
Russia Rising

Mohan Guruswamy

I

In the weeks before the August coup against Mikhail Gorbachev, Moscow was one of the bleakest places in the world. It was dank, grey and tatty. Even as the Indian ambassador extolled the resilience and power of the Soviet state, the store shelves were bare. Back in the Hotel Ukrainiya, we foreigners ate at special dollar designated restaurants where the buffet tables were piled high with meat and vegetable dishes, to be chased down with a choice of beverages. Soviet citizens ate at ruble designated restaurants where the menu was quite spare. My Russian friends didn't need much persuasion to accept invitations to breakfast, lunch or dinner. We foreigners shopped at *beriozkas* with our black-market dollars and snapped up submariner wrist watches, cut glassware and caviar at good prices. It all reminded me of an unforgettable scene in David Lean's version of *Doctor Zhivago* where the aristocracy is shown feasting in a restaurant while tired and scruffy little children peer in, with their noses pressed against the glass.

The economic decline of the Soviet Union began in the Brezhnev era of the 1970s and early 1980s when the economy stagnated for the first time. These "years of stagnation" marked the end of almost half a century of unprecedented growth and change, and have come to be known in Russia as the *gody zastoya*, meaning just that. More interestingly for us Indians, the Russians also refer to this period as the period of senility – *marazm*. One is not sure if the seeds of the demise of the Soviet Union were sown during this period or if it was much earlier during the Stalinist era or even under great Lenin. But one thing is certain; it was during the *gody zastoya* that the moral degeneracy of the state reflected in the

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rampant corruption, cronyism, nepotism and rank inefficiency reached new levels. In a system where the state controlled all means of production and services, it inevitably led to shortages. The leading Russian poet of that period, Andrei Voznesensky says all there is to say about life in the Brezhnev era in a poem about queues:

I am 41st for Plisetskaya,
33rd for the theatre at Taganka,
45th for the graveyard at Vagankovo,
I am 14th for the eye specialist,
21st for Glazunov, the artist,
45th for an abortion
(When my turn comes, I'll be in shape),
I am 103rd for auto parts
(They signed me up when I was born),
I am 10,007th for a new car
(They signed me up before I was born).

Very clearly the train of Communism had stalled. The Russians even had a joke about how three generations of Soviet leaders would have resolved the situation. "Stalin would have shot the engineers, exiled the crew and got someone new to drive it. Khrushchev would have pardoned the crew and put them back to work. Brezhnev would pull down the shades and pretend we're moving!" Yuri Andropov, the urbane and reflective KGB spymaster, who took over after Brezhnev finally died, seemed fully aware of the malaise and more importantly about how far behind the West the Soviet Union actually was. In 1960 after Col Yuri Gagarin's historic space flight, Nikita Khrushchev had promised the world that the Soviet Union would overtake the West in twenty years. As the long time head of the omniscient KGB, Andropov was more aware than anyone else in Russia that the shades will one day have to go up and if not done carefully, would lead to an uncontrollable explosion that would take down everything that was actually achieved under Communism. Yes there were many great achievements, but this is not the time to discuss that, and I'd rather let Comrade Sitaram Yechury expound on them. Andropov didn't live long after that but not before elevating the relatively young Mikhail Gorbachev into the Politburo. By doing so, he was striking the first deathblow to Communism and one must still wonder if he did it with malice aforethought.

It was during the late Gorbachev period that I first visited Russia, to see the future. Forty years earlier, George Orwell had visited the Soviet Union and returned to Britain to exult "I have seen the future and it works!" The Russia I visited in March 1991 wasn't working at all. One afternoon, the little corner store near the Indian Embassy in Moscow at *Ulitsa Obukha*, had just one measly loaf of coarse brown bread. The GUM store abutting the Kremlin where the Soviet *nomenclatura* (equivalent to our "VIPs") shopped had a little more, mostly *matrushka* dolls from which a line of recent Russian despots disgorged, each from the belly of the later one. Thus, Gorbachev begat Chernyenko, who begat Andropov, who begat Brezhnev, who begat Khrushchev, who begat Stalin, who begat Lenin, who ultimately begat Nicholas!

Gorbachev's half-hearted attempts at reform, the much-vaunted *Perestroika*, and the rising tide of a new political consciousness in Eastern Europe only accelerated the slide. Increasingly bereft of the Empire, the salutary lesson administered in Afghanistan contributed as much as the venality and monumental corruption that gripped the system, leaving Gorbachev with little scope to restore order in the command economy. Instead of producing quantities of goods at prices determined by Gosplan, producers circumvented "the plan" and produced and sold at will in a parallel system working on barter, exchange and misappropriation. They reported what the authorities wanted to hear and did what they were forced to do to exist in the parallel market system that came into being without official sanction. Thus, in effect, a large but primitive and increasingly criminal market did exist when a botched coup in August 1991 saw Boris Yeltsin clamber atop a T-72 tank of the elite Taman tank division and clench his fist to create an image of defiance that captured the imagination of the Russian people and the world.

