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## [Russia's Defense Capabilities in 2018](#)



Sky high defense spending, as if in preparation for a major war, is depleting Russia. In 2018, Moscow will face the question of how long this can endure. Although the authoritarian regime has not been prepared (so far) to up the ante even further, it cannot significantly cut this type of expenditure either, mostly for domestic political reasons. So far it has also failed to overburden the West with confrontation and newly created problems.

Consequently, the Kremlin will try to create more problems for the West in the coming year while avoiding any excessive waste of its main resources; there will be a reluctance when it comes to taking on too many further foreign policy responsibilities, but the Kremlin will endeavour to remain unrestrained in its assertive actions abroad for as long as possible.

At the same time, the general inefficiency of the Russian political and economic system makes further self-isolation of Russia and the development of semi-military governance methods the most likely outcome.

### **The limit to financing**

By 2017, Moscow reached the limits of its defense spending: in 2016, it [spent](#) 5.67 trillion rubles (\$84.6 billion at an average annual exchange rate) or 6.59 percent of GDP. It is important that Russia's cumulative defense expenditure should be estimated based on two items of the federal budget - "National defense" (3.77 trillion rubles/ \$56.3 billion) and "National security and law enforcement" (1.9 trillion rubles/ \$28.3 billion). It is noteworthy that 800 billion rubles earmarked for "National defense" was used to repay debts owed by Russian defense companies.

The trick is that the Russian [military doctrine](#) and [national security strategy](#) actually encompasses external and internal threats. What is more, not only the armed forces but also [divisions](#) of the National Guard of the Russian Federation (Rosgvardia), Federal Security Service of the Russian Federation (FSB), Ministry of Emergency Situations and Ministry of Internal Affairs participated in military exercises "Zapad-2017" (West-2017). In other words, all the Russian *siloviki* are incorporated into the system of domestic and international military planning. Hence, the necessity to inflate the level of funds earmarked for security agencies arises.

On the whole, the 2016 level can be considered an aberration, largely stemming from the high level of inefficiency of the Russian military industry. It comes as no surprise that Russian defense spending apparently shrank to around 5 trillion rubles in 2017. Of this sum, approximately 3 trillion rubles has been earmarked for "National defense" and almost 2 trillion rubles - for "National security and law enforcement". In 2018, these limits will generally be [maintained](#) (classified expenditure included): the Russian army will receive [2.8 trillion rubles](#). Half of this will be spent on the purchase of arms while the remaining 2 trillion rubles will be distributed among the rest of the *siloviki*.

Thus, the Kremlin seeks to maintain its military spending at the level of 1/3 of the federal budget. At the same time, the cost of the military and *siloviki* (4 million people) cannot be reduced without making significant personnel cuts which Russia's leadership will not do given its instinct for self-preservation. On the other hand, spending on the development and procurement of arms cannot be cut either as this would deal a blow to

another pillar of the authoritarian regime – the military industry (2 million people).

And in general, confrontation with the West, vague prospects of Russian arms exports, and fresh American sanctions aimed at defense companies effectively corner Moscow. Today, defense spending of over 5.5 percent of GDP is affordable but it only narrows the economic *cul de sac* Russia has found itself in. Moreover, the [US](#) and [UK](#) spent over 5 percent of GDP in the days of the Cold War from the 1950s-1980s and admittedly, US defense spending did exceed 5 percent of GDP in 2009-2011 at a time when the United States had to ramp up efforts in Iraq and Afghanistan; however, even the US, which can boast of centuries of accumulated capital – something Russia can clearly not boast of – was forced to reduce expenditure as soon as it became possible. In other words, the current level of defense spending is detrimental to Russia's economic development and causes it to lag behind other developed countries.

Under the circumstances, the Kremlin will try to increase the effectiveness and competitiveness of its defense industry using its political will rather than institutional changes. Such steps are already in place with respect to another state corporation which is part of the Russian defense industry: [Roscosmos](#). In practice, this will most probably take the form of new isolationist measures and/or further subsidies offered to defense manufacturers to the detriment of the interests of the rest of Russians not to mention Russian businesses.

### **Never-ending military pursuits**

Russia continues its military campaigns in Ukraine and Syria against this backdrop. Despite the fact that the last serious exacerbation of the situation in the Donbas was observed last winter (except for the replacement of Igor Plotnitsky as the nominal leader of the Luhansk People's Republic), warfare is far from over. Moreover, in the summer of 2017, Russia went to great lengths to bury the UN initiative to send its peacekeepers to this region.

Obviously, the Kremlin has no intention of leaving Ukraine in 2018, either, since none of its initial military goals have been achieved. Crimea is not recognized as Russian and Moscow has failed to obtain the “key” to the independence of Ukraine and its statehood. The Russian ruling elite has also failed to reach an agreement with the West on acceptable conditions of co-existence. Still, the Kremlin has not abandoned the idea of getting its hands on Ukraine sooner or later, which was [demonstrated](#) on a rhetorical level by Vladimir Putin during his press-conference in December 2017 yet again.

Syria is a different story. The withdrawal of the Russian troops save for the Khmeimim and Tartus bases was announced again. At first glance, this appears sensible in light of the defeat of the main ISIS forces. Still, Moscow has no political, not to mention an economic plan, for Syria and as a consequence, it will fail to translate its participation in the Syrian war into sustainable influence in the region. The Kremlin has also failed to reach “a major deal” with the West, which was the main goal underlying its foray.

The Kremlin's attempts to play the role of a peacekeeper and convene the Syrian Congress of National Dialogue in Sochi have so far failed. The Congress was [moved to](#) 2018. And, given the fact that the Russian authorities do not believe in a dialogue on equal footing at all but rather tough bargaining and imposing its own will, further developments are somewhat predictable. Even if the Congress is held, peace will remain impossible under Moscow's auspices. Russia's position remains strong only as long as the war continues.

Moscow will now try to stay “off the radar” whenever possible. It is important to understand that Russia continued to [suffer serious losses](#) in 2017 including losing 2 of its 11 [generals](#) (one of them is severely wounded and the other one killed) while Russian units happened to be [besieged](#). Under the circumstances, the risk of demoralization of the Russian military is growing. On the other hand, mercenaries are still available and [losses](#) among them do not draw much publicity in Russian society. The availability of mercenaries allows Moscow to exert some pressure on Bashar al-Assad and continue to participate in the Syrian conflict with the aim of hindering the success of other parties if not succeeding itself.

At the same time, the Kremlin is watching over protracted conflicts in [Libya](#) and [Sudan](#). It is important that Russia intends to [conclude an agreement](#) with Egypt in 2018 on the right to use this country's airfields by the Russian military aircraft. Clearly, Moscow's goal is to create political and humanitarian problems for the West in the southern Mediterranean given the potential for further Russian military pursuits. The purpose of this

approach is to test the strength of the European and trans-Atlantic unity and undermine it, if possible. The main thing here is to burden the West with problems while constantly offering it solutions whereas economic and power-related interests of the Russian ruling elite lie at the heart of these problems.

As a result, it turns out that, in 2018, the policy of the Russian regime will focus on conserving resources in the area of defense in line with the logic of preserving power. It seems that Moscow is all too aware of the fact that it can become seriously involved in potential conflict just once and that therefore, it should take no chances. Subsequently, further self-isolation and expanded preferences for the military, *siloviki* and defense industry with all the inherent domestic political consequences seems the most likely outcome.

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