5. The influence of external factors on Russia’s arms export policy

Sergey Kortunov

I. Introduction

In the former Soviet Union, with its administrative–command economy, there existed an effective system of state control over arms exports by the executive authorities. Moreover, the USSR supplied weapons primarily for political and ideological reasons—often using concessional economic arrangements that were, in effect, a form of military assistance—as part of its overall competition with the United States in particular. Under these conditions, the arms export policy of the Soviet Union can be seen as a subordinate element of an overall security concept shaped by the cold war.

Domestically, the policy-making system was designed to prevent damage to the military and economic potential as well as to the political and defence interests of the USSR. It balanced a number of institutional actors, each of which contributed with its specific expertise. The system was based on a number of decrees and other government acts which took into consideration the USSR’s international commitments. However, the system of policy making was characterized by a complete state monopoly as well as strict secrecy in decision making. Neither the broad criteria according to which decisions were taken nor the decisions themselves were subject to public discussion.

The fact that policy was made and implemented in a command economy also contributed to the specific administrative form that the process assumed.

With the disintegration of the USSR the international and domestic framework in which Soviet arms export policy operated practically ceased to exist. Politically, the collapse of the Soviet Union led to a ‘de-ideologization’ of all aspects of decision making in post-Soviet Russia. At the same time, Russia has initiated a transition from an administrative–command economy to a market economy. At the international level it has sought to escape its economic isolation and bring about extensive integration with the global economy. Taken together, these factors have inevitably affected the arms trade and its supervision by the executive authorities.

Domestically, a bitter struggle has started and is still continuing in Russia between various institutions, each of which would like to increase its control over security policy, including policy in the area of military–technical cooperation with foreign states, the right to trade in arms and the right to control this trade. Until this struggle is resolved it will not be possible to create a national  

1 This system is described in chapter 3 in this volume.
consensus on these matters. In the meantime the continuous changes in the Russian system for military-technical cooperation, which sometimes cause understandable astonishment in foreign as well as domestic political and public circles, are likely to continue. However, this situation has its objective causes and reflects the transitional nature of the present historical period in Russia. It will pass.

This chapter discusses the impact of the changes in the international and domestic environment on some of the broad issues of military-technical policy and arms exports.2

II. Competition in the international market and state protectionism

The new Russian national system of military-technical cooperation and export controls has been built by the executive authorities in an extremely complicated international environment. This external context has affected Russian domestic processes both directly and indirectly.

After the cold war the central structural features of the international arms market were more fluid and difficult to understand and predict than had been the case under previous conditions. What had seemed to be fixed elements in the market—such as the arms transfer relationships within major alliances or with friendly states in the developing world—could no longer be relied upon. At the same time, forms of cooperation which proved to be impossible during the cold war—notably multilateral discussions of arms export policy and control—now seemed to have some prospects for success.

The immediate consequence for Russia of the changed conditions was a sharp fall in the volume of arms sales in the international market in the period 1990–93. Russian industry failed to make use of its fairly powerful export potential. There are several reasons for this but one of the most important was that Russia was unprepared to adapt to one new characteristic of the market—competition among the main arms exporters.

With the end of the East-West confrontation, the demand for weapons in the Euro-Atlantic area suddenly fell, dealing a heavy blow to the interests of arms producers in major Western countries. The governments of the principal arms-exporting countries (including Russia) were put under pressure by domestic arms manufacturers to pursue a policy of increased protectionism with regard to orders placed with their domestic defence industry. Governments also came under pressure to participate more actively in promoting the products of the arms industry in international markets. Top government officials in France, the UK and the USA—up to and including the heads of government—became active in marketing arms. The efforts in the autumn of 1992 by US President George Bush and Secretary of State James Baker to promote the sale to Taiwan

2 A more detailed description of the changes in regulations and administrative procedures is presented in chapter 6 in this volume.
of 150 F-16 fighter aircraft and of French President François Mitterrand to sell Taiwan 60 Mirage fighter aircraft attracted particularly widespread attention.

To a certain degree this trend may have been intensified by the 1990 Treaty on Conventional Armed Forces in Europe (CFE Treaty), which established ceilings for specified conventional armaments in the national armies of state parties. The indirect impact of the treaty and the improved European security environment may slow down the future purchases of military equipment by defence departments of state parties.

