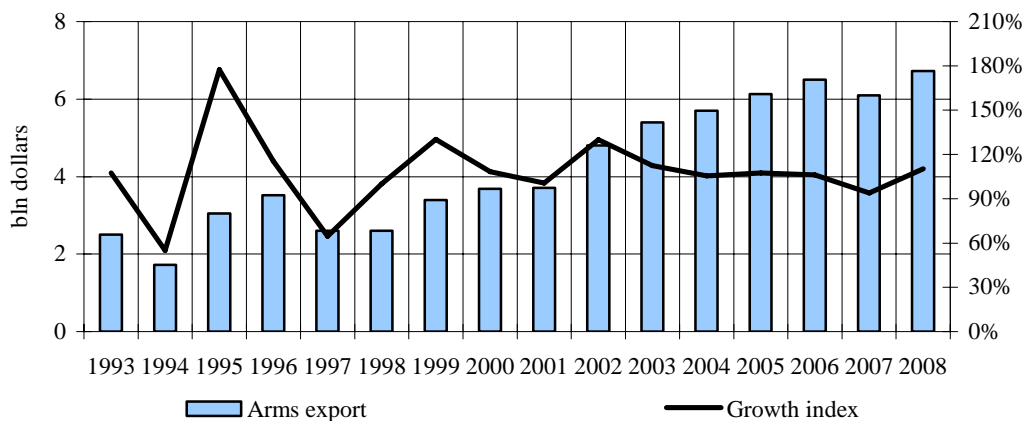


MILITARY COOPERATION IN 2008: REGROUPING OF FORCES

BY KIRILL LEBEDEV, IFS SENIOR ANALYST, APRIL 13, 2009

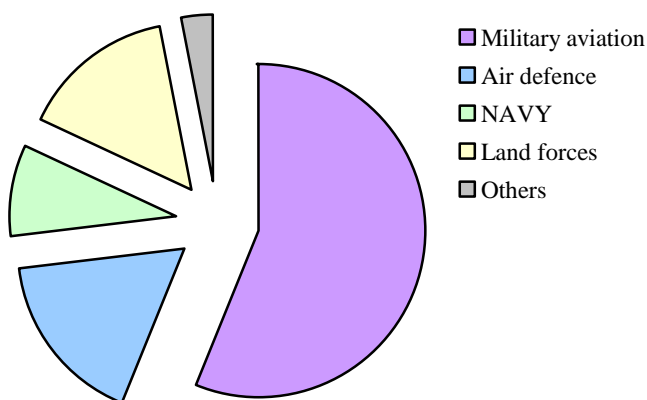
Rosoboronexport ended the year 2008 showing good performance: exports of arms and military hardware totaled \$6.725 billion – a 10% rise on the last year. The most pleasing news is that pessimistic forecasts – based on the 2007 performance, when arms exports fell most drastically in nine years – has not proven true.

Figure 1. Russian arms exports



The structure of exports by the type of weapons did not see any dramatic changes. Exports of military aviation weapons continue to dominate, which is caused by high prices for military aircraft¹. Another reason why exports became more diverse is that exports of weapons for military aircraft declined and exports of weapons for air defense and land force grew slightly (by 4 pct).

Figure 2. Russian arms exports by types of troops



The geographical structure of arms exports has also changed. China now buys increasingly fewer weapons. Previously, it accounted for 50% of Russian arms exports. This parameter fell to 18% last year and is likely to drop further – to reach 10%.

¹ In 2000-2008, fighter planes accounted for 40% of arms exports for military aviation

This, however, will not have strong implications on arms exports in future. A decline in supplies to China was predictable and is of temporary nature. Buying weapons from a single supplier (China has purchased Russian-produced weapons for almost all types of military forces) could damage national security over time as the importer faces great reliance on the exporter who can stop supplying spare parts for previously bought arms. China shifted from buying ready-made products to buying technology, and cooperation with Russia resulted in opening a plant to assemble licensed Su-27 front fighter planes in China. As soon as Russia develops new technology and products, China's share in Russian exports will start to grow again.

Russian arms suppliers and the government should be very cautious about technology exports, however. At a certain point, technology importers might not need state-of-the-art products and want to purchase only parts. This would cause technology export to decline (the Chinese example proves this).

There is no point in speaking about a slowdown of exports to India. After bidding winners of the contract to supply 126 fighter planes to India are announced, the size of Russia's exports to this country will be known².

Lower demand from China and India will be partly compensated by contracts with Latin American and Southeast Asian states. A drop in Rosoboronexport's exports from \$30 billion (in late 2007) to \$27 billion (in late 2008) is not critical. In 2006, Rosoboronexport exports stood at just \$16-18 billion.

² Russia's MiG (MiG-35) corporation's rivals are Boeing (F/A18), Lockheed Martin (F-16), Dassault Aviation (Rafale), EADS (Eurofighter Typhoon), and Saab (Gripen).