



SIBYLLE SCHWARZ

Since Russia's financial meltdown last August, the West has all but given up helping that country reform its economy. "Tactical disengagement" is the new watchword. Exclusive responsibility for managing the West's economic relations with Russia has fallen to the International Monetary Fund. Predictably, matters have not risen above the level of bickering over details of the latest budget. Long-term, fundamental issues—changing the Russian economy, improving it, making it competitive—have given way to hoping that it can survive. The goal, if there is one, is to mark time.

Western policymakers appear not to recognize that the fate of Russia's economy is neither exclusively Russia's problem nor exclusively an economic problem. Although Russia, with its nearly \$200 billion of foreign debt, still has the ability to shake global financial markets—and likely will do so—the unquestionably bigger threat posed by its weak economy concerns national security. Russia's economic woes increase the nuclear threat to the United States.

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Russia's Aging War Machine

Economic Weakness and the Nuclear Threat

Russia's Small Economy

The Cold War military machine built up by Moscow proved economically unsustainable even for the USSR. But Russia, which inherited most of the Soviet military burden, has only half the population and perhaps 60 percent of the industrial base of the USSR. Moreover, Russia's economy, as measured by its GDP, has shrunk by roughly half since 1990. Still more important is the state of the public sector. For more than a decade, Russia's federal government has failed to maintain even the basic functions of ensuring national security, environmental safety, and public health. To a large extent, the state has become marginalized as a part of the Russian economy—the very reverse of the Soviet system.

The Soviet economy assigned first priority to building and maintaining state power, especially military might. The civilian economy, particularly the household sector, was the residual claimant of resources and wealth created; it had to make do with whatever was left over. Today, individuals and households can and do meet their own needs first, resisting in every way possible the claims of the state on them. The overwhelming majority of Russian farms produce nearly nothing beyond what their workers can consume. Many industrial enterprises do the same, producing barely enough output to sustain the existence of their own employees. Almost nothing is left that can be taxed to support the state apparatus. Moreover, the little that is available to the state is used in highly inefficient ways—primarily because so little state revenue is in the form of money.

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The Nonmonetary Economy

Throughout the Russian economy, individuals, households, enterprises, and governments operate without cash. Very large enterprises are the extreme cases. Roughly three-quarters of their operations involve no money. But governments are close behind. Some city government budgets are no more than 5 percent money. The rest is in barter goods and debt swaps with providers of goods and services to the government. Even within the federal government, some agencies exist with almost no money at all. One such agency is the Ministry of Defense.

Russia's 1999 federal budget calls for defense spending of about 100 billion rubles. Using even the most generous estimate of the domestic purchasing power of the ruble, this is equivalent to no more than \$20 billion, or less than one-twelfth of the U.S. defense budget. But even this figure is misleading, for it implies that the Russian defense ministry has real money at its disposal. In fact, it has virtually none.

Over the past few years, Russia's defense ministry has built up debts to its suppliers that now total six to seven times the annual defense procurement order. The little "payment" that is made for goods delivered is not in money, but a credit for taxes owed to the federal and regional governments. Guided not by the needs of the armed forces, but by political expediency, the federal government bargains with powerful governors whose main concern is to protect jobs in their regions. The resulting practice of so-called offsets is typical of the highly inefficient use of even the minuscule nominal resources available to the Ministry of Defense. It is a seller's market. A ministry that should be making the wisest use possible of its limited procurement budget, concentrating on critical systems and upgrades, is forced to take whatever the factories have available—in most cases, not weapons at all, but rather

goods that can most readily be bartered for food and clothing.

Entire military units have become "self-financing." They barter the use of their trucks for food. They contract out their troops to farms in return for part of the harvest. For the military, as for the rest of Russian society today, barter allows people and institutions to survive. But the cost in terms of economic efficiency is huge.

The Cash Constraint

The ultimate constraint in this system is the minimal cash needed to pay wages, especially to officers whose families live off-base. Here, the situation is critical. The sharp increase in consumer prices after last August's financial collapse drove pay and allowances for Russian servicemen far below subsistence income levels. A pay hike scheduled for mid-1999 will at best compensate only for the inflationary loss, but will not be a real improvement over pay a year ago. And that was bad enough. In 1998 the defense ministry was able to cover only 50 percent of its planned budget for food and only 8 percent of the projected clothing budget. What little was available had to be used for conscripts being fed in mess halls. Officers' families typically had to rely on donations from relatives, friends, and neighbors.