The end of the cold war was also probably a contributing factor in heightening tensions and increasing the temptation of some states to pursue national ambitions which had been kept in check by the global military and political confrontation between the Soviet Union and the United States. Perhaps as a result of uncertainty about their national security in the future international system, there was a marked increase in demand for new arms in particular in countries of South-East Asia. Iraq might be cited as a country which probably could not have pursued its recent policies of national aggrandizement during the cold war.

The 1991 Persian Gulf War also highlighted the need for the most modern weapons among developing countries, presenting these countries (including many former Soviet clients) with the problem of how to re-equip their armed forces.

This combination of domestic crisis and the emergence of what seemed to be new international opportunities led arms producers in all industrialized countries that manufactured military equipment to place greater emphasis on exports within their business strategies.

As a result of the above factors, what had been a rather predictable and tightly managed international arms trade system was replaced by a market in which the major arms exporters—France, Russia, the UK and the USA—now pursued an unprecedented competition for new and old clients no longer restrained by the political or ideological considerations taken into account during the cold war. Safeguarding defence industrial interests became the dominant interest within the military–industrial complexes in these countries.

It is common knowledge that the modern market requires certified products, reliable after-sale service and supply of spare parts. This was always a bottleneck of the Soviet arms trade. For decades, this trade was built on barter agreements with developing or underdeveloped countries prepared to accept minimal after-sale service. Good weapons landed up in not very skilful hands that were not always ready to use them properly. This is illustrated by the experience of the earlier conflicts in the Middle East and the Persian Gulf War.

Apart from producing excellent military equipment it was necessary to ensure its reliable functioning and skilfully organize sales on the world market—something Russian manufacturers had never learned to do, nor could they promptly find their way in this market. For example, the market situation for sophisticated high-technology products is at present fairly difficult, while the market for spare parts for outdated technology in a world saturated with Soviet-made
MiG-21 and MiG-23 aircraft looks very different. In many countries this equipment is still in operation and requires service, repairs and modernization. Russian manufacturers have apparently failed to appreciate the potential of this vast and promising market, which is gradually becoming filled with Western products even when Soviet military technology is involved.

Multilateral discussions of arms transfer control

During the cold war it proved practically impossible to organize multilateral discussions of arms transfer control. Although the United States and the Soviet Union held bilateral discussions in the late 1970s, these discussions broke up without any results.\(^3\) For most of the cold war, the only multilateral export control regime was the Coordinating Committee for Multilateral Export Controls (COCOM), which was a mechanism used by Western powers to undermine Soviet military–technical capabilities. After the end of the cold war COCOM began to undergo a transformation that eventually led to its dissolution in March 1994.

After the invasion of Kuwait by Iraq in August 1990 there was unprecedented cooperation between the five permanent members of the UN Security Council (the P5) in agreeing a series of measures to prevent Iraq from recreating its pre-war arsenals. A series of Security Council resolutions laid down far-reaching arms control measures to be applied to Iraq. In the aftermath, the idea of cooperative actions by the P5 to moderate regional arms programmes in the Middle East appeared to offer some hope of success. An initiative on Middle East arms control was presented in May 1991 by President Bush which included the suggestion that the P5 should take special responsibility in the area of arms transfers.\(^4\) The Bush initiative set the agenda for a process which led to meetings of the P5 in Paris in July 1991 and in London in October 1991.\(^5\) At the October meeting the P5 agreed among themselves a series of Guidelines for Conventional Arms Transfers.\(^6\)

The P5 met once more, at the level of senior officials, in Washington in May 1992. By this stage it was already clear that there was little further progress in the discussion of conventional arms transfers. The public documents and statements after the May meeting related almost entirely to the issue of proliferation of nuclear, biological and chemical weapons along with missile delivery systems. It was not possible at this stage for the P5 to reach agreement about giving one another advance notification of arms agreements. It was tentatively agreed that the representatives of the P5 would meet again in late 1992 in Moscow. However, in October 1992 the Chinese Government suspended its

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4 Middle East Arms Control Initiative, White House Fact Sheet, 29 May 1991.


