://fr.rian.ru/business/20070320/62298419.html>>.

² Estimations by the Center for Analyses of Strategies and Technologies (CAST) in Moscow.

³ See his biography in annex I.

the Rosvooruzhenie and Promexport's merger.⁴ Set up in November 2000, ROE has the status of federal state unitary enterprise whose capital belongs entirely to the Federal State. It is in keeping with a renewed system for the control and promotion of arms exports, which includes:⁵

- the Commission for Military-Technical Cooperation, a steering body presided by the Russian President.⁶ ROE's director is automatically member of this committee and may intervene in order to influence its decisions.

- the Federal Service of Military-Technical Cooperation (FSMTC), headed by Mikhail Dmitriev,⁷ is in charge of controlling and issuing export licenses. Administratively, it is an offshoot of the Ministry of Defense, but is accountable directly to the President. It enforces the Commission's decisions in military-technical cooperation policy.

- ROE, the state enterprise in charge of prospecting, negotiating, finalizing and executing arms sales contracts.

Officially, the right to export depends on the FSMTC, which is situated in the same buildings as ROE. In theory, therefore, the former may take back the latter's export license. Yet it requires a presidential decree to appoint and dismiss ROE's Director General. The current General Director, Sergey Chemezov, has direct access to President Putin, and makes use of it at will: unable to obtain the revocation of KBP Tula's license directly from FSMTC, for example, he simply asked Putin that the exportation of the Tunguska-M1 anti-aircraft defense systems be taken away from KBP Tula and come under Rosoboronexport's direct control.

The ultimate goal of Chemezov's strategy to gain power—complete monopoly on arms exports—was reached only recently through a presidential decree signed during a closed session of the commission on military-technical cooperation in December 2006 (which came into force in March 2007). Until recently, President Putin even opposed this idea.⁸ Henceforth, ROE controls the totality of exports financial resources, which effectively grants it a right of “life and death” over Russian MIC companies,

⁴ Promexport was the state agency in charge of selling the Russian Ministry of Defense military surplus. F. Daucé, “Luttes politiques autour des ventes d'armes russes. Vie et mort de Rosvooroujenie” [Political Struggles Surrounding Russian Arms Sales. Rosvooroujenie's Rise and Fall], *Le Courrier des pays de l'Est*, January 2001, No. 1011, p. 71-72.

⁵ See annex II.

⁶ In 2006, were sitting on this Commission Prime Minister M. Fradkov, Head of the Russian Industry Agency Rosprom B. Aleshin, Director of FSMTC M. Dmitriev, Defense Minister Sergey Ivanov (replaced by A. Serdiukov in March 2007), Security Council Secretary Sergey Ivanov, Minister for Foreign Affairs S. Lavrov, FSB (Federal Security Service) Director Nikolay Patrushev, Chief of Staff D. Medvedev, Minister of Finance A. Koudrin, Minister of Energie and Industry V. Khristenko, Presidential Chief of Staff S. Sobianin, Aide to the President and foreign policy and international relations Advisor S. Prikhodko and Rosoboronexport Director General S. Chemezov.

⁷ See his biography in annex I.

⁸ “Sergey Chemezov Scores a Monopoly”, *Kommersant*, 15 December 2006, available at: <www.kommersant.com/p730496/r_1/Rosoboronoexport_Arms_Exporter/>.

in the absence of any procurement budget for the armed forces' equipment.⁹

There are approximately 1,500 people working for ROE, compared to only 250 for the FSMTC, predominantly former members of the KGB and security services.¹⁰ In fact, the whole chain of decision-making regarding arms export policy is under the *siloviki's* control.

Aside from some companies granted a partial license to export spare parts within the framework of important already signed contracts,¹¹ ROE enjoys exceptional weight and influence through its control of information, trade know-how (with 43 representative offices abroad in 2006) and legal responsibility over export contracts. But ROE remains an opaque entity closed-in on itself, and which does not publish its accounts. Each year, the amount of Russian exports is subject to contradictory statements by FSMTC and ROE officials: thus, between November 2005 and February 2006, the total amount of Russian arms exports for 2005 changes from US\$ 5.1 billion to US\$ 6.1 billion, without any clear explanation.¹²

