Russian government warns of new arms race

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On Tuesday, Russian President Dmitri Medvedev delivered his annual address before the country's Federal Assembly. While his speech largely evaded a discussion of the pressing economic and political problems facing Russia, he used the occasion to issue a sharp warning to the United States on the question of missile defense.

"[I] would like to openly state that in the coming 10 years we face the following alternative: either we reach an agreement on anti-missile defense and we create ? full-fledged joint mechanism of cooperation, or (if we cannot reach a constructive agreement) a new arms race begins," stated Medvedev.

The Russian president underscored his government's intention to create a "high-tech mobile army," noting that 20 trillion rubles ($636 billion) had been dedicated to this task. He portrayed the upgrading of Russia's military capability as an essential component of his overall goal of diversifying the country's economy and upgrading its productive capacity. Increased expenditures on defense will drive "the modernization of production, as well as fundamental and applied research, and the university sciences," Medvedev insisted. He added that the government should work to build up patriotic sentiments in the population.

Medvedev's remarks followed a NATO summit in Lisbon on November 20, during which it was agreed that Russia would participate in the building of a US-led anti-missile network in Europe. Despite this agreement, Moscow remains concerned that it will be treated as a junior partner in the project, with its wishes regarding the stationing of the defense system largely ignored. Russia fears that, notwithstanding Washington's claims to the contrary, it is one of the intended targets of the missile shield.

Medvedev's comments come amidst an ongoing dispute in Washington over the ratification of a new START treaty with Russia. Sections of the Republican Party are opposed to the passage of the agreement, which sets new goals for nuclear arms reductions and weapons inspections. According to Moscow, the treaty also contains language in the preamble that limits Washington's ability to establish an anti-missile shield on its own terms in Europe. This interpretation, while not shared by the Obama administration, has been seized upon by congressional hawks to insist that the treaty undermines American defense interests. It remains to be seen whether the White House will be able to secure passage of the new START prior to the end of the lame-duck Congress.

On Tuesday, the *Wall Street Journal* published a report stating that the US government believes that Russia moved "short-range tactical nuclear warheads to facilities near NATO allies as recently as this spring." The Russian military has denied this claim.

Echoing Medvedev's comments, Prime Minister Vladimir Putin told CNN's Larry King, in an interview aired Wednesday evening, that Russia would begin expanding and updating its nuclear arsenal if the treaty is not ratified and no agreement is reached between the two countries on missile defense.

Despite the much-touted "reset" of relations between the US and Russia, tensions between the two countries remain. While the recent period has seen increased cooperation between the two countries, particularly with regards to the US occupation of Afghanistan, Russia continues to view US efforts to secure American domination over Central Asia as a threat to interests.

Apart from the question of geopolitical relations with the US, Medvedev's speech on Tuesday was notable for its avoidance of any serious discussion of the economic and political problems facing Russia.

In particular, Medvedev made no further reference to his recent accusation that Russia's political system is on the verge of "stagnation." The president's comment, issued last week, appeared to draw an analogy between Russia under the domination of United Russia, Putin's political party, and the moribund state of affairs in the Soviet Union during the Brezhnev era.

In comparison to last year, when the Russian president used his annual address to put forward a critique of the state of the country's economy and call for the adoption of a new development model, on Tuesday Medvedev did his best to whitewash the situation in the country, focusing much of his speech on the government's child welfare policy.

In his opening remarks, Medvedev quickly passed over the questions of inflation, the grain crisis, and unemployment, insisting that dramatic improvement had been made in all three spheres. In reality, however, while official inflation is at about seven percent, millions of ordinary people are seeing their living standards decline due to a rapid increase in the cost of basic foodstuffs fueled, in part, by a catastrophic collapse in Russian grain output.

Crop yields fell 38 percent this year in comparison to last, dropping from 97.1 million tons in 2009 to 60.3 million in 2010. In addition to banning grain exports, Russia will have to import feed grain this year and agricultural producers are already warning of shortages of seed and fertilizer to sow spring crops. According to the newspaper *Nezavisimaia Gazeta*, official statistics show a 15 percent increase in the cost of basic foodstuffs this year, but the reality is closer to 50 percent. None of this was mentioned by the

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president.