6 These guidelines are reproduced as appendix 1 in this volume.

The talks of the major arms exporters underlined that they were not interested in establishing any mechanism for controlling and limiting the conventional arms trade at this stage. By late 1991 the desire to maintain flexibility and make deals without any international controls began to outweigh the desire to work out a mutually acceptable code of behaviour and detailed policies defining responsible behaviour in the sphere of arms trade. Once the USA found out that the practice of prior notification of arms supplies would not be accepted (as is known, it attempted to impose this procedure upon other negotiating parties primarily in order to improve its own chances against other exporters) it lost virtually all interest in the talks.

As a result, the guidelines, worked out with such difficulty in 1991, were sacrificed, not in any long-term political interests but for more immediate financial gains.

France was perhaps relieved to see China leave the talks, particularly because the suspension of the talks could formally be attributed to the USA. A few months later, the contract between France and Taiwan on the supply of 60 Mirage-2000-5 fighter aircraft was announced, a deal which would itself have complicated the P5 discussions. After mediation by Russia, China subsequently agreed to resume the work of the P5 in a new format. However, by this time France had changed its position and (contrary to the previous understanding reached between it, Russia, the UK and the USA) used various pretexts to avoid resuming the discussion.

Considering the place and the role of the military–industrial complex in the Russian economy (and previously in the economy of the USSR) the end of the cold war had harsher consequences for Russia than for any other major arms supplier. In 1992 alone, Russia’s arms production dropped by over 60 per cent as compared to the levels recorded for 1990.\footnote{Glukikh, V., ‘Reform and stabilization of the defence industry’, \textit{Conversion}, vol. 1, no. 3 (1994), pp. 17–18.} The drastic fall in military purchases by the state led to work being stopped in whole factories. Huge numbers of employees in the defence industry, which had always enjoyed a privileged status in Russia and hence constituted a stable social base of the former regime, lost this position and turned instead into a potential source of social instability.

The Russian Government could not disregard this fact and it was one of the reasons which forced Russia to follow the example of the principal Western governments and adopt a policy of state protectionism in respect to its domestic arms manufacturers. In spite of its domestic problems, Russia did not suspend its participation in the P5 discussions. However, the Russian position regarding the need for multilateral controls did undergo a change. It is enough to recall the evolution of the views expressed and the statements released by the Russian Foreign Minister, Andrey Kozyrev, on this question after 1991. In January
1992, in an article intended to underline the differences between the new Russian and the former Soviet foreign policy, Kozyrev observed that Russia ‘will share with and help those who are in real need and use the resources obtained not for building up their military and police forces, but for the socioeconomic development of the countries’. After meeting Secretary of State Baker in Moscow in March 1992, Kozyrev expressed his support for efforts to reduce the arms trade in the Middle East, a region he described as ‘saturated with weapons’. By 1993, when the P5 talks had been suspended, the Russian position increasingly tended to reflect the need to increase export sales. Although in 1994 Kozyrev still favoured cooperation in defining the principles that should govern exports of military technology, he qualified this with the observation that partnerships ‘cannot negate a firm, even aggressive, policy of defending one’s own national interests’.

Studies of the practices adopted by major Western arms-exporting countries in ensuring effective control over sales in free market conditions have been important for the development of a Russian control system. In this connection it was essential that the emergence of a national export control system in 1992–93 be accompanied by the establishment of contacts and a widening dialogue between Russia and Western countries in this field. This dialogue, if it is continued, should eventually bring about a harmonization of export control systems for conventional weapons. The Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies, the newly emerging international mechanism for export control which is replacing the disbanded COCOM, is bound to play an important role in continuing this work.

At the same time, it is worth noting that control of conventional arms supplies is one of the few areas that lack a developed international legal framework, although the Wassenaar Arrangement now provides a mechanism for international talks and consultations.

The main international obligations of Russia in the field of conventional arms control follow from the 1991 Guidelines for Conventional Arms Transfers. These offer some criteria for deciding whether or not a specific delivery should be permitted. The P5 countries, including Russia, undertook to avoid arms deliveries which could prolong or exacerbate an existing armed conflict, increase tension in a region, introduce a destabilizing military potential, violate an embargo or other internationally agreed restrictions, be used for other pur-

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poses than providing for the legitimate defence of the receiving state, support
international terrorism or seriously undermine the economy of the importer.