“Commercial Pragmatism” and Political Constraints

According to Alexander Denisov, Deputy Director of the FSMTC, the Russian arms exports policy appeals to “commercial pragmatism”: Russia sees fit to export to any nation not under a United Nation embargo. Nevertheless, political factors are increasingly weighing on this policy, as the recent arms sales to Iran or Venezuela exemplify. The Russian state strongly supports those arms exports: according to the CAST, these would constitute 60% of the total amount of subsidies for exports.¹³

The stake for ROE is to free itself from the Chinese and Indian markets “ghetto”, which has accounted for 70% of Russian arms exports in recent years. Russia is not ready to fulfil the Chinese and Indian's growing demand for more modern equipment or technological transfers. The Indian and Chinese markets are currently saturated, which is highly threatening to the Russian aeronautics industry, since fighter planes still represented

⁹ This situation might change in the coming years along with an increase in the Russian defense budget.

¹⁰ S. Blank, *Rosoboroneksport: Arms Sales and the Structure of Russian Defense Industry*, Strategic Studies Institute, 2007, 108 p., available at: <www.strategicstudiesinstitute.army.mil/pdf/PUB749.pdf>.

¹¹ These authorizations were delivered in particular to the Sukhoi aircraft corporation and the MMPP-Salyut engines factory to guarantee the after-sale service of Su-27 and Su-30 fighter planes sales contracts to China.

¹² K. Lantratov, “1 billion in 4 days”, *Kommersant*, 23 February 2006, available at: <www.kommersant.com/p651264/r_36/1_Billion_in_4_Days/>.

¹³ Interview at the CAST in Moscow, September 2006.

49.9 % of total Russian arms exports in 2006.¹⁴ More and more, India has been calling for tenders—at the expense of mutual agreements. In the framework of a call for tenders to purchase 126 fighter planes, estimated at US\$ 5 billion, the MiG-35 must now compete with the Eurofighter, the Gripen, the American F-16 and F-18. Russia fears a rapprochement between India and the United States that could close off its access to the Indian arms market.

ROE's executives have clearly manifested their desire to be present in the arms markets where Russia has until now been absent. Southeast Asia, the Middle East and Latin America. Venezuela, Iran and Algeria are three recent customers with important financial resources generated by their oil and gas income.

The Algerian contract signed in March 2006 illustrates the efficient combination of the three levers of Russian foreign policy: arms sales, oil and gas agreements, and debt relief.¹⁵ By writing off the Algerian debt Russia gained the right for its oil and gas companies to participate in Algerian hydrocarbons exploitation. Algeria will immediately transfer this sector's earnings to the UAC (United Aircraft Corporation; also known under its Russian acronym, OAK), in order to pay for the fighter planes they purchased. The UAC would thereby benefit from a regular income during the whole contract term until 2010.¹⁶ Such an arms-hydrocarbons combination would also be applied to the contracts signed with Venezuela and to those still being negotiated with Libya.

Russian exports are heavily contingent upon American foreign policy. On the one side, Russia profits from nearly captive markets: its main customers are countries that cannot or do not want to buy American or European equipment. Nevertheless, the recent Russian exports to Syria, Iran and Venezuela are increasingly irking the American administration. On 28 July 2006, the American State Department declared a boycott of ROE and the aircraft group Sukhoi in retaliation for the fighter planes sales agreement with Venezuela, signed in July 2006 during Hugo Chavez's visit to Moscow. The sanctions against Sukhoi were lifted at the beginning of January 2007, but those against ROE were maintained and even extended to KBP Tula and KB Mashinostroenie.¹⁷

¹⁴ "Russia's Military Exports Reach Record-high Level in 2006", ITAR-TASS, 20 February 2007.

¹⁵ "L'Algérie pourrait reprendre à l'Inde et la Chine leur statut de premiers acheteurs d'armements russes", [Algeria Could Become the First Customer of Russian Arms before India and China], *RIA Novosti*, 3 April 2007, available at: <fr.rian.ru/russia/-20070403/63034768.html>.

¹⁶ See for example: V. Litovkin, "Outside View: Russia's Algeria Arms Deal", *UPI Outside View*, 14 March 2006, <www.upi.com/SecurityTerrorism/view.php?StoryID=20060314-010605-5200r>.

¹⁷ Sukhoi fears for its supply of spare parts coming from the US; ROE's bank accounts in the US have even been blocked. See "Washington confirme l'introduction de sanctions contre trois entreprises d'armement russes" [Washington Confirms Sanctions Against Three Russian Arms Companies], *RIA Novosti*, 5 January 2007, <http://fr.rian.ru/world/20070105/58510107.html>.