More disasters followed the failed coup. The drunkard Boris Yeltsin terminated the Soviet Union and led Russia into economic and social chaos and for six long painful years, the Russian economy kept contracting and the new elite looted the country. The West clapped with joy and its strategists announced a unipolar world. Others like Francis Fukuyama announced the "End of History". In New Delhi, a suddenly vocal lot of World Bank and International Monetary Fund (IMF) trained technocrats, comfortably padded with international pensions, charted a new course for India. Like true Great Gamers they also clapped with joy, believing that Russia will implode. It didn't make a whit of difference whether it was Narasimha Rao or Vajpayee at the helm. At the end of his tenure as Russia opened another layer of the *matrushka* doll, Yeltsin gave way to a former KGB agent, Vladimir Putin.

In a series of stunning moves, Yeltsin had dismembered the Soviet Union by engendering a surge of self-serving nationalism and following it up with decolonisation. The Soviet Union disappeared for good on December 25, 1991. The Yeltsin promise soon disappeared in a haze of vodka behind which a new crony capitalism thrived. In *The New Russians*, Hedrick Smith tells us what the old Russia of Brezhnev and Gorbachev was like. Hedrick Smith, in fact, has another book, which is just *The Russians* which is about the old Russia of *The Readers Digest* heydays. In *The Oligarchs* which is about “wealth and power in the new Russia”, David Hoffman tells us about what happened in the Yeltsin years when great power and wealth was cornered by a few, very few indeed. What also happened in the waning Yeltsin years was the dramatic emergence of a former KGB agent of the First Directorate and later a minor functionary in the city government of St.Petersburg in the halls of the Kremlin. First as head of the FSB, the successor of his first employer, and then as prime minister and to finally become president on December 29 1999, when Yeltsin retired at last.

Putin’s taking charge of the helm began to transform Russia. By 2004, Russia was well on course. That year the gross domestic product (GDP) grew at 7.9 per cent. The average GDP growth since 2000 has been over 7 per cent and the GDP has grown six-fold. It has risen from the 22nd place to the 10th place now. There was nothing in Putin’s background that would have suggested that he came with a plan. He had served most of his career in the Fifth Directorate of the KGB which was concerned with foreign intelligence. The only other country he visited was East Germany, where he could have learnt very little about nation building. Putin quit the KGB in 1991 and by the end of that decade, was president of Russia. It was a steep climb. But he had a steely resolve to restore Russia to its rightful place in the world and a fearlessness to take the bull by its horns.

II

The demise of Communism meant the destruction of the economic system and the introduction of a market economy based on democratic principles. This meant that instead of even the most mundane decisions being made by the state such as what the citizen will consume, what the factories will produce, and what the stores will sell, millions of new decision-makers were making these choices. Prices were freed, but instead of goods reappearing, prices immediately shot up, causing huge hardships to the common people. It would be years before a semblance of stability was restored. But more stunningly, the vast

public sector, all of Russia's great but inefficient production system, factories, stores, banks, farms, oil and coalfields, power plants, defence and ordnance works, airline, railways, in short everything of economic value other than private property, was sold. In theory, to the general public, workers and financial institutions. But in reality, they were grabbed by a new class of crony capitalists, well-connected political hangers-on and former bureaucrats, people who will thrive under any system. These were the oligarchs.

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The oligarchs wanted order, but the kind of order that was good only for them. What's new about that? Among the most powerful oligarchs were Boris Berezovsky, a former researcher with the prestigious Institute of Control Sciences, and Vladimir Gusinsky who trained to be a stage director and who once drove a Moscow taxi. Both were adventurers who came to great wealth and power during the Yeltsin years. Both came to own and control media — mostly TV — empires. While Gusinsky restricted himself to his media business, Berezovsky's interests were more varied. Along with a clutch of industrial enterprises, he combined a political career also. He was elected to the Duma in the elections that swept Putin to power. Berezovsky was an early supporter of Putin. Gusinsky, on the other hand, took on Putin and paid for his folly when the banks pulled the plug from under him. He now lives in London, a fugitive from Russian justice. Berezovsky soon after began to feel the prickly sweep of Putin's broom on his back. He too is now a fugitive from Russian justice and is holed up in Paris. It didn't take much more to show the other oligarchs their place.