Medvedev devoted 45 minutes of his 73-minute speech to the state's child welfare policy. Arguing that the government had to encourage the recently observed upturn in Russia's birth rate, the president discussed a series of initiatives to supposedly induce Russians to have more children. These included a 100-billion ruble ($3.1 billion) investment in child health care, giving families that have three or more children a plot of land on which to build a house, and the promotion of adoption of children living in orphanages.

Despite his populist-sounding rhetoric, there was little substance to what Medvedev proposed, which included little that has not already been promoted by Ministry of Health and Social Development for the last several months.

The unreality of the Russian president's annual address has been noted by some in the media. In an article entitled, "An address in the style of folk," the online press *Gazeta.ru* observed, "The gulf between the rhetoric in the president's speech and the real situation in the country is very clear. The appeal in the address to 'propagate and multiply' does not correspond with the actual social and economic problems in the country. Young families put off even having their first child, and do not have a second."

Talk about giving land to families with three children, when many cannot even afford to have one, is a diversion intended to make it appear that the government is capable of doing something to address Russia's demographic crisis. Despite government claims of a recent increase in the birth rate, by official estimates Russia's population could shrink to as little as 137 million by 2020, from a high of approximately 149 million in 1991.

In his speech, Medvedev discussed a series of other vaguely defined popular measures, from improving education, to caring for the elderly, to concern for the environment. The substance of what he put forward, however, entails a worsening of conditions for the majority of ordinary people and the creation of new opportunities for the wealthy to enrich themselves.

For example, Medvedev insisted that a major effort be made to increase the country's "energy efficiency" by attracting private capital to the utilities industry—in other words, by semi-privatizing these essential services to the benefit of investors. Similarly while the president called for new expenditures on higher education as part of the country's "modernization" drive, an element of the Kremlin's education policy is to allow universities and colleges to operate small businesses. On the question of environmental policy, the president called on corporations to take on themselves the responsibilities of monitoring and cleanup. Just this summer, Russia experienced the consequences of precisely such a policy, when the country's forestlands, self-managed by the logging industry, were engulfed in massive wildfires.

However, even the limited spending increases proposed by Medvedev in his annual address elicited a negative reaction from Finance Minister Alexei Kudrin. Insisting that the federal budget is running a deficit of 4.6 percent of gross domestic product, Kudrin maintained that any additional funding on social welfare be paid for with cuts in other areas. "We will need to redirect spending from other fields," he said on Monday.

In his remarks, Medvedev studiously ignored any discussion of the tenuous economic situation in the country. Like the White House, the Kremlin has made much of the supposed recovery occurring in Russia. Prime Minister Putin regularly comments on the country's return to positive growth in 2010, a line echoed by Medvedev in his address. However, both leaders are keenly aware of the ongoing economic risks facing Russia.

On November 30, BBC News reported that a "top Russian official" described the country's economic growth as "very fragile," with Russia experiencing $25 billion worth of capital flight in 2010.

Last week, German Gref, head of Russia's Sberbank and former minister of economic development, insisted that none of the underlying causes of the 2008 meltdown had been addressed and that there was a danger of a second outbreak occurring, which would engulf Russia.

Evgeny Yasin of the Higher School of Economics in Moscow told *Nezavisimaia Gazeta* that one of the primary concerns of economists is the possibility of continued, low growth rates in developed countries, resulting in the stagnation of global trade. This would "immediately have a negative impact on Russia," the newspaper reported.

Medvedev's inability to speak forthrightly during his annual federal address about the pressing economic and political issues Russia faces—collapsing grain output, skyrocketing food prices, continued high unemployment in Russia's industrial towns, growing tensions in the Far East over territorial disputes, the virtual civil war ongoing in the North Caucasus—indicates a ruling elite in a state of extreme nervousness about the challenges it confronts. The Russian president's warning about the possibility of a new arms race and the emphasis that he placed on the rebuilding of the country's military might should not be taken lightly. The Russian ruling elite is fully prepared to use force both against working class opposition that develops inside the country over deteriorating social conditions, and against its rivals on the world stage, to defend its national interests.

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