ROE, Core of Industrial Reorganizations

Kremlin's Privileged Instrument

The Kremlin's industrial arms policy aims to build up a three levels system:¹⁸

- At the top, the Military-Industrial Commission, chaired by Sergey Ivanov, First Deputy Prime Minister in charge of industry and innovation, the main ministries, of which the Federal Agency on Industry and ROE;

- At the intermediate level, big sectorial holding companies, whose capital is mostly state-owned and closed to foreign investors;

- At the last level, arms manufacturers, merged into a holding company, more broadly open to private capital and to foreign investors up to 50%, or more with the specific authorization from the Russian President.¹⁹

In ROE, the Kremlin has found a catalyst of its sectorial concentrations—due to the financial resources stemming from exports as well as the executives' own skills—and an efficient tool for gaining back control over privatized companies considered to be strategic. ROE may act by acquiring stakes, appointing its managers to executive boards and boards of directors, etc.

This “infiltration” serves ROE's interest in many ways. Through it, ROE has gained the means to oversee export contract implementation and product quality, to invest exports proceeds to modernize the most performing companies, to secure an industrial sector strong enough to cut dependency on exports and increase its influence on the Russian MIC.

¹⁸ Interview in Moscow with a Russian official close to Andrei Belyaninov, former General Director of ROE and now Head of the Federal Customs Service, September 2006.

¹⁹ The arms sector is one of the 40 strategic sectors concerned by the bill. A. Smolchenko, A. Medetsky, “Cabinet Backs Investor Limits”, *The Moscow Times*, 1 February 2007, <www.themoscowtimes.com/stories/2007/02/01/001.html>.

A Sprawling Industrial Holding Company

Diversification into civilian sectors

Since 2002, ROE has taken over several companies in two civilian sectors. In the automotive sector, ROE forcibly seized control over the main Russian car manufacturer AvtoVAZ.²⁰ This operation was presumably a mere investment opportunity since AvtoVAZ was undergoing bankruptcy at the end of 2005.²¹ In the special metals sector, ROE acquired, in August 2006, 66% of the main global titanium producer VSMPO-Avisma, principal supplier of Boeing, Airbus and Rolls-Royce.²² The state company created a subsidiary, AT-Spetstekhnologia, to produce and sale special metals to the aeronautic and defense industries.

A restructuring project of ROE announced in January 2007 proposes to separate the “exports and arms industry” activity from those two “civilian” sectors in order to shield them from the American boycott. Yet completing this transformation will require more than a year, the time necessary to adopt a presidential decree and a bill creating a new public holding company.²³

Arms industry infiltration

ROE and its subsidiary Oboronprom²⁴ want to be granted a monopoly position in each arms industry sector and impose themselves as the key actors of sectorial concentrations.²⁵

Their first achievement was the creation of a monopoly joining all Russian helicopter-building companies. ROE used any means available: judicial, physical and fiscal pressure, restriction of export access—the only source of income for Russian companies aside from orders by the Minister of Defense. From 2002 to 2004, ROE blocked the exports of the Kamov helicopters, produced by Kazan manufacture, so as to favor its competitor from Ulan-Ude.²⁶

²⁰ “AvtoVAZ Passes Over to Defensive”, *Kommersant*, 20 December 2005, available at: <www.kommersant.com/p636970/r_500/AvtoVAZ_Passes_Over_to_Defensive/>.

²¹ Interviews at the PIR-Center and at the CAST in Moscow, September-October 2006.

²² N. Shurmina, “Arms Trader Takes Over Major Titanium Producer”, *The Moscow Times*, 8 November 2006, available at: <www.themoscowtimes.com/stories/2006/11/08/045.html>.

²³ “Armement : Rosoboronexport guetté par une réorganisation” [Arms Industry: Restructuring Looms for Rosoboronexport], RIA Novosti, 26 January 2007, available at: <<http://fr.rian.ru/business/20070126/59757208.html>>.

²⁴ Oboronprom is a subsidiary of Rosoboronexport: 51.01% of its capital is property of the Russian Federal state and the remaining shares belong to Rosoboronexport (31.13%), the Republic of Tatarstan (15.07%), and the helicopter manufacturer Rostvertol (2.79%).