As one officer's wife put it in a television interview in late March, "We have to hope our neighbors continue to support us and the two boys. So far, they have all pitched in. Even the pensioners in our apartment building bring food and beg us to take it, saying that they know that we are worse off than they are."

Economic weakness is strengthening the anti-Western, antidemocratic, and antimarket reform trends in Russia today. It is also steadily eroding the military's tradition of political neutrality. Although the military's aversion to Bonapartism appears to remain intact, rising nationalism draws additional strength from its growing politicization.

Effects on the Nuclear Forces

For Russia's conventional forces, the combination of lack of resources and the time and effort that must be diverted to sheer survival has been devastating to combat readiness. But nowhere does the weakness and inefficiency of Russia's state economy have more serious implications than

famous nuclear suitcases that accompany the president and other top authorities are falling into disrepair.

Prestigious institutes, such as the laboratories that design nuclear weapons, build the deep underground command posts, and engineer the communications links that would be used to send the "go code" to the strategic

weapons. But conditions that might drive individuals or groups to violate nuclear safety rules or threaten to fire weapons are ripening. At the least, worsening conditions of life and work in the nuclear forces decrease proficiency in managing weapons and sap motivation to adhere strictly to safety rules.

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in maintaining the sophisticated systems and men of the nuclear weapons complex.

The strategic weapons themselves are fast reaching the end of their shelf life, and Russia cannot afford replacements. Current aging forces have become more vulnerable. Surveillance satellites and radars are wearing out. Russia's early warning system is decaying as gaping holes develop and susceptibility to false alarms grows. Budget shortages, among other problems, prevent Russia from dispersing submarines and mobile land rockets into the sanctuaries of the oceans and forests. The Russian navy struggles to keep one or two ballistic missile submarines out of a fleet of twenty-six at sea, and at times cannot even do that. The Strategic Rocket Forces strain to disperse out of garrison into covert field locations a single regiment (nine missiles) of mobile rockets, out of a total mobile force of 350. Russian bomber pilots receive only about 20 hours of flight training a year, compared with 200 or more hours for their U.S. counterparts. Underground command posts are crumbling. Even the

rockets, are virtually bankrupt.

Like the conventional forces, Russia's nuclear units suffer from housing and food shortages, pay arrears, extended duty shifts owing to manpower shortages (massive draft evasion has depleted the enlisted ranks), and "moonlighting" to make ends meet. The competence and integrity of the generals who lead them have declined. They are demoralized and alienated from the state, which fails to support them, and the society, which no longer holds them in high esteem. They are themselves less impressive individuals owing to declining standards for admission to the higher military academies.

Hardship and disaffection at all ranks, enlisted and officer corps alike, have sharply increased the rate of suicides, crime, and political activity (the latter illegal for active military personnel). Remarkably, cases of disobedience and protest have so far been rare (though the wives of nuclear officers often stage demonstrations, sometimes interfering with operational activities). To our knowledge, no one has yet vented frustration by threatening to use, or trying to use or steal, nuclear

Greater Nuclear Reliance

Amidst all this decay, Russia strives to maintain the option to fire hundreds of missiles carrying thousands of warheads out of vulnerable silos on warning of an incoming missile strike. The crippled Russian missile force remains poised on hair-trigger alert, ready to fire at a moment's notice. This stance, inherently dangerous, is becoming more so as Russia's nuclear command and early warning system deteriorates.

By 1994 nuclear weapons had become the primary, and virtually the sole, pillar of Russian security. Recognizing its conventional military weakness along its entire border, the Russian government abandoned its longstanding commitment not to initiate the use of nuclear weapons in a conflict. Today Russia relies more than ever on using them first or launching them on warning of hostile missile attack. This growing reliance has not only lowered the nuclear threshold for intentional use but also increased the danger of mistaken or unauthorized use of nuclear weapons.

The Stakes for the United States

Should Americans and their government care about Russia's nuclear posture and its dissolution? The answer is an emphatic yes. American security is bound up in Russia's destiny, and our immediate security depends crucially on ironclad Russian control over its nuclear arsenal.