Decisions on arms supplies from Russia are also made with reference to
decisions by international organizations. The UN has banned deliveries to cer-
tain countries and requested greater transparency in armaments. The countries
currently subject to mandatory UN arms embargo include Iraq, Libya and
Yugoslavia (Serbia and Montenegro). The Organization for Security and
Co-operation in Europe (OSCE) has also established the principles that should
govern arms transfers, although these are politically rather than legally binding
measures.\textsuperscript{13} It is the responsibility of the Russian Ministry of Foreign Affairs to
monitor the observance of Russia’s international obligations in this sphere.

These decisions by international organizations provide some guidelines for
arms transfer policy. However, Russia has not yet found a stable and consistent
national arms transfer policy.

III. Main issues in domestic discussions of arms transfer control

There are three central issues which have been under intense discussion in
Russia since 1992. The first of these is the overall national security policy con-
cept which should guide Russian decisions, including those on arms transfers.
The second is the proper relationship between government and industry, and the
third is the division of responsibility for different issues between state agencies
and authorities and the relationship of these areas of government to one another.

Russia has yet to determine its national interests and is still in the process of
finding a national identity. The absence of a national security concept to replace
that which guided decisions in the Soviet Union leads to a specific dilemma in
the field of arms transfers. Russia needs to seek and win international markets
for arms in order to help an industry in crisis. At the same time unlimited
exports of sophisticated weapons and high technologies could damage national
security.

In some cases there will be no conflict between the desire for commercial
benefits from exports and the need for security. However, in cases where this is
not so clear Russia has been searching for a way to strike a balance between a
state arms trade policy in which political and military aspects are predominant
and fulfilling the economic or commercial interests of the country. In another
set of cases it could be useful to export regardless of commercial considerations.
Is the priority to earn money from arms sales or are there circumstances where,
for example, attracting this or that country into the orbit of one’s political
influence justifies the use of military assistance?

No country has fully resolved these questions. However, in seeking the
balance between political and commercial interests Western countries have
established legal and administrative means for evaluating the alternative
options. Russia has just started to develop such means.

\textsuperscript{13} Reproduced in appendix 2 in this volume.
In the former Soviet Union priority was given to political considerations in arms transfer decision making, often to the detriment of commercial considerations. For decades the Soviet military–industrial complex received guaranteed payments from the government for arms manufactured for export. A significant portion of this military equipment was either sold at concessional rates to foreign countries or, on occasion, given away. The exceptions were probably the supplies to Iraq and Libya, which produced more or less stable revenues—although even here the debts owed by these countries were increasing at the time of the dissolution of the Soviet Union.

This pattern of business was inconsistent with the new efforts, which began in the late Soviet period, to find a new balance between the role of the state and the role of other actors within the economy.

A period of what might be called ‘market romanticism’ started around 1990. There was a belief that economic conditions would improve if the state withdrew entirely from economic decision making. Although the Soviet Union was participating in the discussions of multilateral arms export control, this period saw the first attempts to put military–technical cooperation on a pure business footing, giving maximum freedom to manufacturers. During the period of President Mikhail Gorbachev’s administration, priority was already being given to the ‘sell to anybody who pays’ principle. The only exceptions were countries under UN sanctions or those obviously hostile to the USSR. All foreign transactions were intended to be conducted on the basis of hard currency payment.14

It soon turned out that in the field of arms transfers the slogan ‘cash during the year of delivery’ was unrealistic in a situation of crisis in the defence industry—which was not ready to face international competition and had no experience of how to conduct itself in a market environment. Hard-currency income from arms sales actually dropped dramatically. The idea of relying on hard-currency earnings from arms sales to finance conversion of the defence industry to civilian production did not prove workable. At the same time, the state monopoly on the arms trade was weakened.

The effort to find rules which balance the principle of a free-market economy with strict control over exports by the executive authorities is also new to Russia. While Western countries do not have a single model or approach to the issue of ownership and control over arms industries, they have found mechanisms for allocating responsibility which are more efficient than those currently in existence in Russia. This allows them to combine an efficient policy of promoting their weapons on international markets without sacrificing state oversight and control. Russia has just embarked upon the path of searching for such a balance.