²⁵ Interview with a FSMTC official, September 2006.

²⁶ N. Abdullaev, “Russia revamps industrial Strategy: Arms-Export Agency Seeks Sway Beyond Defense Sectors”, 7 March 2006, available at: <<http://defensenews.com/story.php?F=1917135&C=europe>>.

ROE initiated most of the sectorial consolidation projects announced since 2006: engine and propulsion system manufacturers, shipbuilding, land forces equipment, defense electronics and optoelectronics, and ammunitions.²⁷ The flagship project—an aircraft industry monopoly (UAC)—gathers all of the most powerful Russian aircraft manufacturers, MiG, Sukhoi, and Irkut. ROE's influence over UAC relies upon the personal alliance between two natives of Siberia Sergey Chemezov and Alexei Fedorov—the latter having been placed at the head of the UAC by the former.²⁸ However, the tandem meets opposition from the Sukhoi Director General Mikhail Pogosyan, who has found a valuable support in the First Deputy Prime Minister Sergey Ivanov, appointed chairman of the UAC board.

²⁷ See the diagram in annex III.

²⁸ Alexei Fedorov reached the position of MiG Director General in 2004 thanks to Sergey Chemezov's support in exchange of MiG's return in Rosoboronexport's fold for exporting its MiG-29 fighter planes.

Managing the Structural and Political Transition

ROE must now manage its structural transformation in order to ensure its durability, and this before the Russian presidential elections of 2008. The pre-electoral domestic situation and the power granted to ROE allow Sergey Chemezov to establish himself as the leading actor of the Russian military-industrial complex.

An Opaque and Criticized System

Previous examples of Russian monopolistic capitalism—be they private or public—had as consequences increased corruption, clientelism and bureaucracy. Under Boris Yeltsin and Vladimir Putin, arms exports could have been used as a slush fund to transfer untraceable amounts of money directly to the presidency, for unknown political purposes. Many of the funds that accrue personally to Sergey Chemezov and his entourage are equally difficult to trace.²⁹

ROE has undoubtedly allowed arms exports to grow thanks to a more aggressive and efficient commercial policy, but its monopolistic position has been criticized even in Russia for generating opacity, bureaucracy and corruption. Officially, the state company deducts a 3.8% commission (if not 5 to 10%) but, off the records, this might rather reach 30%, justified, if needed, by various services and “insurance policies”.³⁰ Moreover, ROE is not reputed for quickly transferring the proceeds of sales to Russian producers.

ROE’s leading position might be put into question by an increase in the procurement budget for the Russian armed forces: should Russian arms industrialists dispose of another substantial source of income, they would also be less export-dependent. ROE is aware of such a risk: its policy of taking over and controlling of arms companies is an attempt at maintaining leverage on Russian industries.

²⁹ S. Blank, *op. cit.* [10].

³⁰ Referred to as a “true racket” by a Russian expert during an interview in Moscow, September 2005.

MIC companies might regain direct access to arms exports, as some company directors and State Duma deputies wish.³¹ Indeed, the necessity for the new aircraft monopoly UAC to establish strategic cooperation agreements with foreign partners would be a strong argument in favor of giving it direct access to international trade.

Making Consolidation Durable

ROE will have to consolidate and clarify the financial situation of its acquisitions. The intrusion of a powerful state-supported shareholder does indeed permit complete re-negotiations of customers-suppliers relationships and account clarifications for companies in difficult or unsound situations.³² Yet handing bankrupt companies' management over to bureaucrats is not a guarantee of success: the AvtoVAZ, VSMPO-Avisma examples should allow an appraisal of ROE's ability to redress these companies.

Those company buyouts are extremely demanding on ROE's human resources. The ROE and Alpha Bank alliance, headed by Mikhail Fridman, announced at the beginning of December 2005, would precisely strive to overcome this lack of competent executive management staff.

At the moment, ROE is one of the companies paying the most taxes to the state, being one of the few to make significant profits.³³ Its rigid status of federal state unitary enterprise currently forces it to request a governmental authorization for any transaction superior to 5 million rubles (US\$ 186,000) and to transfer to the state a part of its profit. A change in its status, to that of "state corporation", will exempt it from this imposition and give it a broader range of action regarding its strategy and use of resources from exports.³⁴ This reorganization should allow a capital opening of ROE's subsidiaries, clarify who owns their capital—a vital condition to attract Russian and foreign private investors.