If we are very lucky, the Russian nuclear arsenal and control system will atrophy without incident, coming to a safe instead of deadly end. In such a happy scenario, this atrophy will also

encourage Russia to ratify the START II arms reduction treaty and negotiate even deeper bilateral reductions, lowering the ceiling on strategic deployments from 3,500 (START II) to 2,500 (START III) or fewer. Within a decade or so Russia's aging force could easily shrink to 500 or fewer, creating enormous latitude to negotiate vast reductions in deployments.

But this scenario is wishful thinking loaded with untenable assumptions. The START process has stalled and may not be revived any time soon, leaving in place increasingly decrepit and hazardous forces that Russia might not retire after all. The decay of the Russian arsenal is certain to run growing risks of proliferation and to erode safety along with basic offensive capability. For example, a degraded early warning network is less able to detect an actual attack—but also less able to screen out false indications of attack. Similarly, failure in the nuclear command link between the General Staff in Moscow and the launch crews in the field would disrupt not only the ability of the General Staff to quickly transmit the go code, but also the feedback loop from the missiles to the General Staff that detects and prevents an unauthorized launch attempt at any subordinate level of command. Finally, the departure of security guards from their posts at weapons depots to forage for food or escape inclement weather may not only impede the authorized dispersal of those weapons during a crisis but also increase the vulnerability of the weapons to theft. And the danger is not merely theoretical. A 1996 CIA report noted that broken locking devices on some Russian nuclear weapons had not been repaired for lack of spare parts. In short, progressive nuclear deterioration in Russia increases the risks of mistaken, illicit, or accidental launch, and the loss of strict central control over Russia's vast nuclear complex bodes ill for nonproliferation. If Russia's nuclear designers, producers, and custodians surrender to economic pressure, they could open the

floodgates to the illicit transfer of nuclear materials, weapons, and delivery technologies to America's adversaries.

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To alleviate the immediate danger, Russian and U.S. strategic missiles should be taken off hair-trigger alert so that none could be fired on a moment's notice. "De-alerting" our arsenals, ideally by detaching the warheads from missiles, would reduce their susceptibility to illicit or mistaken launch. Today it takes only minutes to prepare those forces for launch. Reducing the interval to days or longer would provide a far larger margin of safety against many scenarios, ranging from the temporary loss of legitimate civilian control over Russian weapons to false warning in Russia's early warning system—both more plausible dangers than a deliberate, cold-blooded attack by Russia or the United States against each other. The challenge of deterrence today pales beside the challenge of operational safety.

But even a comprehensive nuclear stand-down falls short over the long run. As long as Russia remains mired in economic, political, and military despair, the nuclear threat will continue. Russia will not be able to reduce its reliance on nuclear weapons until it can afford an adequate conventional military force. It will not be able to ensure control over its nuclear weapons and materials until it has a strong state, one based on a healthy economy and a civil society. The West's vital stakes in this process of nation-building have not diminished, despite all the failures and frustrations of the past decade. If anything, those stakes have grown—as have the cost and effort needed to stabilize and transform Russia.

While the prevailing political cli-

mate in the United States is to disengage from Russia, we believe that it is time to think big. Because of the stakes involved for our future, the nuclear issue is a place to begin. Our logic is that because a drastic reduction of Russia's nuclear arsenal is in our interest, we should be prepared to pay for it. In return for elimination of Russia's surplus nuclear weapons, Washington should compensate Moscow. As part of the deal, the United States would reduce its arsenal proportionately, and both nations' surplus weapons would be placed under international monitoring.

As an initial offer, we could think about transferring to Russia a sum equal to the historical U.S. cost per nuclear bomb—\$6 million—for each net unit reduction in the Russian arsenal. The saving that Washington would reap from the reduced burden of its own nuclear programs would be considerable, perhaps as much as \$300 billion over a 20-year period.

Russia will still need security assurances before it can reduce its reliance on its nuclear arsenal, and any grand bargain that promotes global nuclear safety as well as Russian economic revival would doubtless present a host of complications and obstacles, including the question of Russia's will to undergo economic reform or how best to reform. But neither of these key issues can be addressed without a vision big enough to offer the hope of success.

Since 1940, the United States has spent about \$400 billion on nuclear bombs and an additional \$5 trillion on delivery vehicles and the rest of its nuclear enterprise. Since the end of the Cold War, America's wealth, measured in the stock value of its companies listed on the U.S. stock exchanges, has grown by upwards of \$10 trillion. The United States and other prosperous nations can afford to consider a grander bargain with Russia than they have to date. Given the stakes and dangers, they cannot afford not to. ■