Increasing re-examination of the relationship between the state and industry was bound to make an impact on the Russian national system of arms exports

that was emerging after 1992. Issues of privatization, for example, were the subject of fierce struggles internally in Russia (including struggles both within and between various groups in the government). The defence industry and state control over the arms trade were not exempt. A very wide spectrum of views was expressed, including views advocating a return to a state monopoly and others advocating a very liberal regime that would grant extensive rights to manufacturers (although still maintaining a state system of export licensing).

The various agencies and groups which participated in this struggle over policy were not always themselves completely of the same mind. For example, although the State Committee on Defence Industries (Goskomoboronprom) generally advocated more freedom of action for defence factories, this view was not always shared by the factories themselves, some of which preferred a direct role for the state.

These struggles over national security and defence industrial policy have been conducted with fluctuating success for different points of view. This is the main cause of the never-ending series of reorganizations of the national export control system. As any given point of view gained the upper hand within the executive branch, this would be reflected in decisions and decrees.

Russian manufacturers were not discouraged by the setbacks in the world arms market. During 1993–94 they continued to fight for their independence (partly through the State Committee on Defence Industries). Objectively, this was to result in the weakening of the state monopoly in this sphere.

In May 1994 a special decision of the Russian Government approved an ordinance on certification of companies for the right to export arms and matériel, as well as work and services. Enterprises which developed and produced arms and matériel, once they were certified and registered as participants with foreign economic activities in the field of military–technical cooperation, were allowed to look for foreign customers in countries with which such cooperation was not forbidden. They were also allowed to demonstrate arms and hand over, during the course of negotiations, tactical and technical specifications of arms and matériel approved for export, to convey duly agreed approximate prices, to do the marketing, to sign contracts and, on the basis of duly obtained licences, to export independently arms, matériel, work and services produced in excess of the government defence orders.

IV. The national control system in transition

The ‘ebb and flow’ of different interests can be traced through the development of the Russian national export control system.16

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15 Decision of the Government of the Russian Federation on granting the enterprises of the Russian Federation the right to participate in military–technical cooperation with foreign countries, no. 479, 6 May 1994, reproduced in appendix 3 in this volume as document 10.

16 A detailed description of the administrative steps taken to create an export control system is presented in chapter 6 in this volume.
In 1991, at the end of the Soviet period, two state-owned foreign trade companies, Oboronexport and Spetsvneshtekhnika, which had been subsidiaries of the MFER, were hived off, acquired the status of independent legal entities and were licensed to trade in arms. At the same time, unhappy with what they saw as the record of inefficiency of these structures when they were within the ministry, certain military aviation enterprises also began to seek independent foreign-trade rights. The State Committee on Defence Industries began to claim that it now represented the interests of producers. Finally, a range of new or potential actors began to emerge claiming that they could manage arms exports within the private sector, without assistance from state agencies, experts or professionals.

Direct contact between defence enterprises and foreign partners was allowed as early as 1991 to increase the effectiveness and profitability of arms sales and make enterprises less dependent on intermediate state agencies. Directors of arms enterprises proclaimed their readiness to find buyers for their products and conduct negotiations by themselves. Once put on a commercial basis, it was argued, military–technical cooperation would provide equal opportunities for manufacturers and trading companies to secure financial gains directly, in contrast to the previous practice when all the earnings went to the state budget before being passed on to the defence industry.

At the same time, the reality of the market place was a drastic reduction in the volume of state orders, which left defence enterprises facing a crisis—especially after the failure of an ill-prepared government conversion programme. They attempted to sell the matériel they produced by any available means. Factory managers were backed by thousands of employees whose jobs were in danger. At the same time there was a perception that the collapse of the defence industry would lead to the loss of unique technological processes and design work.

These conditions inevitably led to the weakening of foreign trade controls in 1991. The main manifestation of this, along with the emergence of new sovereign states and the absence of interstate border controls in certain sectors of the post-Soviet space, was initially almost uncontrolled export of non-ferrous metals and valuable strategic raw materials. Companies which had only been licensed to look for potential buyers—a marketing exercise—for Russian products often attempted to sell these as well. While this was mostly occurring in the non-ferrous metal and raw materials sector, in a number of cases it also happened with defence goods.