³¹ "Duma Takes Care of United Aircraft Corporation Revenues", *Kommersant*, 25 September 2006, available at: www.kommersant.com/p707031/r_500/Duma_Takes_Care_of_United_Aircraft-Building_Corporation_Revenues/.

³² Arguments mentioned in the Russian press when Rosoboronexport took control over AvtoVAZ.

³³ Interview with Russian experts in Moscow, September 2006.

³⁴ Interview with V. Kozyulin, Research Fellow at the PIR-Center, in Moscow, October 2006.

Sergey Chemezov, New Lord of the Russian Arms Industry

By transforming ROE into a powerful industrial holding company, Sergey Chemezov has managed to position himself as one of the most influential actors in Russia's leading circles as well as the military-industrial complex. In April 2006, he took the helm of the Russian Machine-Builders Union, after having incited the main Russian defense holdings to integrate this hitherto mostly inactive industrial union.³⁵ As a sign of the political favor he enjoys, Chemezov joined the Supreme Council of the "United Russia" presidential party in December 2007.³⁶

Sergey Chemezov knew how to deal with the promotion of Sergey Ivanov, who became First Deputy Prime Minister in February 2006 with the primary assignment of developing Russian industry through innovation. With this development strategy in mind, the arms industry is considered as "the driving force of high technologies". Sergey Chemezov is certainly not adverse to such a path, for ROE has a central role to play in applying this industrial support policy. With Sergey Ivanov being suggested as the next Russian president, Sergey Chemezov aspires to become Deputy Prime Minister in charge of the Russian arms industry, if not the next Prime Minister.³⁷

Russian officials consider the MIC to be one of the main vehicles for Russia's political and military power, as well as its long-term economic development. The stake of the MIC's modernization is therefore all the more important and pressing. In order for the MIC to fully play such a catalyst role, future Russian leaders must overcome several obstacles:

– The Russian Minister of Defense and Russian arms industrials must reinitiate a constructive dialogue founded on new arms programs encompassing the entire Russian arms industry. If the Ministry of Defense were to become the first customer of Russian arms once again, the MIC

³⁵ K. Lantratov, D. Belikov, A. Gritskova, "Chemezov Breaks Through Ivanov's Defenses", *Kommersant*, 3 April 2006, available at:

www.commersant.com/p663018/r_1/Chemezov_Breaks_through_Ivanov_s_Defenses/.

³⁶ A. Gritskova *et al.*, "Sergey Chemezov Scores a Monopoly", *op. cit.* [8].

³⁷ As certain people close to Chemezov let it know, despite his own statements claiming he had no political ambitions during the Russian Machine-Builders Union's first Congress, which he presided, in early May 2007. Lantratov Konstantin, Xamraev Viktor: "Arms Exporting Agency Director Denies Ambitions for Russian Presidency", *Kommersant*, May 2, 2007, available at:

www.commersant.com/p763101/r_500/Rosoboronexport_Chemezov_Machinery/.

would be able to shed its dependency on exports. To this end, the Russian Ministry of Defense must develop a new military doctrine, based on a professional army equipped with up-to-date material, and above all put an end to the bad management and corruption.

– The Russian arms industry must achieve diversification into civilian goods, particularly in the aircraft and shipbuilding sectors.

– In spite of its doctrine for the state control of the economy, the Russian state will have to give a genuine place to private investments and maintain a minimum threshold of competition so as to favor innovation. The state will also have to offer the required conditions for attracting foreign investors and partners, since the Russian industry desperately needs Western technologies if it wants to catch up.

Annex I: Biographies of People Mentioned

Sergey Chemezov, Director General of Rosoboronexport

Sergey Chemezov was born in 1952 in Irkutsk. From 1983 to 1988; he headed the representative office of the Lutch Experimental-Industrial Association in the German Democratic Republic; at that time he also worked for the KGB and met Vladimir Putin. In 1999, he was appointed Director General of Promexport until November 2000 when he became the First Deputy Director General of the Rosoboronexport. In accordance with the Decree of the President of the Russian Federation signed on April 28, 2004 Sergey Chemezov was appointed Director General of the Rosoboronexport State Corporation.

Mikhail Dmitriev, Head of the Federal Service of Military-Technical Cooperation (FSMTC)

Mikhail Dmitriev, Head of the FSMTC, was born in 1947 and served for thirty years at the First Chief Directorate (PGU) of the KGB, ending his service with the rank of Lieutenant-General, in charge of the Foreign Intelligence Service (SVR) information analysis department. He was appointed Deputy Minister of Defense in November 2000 and then became Director of the CMTC (Committee for Military-Technical Cooperation with Foreign States, which became the FSMTC), switching from Prime Minister Mikhail Kasianov's authority to that of Minister of Defense Sergey Ivanov.

Andrei Belyaninov Head of the Federal Customs Service

Andrei Belyaninov was born in 1957 in Moscow. In 1974, he graduated in Finances and Loans from the Moscow Plekhanov Institute. He then joined the First Chief Directorate of the KGB for which he served on several missions abroad, including in the German Democratic Republic, where he got acquainted with Sergey Chemezov and Vladimir Putin, during the second half of the 80's. He left the KGB in 1991 and became Deputy Director General of the Moscow KB REA Bank in 1992 and then chairman of the Novikombank board. In December 1999, he was appointed Deputy Director General of Promexport, an arms export state enterprise, and then

Director General of Rosoboronexport, a newly created state agency. In March 2004, he took the lead of the Federal Service for Defense Order (Gosoboronzakaz), before being appointed, in May 2006, head of the Federal Customs Service.

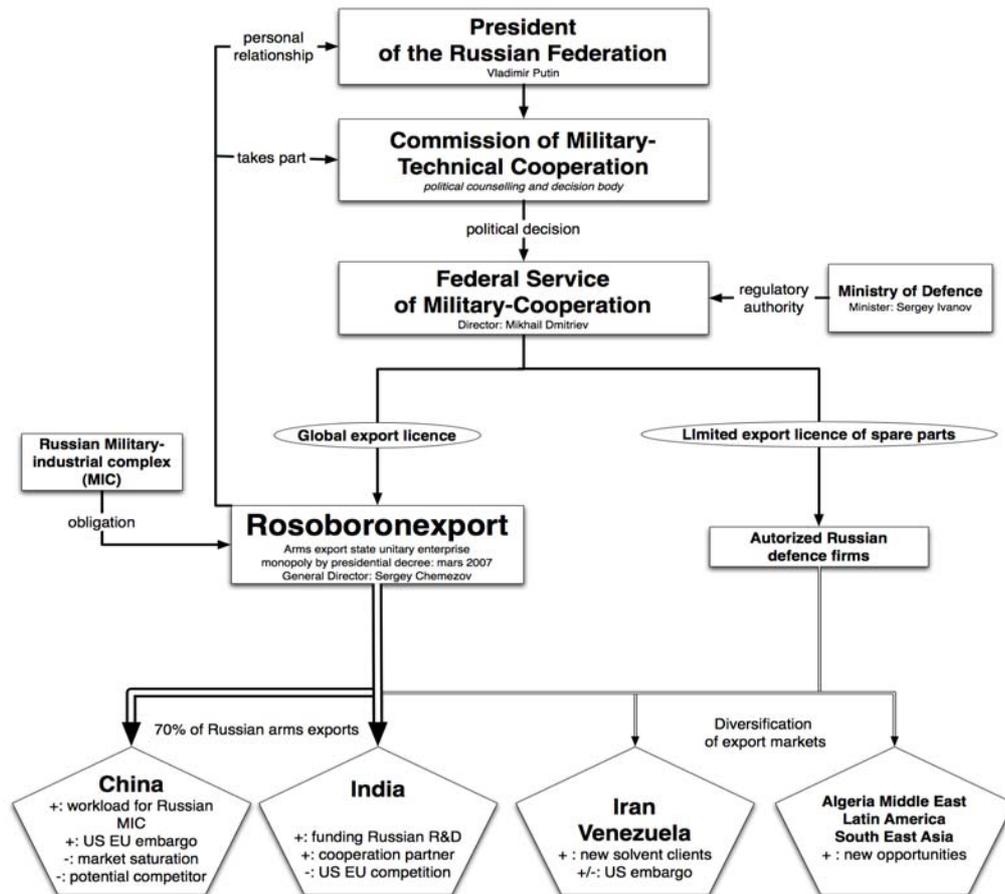
Mikhail Pogosyan, Sukhoi Director General

Mikhail Pogosyan was born in 1956 in Moscow. He graduated from Moscow Aviation Institute and pursued his whole career at the Sukhoi Corporation as a design engineer and then held the posts of the First Deputy Chief Designer (1992-1998), Chairman of the Directors Board of the Sukhoi Design Bureau (1995-1999) and General Director of the Sukhoi Design Bureau (starting May 1999). By RF Government Order Pogosyan was appointed on April 1998 the General Director of the State unitary corporation "Sukhoi".