It quickly became apparent that neglect of a more systematic trade policy was leading to chaos—in fact to the disappearance of potential markets. The same arms were being offered to customers by different sellers who would engage in a price war that led to the items being offered below the cost price. The absence of coordination between the manufacturers in certain markets posed a danger to the entire future of military–technical cooperation with those countries.

In 1992–93 the balance in state policy began to swing towards a more regulated system. On 22 February 1992, the Russian President signed a decree ‘On
types of products (work, services) and industrial wastes that cannot be sold openly’ which introduced obligatory licensing for sales of arms and *matériel* as well as of other special items. In order to ensure a unified state policy in the field of military–technical cooperation, the Interdepartmental Commission on Military–Technical Cooperation between Russia and Foreign States (Komitet voyenno-tekhhnicheskogo sotrudnichestva, KVTS) was appointed by presidential decree 507 on 12 May 1992. A regulation of the Council of Ministers of 28 January 1993 established a list of military products (work and services) that could be imported into or exported from Russia subject to a licence and defined licensing procedures.

At the same time, Russian salesmen and arms manufacturers were arguing that in order to advance into new non-traditional markets and to participate successfully in the international market place they needed new types of assistance from the state. For instance, hard-currency credit was urgently required to assist in developing technologies that could be competitive internationally and to support the capital investment programmes of manufacturers capable of producing modern technology.

The government was unable to provide such credit but in November 1993 a new state agency, Rosvooruzhenie, was created. Among its tasks was taking charge of investing private and government funds in the Russian military–industrial complex to develop, on contract basis, weapons that would be in great demand in the world market.

During 1994 further modifications to the decision-making process were made in an effort to improve coordination between the ministries and agencies that had an interest in military–technical cooperation. For example, in the autumn of 1994, the president created the post of special assistant to the president on military–technical cooperation—a post held by Boris Kuzyk. In December 1994 the president also set up a State Committee on Military–Technical Policy (Gosudarstvenny komitet po voyenno-tekhchnicheskoj politike, GKVTP) under his authority. According to the decree which established it, no. 2251, ‘On the State Committee of the Russian Federation on military–technical policy’, this committee had wide-ranging authority over military–technical cooperation, the future direction of policy on military technology development, the state defence order, modernization of armaments and conversion. It also brought together representatives of different interested agencies from ministries, industry and the armed forces in an effort to develop a unified policy on these issues. These changes underlined another unanswered question in establishing Russia’s national export control system: Would the system be more effective if it were the responsibility of the presidential administration or coordinated between government ministries by a committee, or should this responsibility be given to a new agency established specifically for the purposes of export control?

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To summarize, since 1992 a framework of export controls has started to take shape in Russia which pays due regard both to the country’s military–economic and to its military–political interests. This framework is being improved with maximum regard to international experience in the field of export controls and to the experience in the market-place of the major arms exporters.

In order to establish a legal framework of military–technical cooperation, a bill on military–technical cooperation between Russia and foreign countries was prepared at the Russian Government’s request and sent to the parliament for discussion. This has not yet been passed into law. Another document, ‘The concept of military and technical cooperation between Russia and foreign countries’, has also been drafted but never formally approved or accepted, and a decree of the Russian Government of May 1994 intended to reflect the new power structure in the field of military–technical cooperation between Russia and foreign countries has never been implemented.

V. A future agenda for Russian export control

Russia is putting in place an export control system not as a favour to Western countries but to protect its own interests. Russia has inherited an unstable periphery and would be an early victim of widespread conflict, perhaps a major victim if conflict involved the use either of non-conventional weapons or of advanced conventional weapons. However, Russia has not yet managed to put in place an export control system which balances different economic, political and military interests or which defines and balances the roles and functions of different state agencies and administrative units.

The creation of the GKVTP could have been a big step forward in consolidating the strict state monopoly in the field of arms trade and military–technical cooperation. Internationally, a greater role for centralized executive authorities is the main tendency in the development of national systems for arms export control today. It is increasingly common for export control to be regarded as a separate government function requiring its own specialized agency rather than being the domain of any ministry or department. There are reasons to believe that this tendency is at an early stage and will be further strengthened in future through the Wassenaar Arrangement as the current problems facing this body are resolved.