Alexei Fedorov, UAC Director General

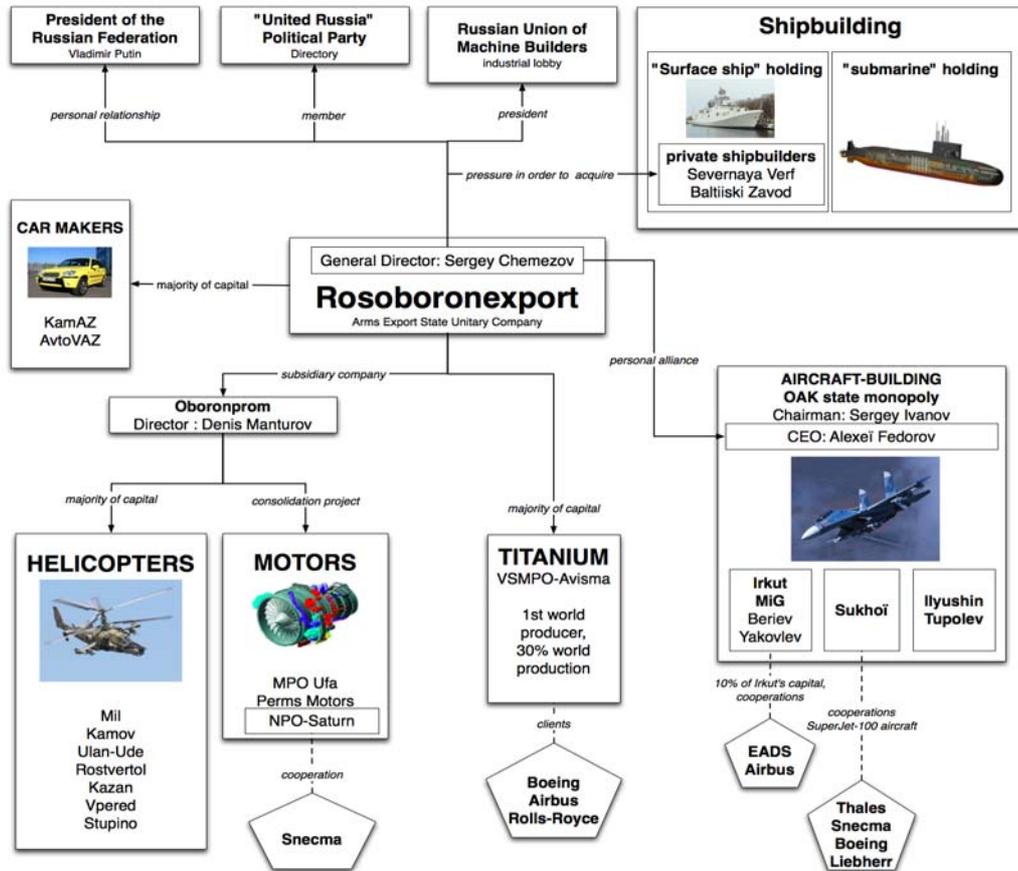
Alexei Fedorov was born in 1952 in Ulan-Ude, Siberia. He graduated in 1974 from the Irkutsk Polytechnic Institute with a specialization in mechanical engineering in aircraft building and in 1994, from the Business School of Oklahoma State University (USA). Alexei Fedorov pursued his whole career in the Irkutsk Aviation Industrial Association (Russian acronym IAPO), as Design Engineer, Chief Engineer and Director General. Under his presidency, IAPO underwent its transformation, from 1998 to 2004, into the current Irkut Corporation. He was then appointed Director General and Chief Engineer of MiG. In December 2006, he became Director General of the aircraft monopoly UAC.

Annex II: The Russian Arms Export System



Source: L.-M. Clouet, January 2007.

Annex III: Rosoboronexport and the Russian Military-Industrial Complex (MIC)



Source: L.-M. Clouet, January 2007.