Unfortunately, it is possible that an earlier mistake is being repeated under the present organization of Russian authorities. The promotion of Russian arms in world markets and decisions about export control are being entrusted to the same authority. The development of exclusive competence for the GKVTP could, in practice, have led to a weakening of political control over the arms trade by the Ministry of Foreign Affairs and Federal External Intelligence Service.

Once the tasks of trade promotion and the implementation of licensing decisions were reallocated, policy-making bodies could focus their attention on meeting the fundamental challenge of coordinating export policy with national security policy. It would be necessary to ascertain the balance between and coordinate the following industrial policy processes: reductions in the state orders for arms and matériel, conversion, diversification and transformation of the forms of ownership. A market mechanism for implementing conversion and diversification programmes in defence production still needs to be developed.

In Russia policy as regards conventional arms is separate from policy on dual-use goods.\(^{19}\) At present there are no clear links between Russian policy with regard to the various international export control regimes such as the Wassenaar Arrangement and the Missile Technology Control Regime (MTCR). Controls over information classified as national secrets and control over exports of goods and services which are or can be used in manufacturing various types of arms and matériel also function separately.

In the near future it may become logical to link up and eventually merge government control mechanisms for military–technical cooperation and the transfer of information, manufacturing technology, dual-use products and materials.

Additional measures of government regulation are required to cover the issue of scientific knowledge and intellectual property—which are so far not subject to export control in Russia. The government needs specific powers to oversee four specific areas: (a) the transfer of technologies and scientific and technical information in high-priority fields of science and technology, which are crucial for sustaining the scientific and technical potential of the country and guaranteeing its defence; (b) the power to control transfers of intellectual property developed by the state in order to defend the state’s interests, including the investment of this kind of intellectual property in joint enterprises in Russia and abroad, obtaining foreign patents and selling licences and know-how; (c) the registration of international scientific and technical exchanges where results of scientific and technical activities are being transferred; and (d) as an enforcement mechanism, the power to make selective checks and inspections of international scientific and technical exchanges in order to identify those who violate existing legislation and to bring them to justice. Instructions to intelligence agencies would also be required in this regard.

The classifying and declassifying of information in the fields of defence, the economy, science and technology should be linked with the processes of controlling exports of information in these spheres and regulated within a single frame of reference. On the basis of the existing regulations and the new powers referred to above, a centralized policy-making authority could therefore have the following additional functions: (a) working out and inventorying scientific and technical activities developed during the Soviet period and standard regula-

\(^{19}\) For a discussion, see Kortunov, S., ‘National export control system in Russia’, *Comparative Strategy*, vol. 13 (1994), pp. 231–38.
tions to establish ownership rights and the rights to use and have access to results from these activities; (b) creating legislation to protect rights over intellectual property and manage the information resources of the Russian Federation, including scientific and technical results obtained while carrying out government defence orders, which are federal property; (c) developing legislation to deal with questions of infrastructure and state support for research and development; (d) organizing, managing and running Russia’s international cooperation in the field of military and dual-purpose technologies; (e) controlling transfers of technology and scientific and technical information in those high-priority fields which are crucial for sustaining the scientific and technical potential of the country and guaranteeing its defence; (f) control over state intellectual property in order to defend the property interests of the owner, including the investment of intellectual property in joint enterprises in Russia and abroad, obtaining foreign patents and selling licences and know-how; (g) building an information infrastructure for the conversion, transformation into joint-stock companies and privatization of state enterprises; (h) registration of international scientific and technical exchanges where the scientific and technical results obtained while carrying out government defence orders are being transferred; and (i) carrying out selective checks and inspections of international scientific and technical exchanges in order to identify those who violate the existing legislation and to bring them to justice.

Implementing these proposals would facilitate a comprehensive solution to the problems facing the military–industrial complex. This solution would also involve the participation of industry. Further, it would help sustain the scientific and technical potential of industry at an adequate level while still ensuring a state control not only over individual programmes, but also over a most important and still manageable part of Russian society.