With the power of the oligarchs broken, Putin set about in earnest to set right the liberalisation that went awry in the Yeltsin years. A strong government not only was able to control inflation and industrial unrest, it also curbed the open lawlessness of the Russian mafia and the rampant corruption of the new elite. During my 2004 visit to Russia, I saw evidence of renewed and vigorous economic activity everywhere. The diffidence and hopelessness of the Gorbachev and Yeltsin years had gone. A new and confident Russia was emerging. There will never be another Soviet Union where India's ageing comrades could go to get their cataracts removed or that would straddle the world as one of its two superpowers. In its place we now have a Russia increasingly seeking its true destiny as a modern European nation and an

actively dominant role in the world. Make no mistake; Russia is still a military superpower. It has the natural and human resources, and the technological base to make it a great player in world affairs.

I recall a conversation I had in July 1991 with the then Indian ambassador in Moscow. He vehemently disagreed with me that the Soviet Union seemed on the verge of imminent collapse. On my return, I learnt that our Ministry of External Affairs (MEA) considered such thoughts as heresy. Now with the MEA under new management, equally focussed in another direction, we seem to be missing the Russian story once again. Like it or not, the Russians are coming!

When I visited Russia again in 2004, the signs of revival were everywhere to be seen. But, like the ambassador in 1991, who couldn't see the empty shelves at the corner store, the mandarins in South Block and their mouthpieces in the media couldn't see past their noses and were convinced that Russia was going down the tubes. There is little doubt that many of them got their cues from the West. Small bureaucrats began to talk down to Russian diplomats. The present Russian ambassador had to wait for months before being scheduled to present his credentials to the president. A senior Indian Air Force (IAF) officer was so rude to a visiting senior Russian official that a formal complaint was lodged and the Indian defence minister had to have a quiet word with him. This gentleman after retirement has taken to bad mouthing Russian equipment on the seminar circuit. He has special ire reserved for the MiG fighters that are the backbone of the IAF. I have heard him say that you don't need radar to locate a MiG-29. All you need to do is to look for its smoke trail. But this story doesn't end here. When the MiG-35 was being put through its paces at Aero India 2007 and as this gentleman was watching it perform, MiG officials made it a point to point out to him the absence of a smoke trail! They also assured him that since it is a 4.5 generation aircraft with 360 degrees vector thrust and a 2,600 km range, even if the radar catches it, it can outfight and outwit anything else up in the sky.

The first Russian aircraft inducted into the IAF was the MiG-21 in 1965. Its North Atlantic Treaty Organisation (NATO) counterpart was the Lockheed F-104 Starfighter. By 1980, the Starfighter which had earned the name "the widow maker" was withdrawn from service. It had a tendency to break up in mid-air without a shot being fired at it. Not that they did not get shot down. IAF MiG-21s shot down four of them in 1971. Other counterparts of the MiG-21 like the British made Lightning also were withdrawn decades ago. Over 11,000 MiG-21 were produced, many hundreds of them in India and they have been flown by over 50 air forces all over the world. Since they were first produced in the early 1960s, there have been 21 variants and the latest variant is still the mainstay of

the IAF. This MiG-21 Bis has been reported to have stunned US Air Force (USAF) pilots flying the F-15s and F-16s in the exercises with the IAF, both in India and abroad. In fact, one former IAF Western Command commander-in-chief (C-in-C) even described the MiG-21 bis as being superior to the F-16. But the MiG-21 is now the most vilified fighter in the IAF and Aamir Khan even made a movie in which its abilities were questioned.

It's true that in the Yeltsin years, Russia was in disarray. Its economy was contracting and its military equipment production was in shambles. The production of parts was dispersed all over the USSR and when those economies took a dive, supply lines just dried up. But since 2001, Russia has been able to sort out most of its problems, but we are still suffering from a perception time lag.

Russia's recent record has been truly extraordinary. It has a GDP purchasing power parity (PPP) of about \$2.1 trillion or nearly twice that of India's, and is now growing at 7.3 per cent. On a per capita income of \$1,470 that means a big leap in consumption and investment each year. It has a current account balance of 8.9 per cent of the GDP which is higher than that of the high flying Chinese economy. Foreign direct investment (FDI) inflows account for 2.7 per cent of the GDP which is far ahead of India's. Many will argue that Russia hit the jackpot with oil prices shooting up and since oil exports account for over 65 per cent of Russian exports, luck has had more to do with it than competence. This might be so, but all over Russia you see signs of that money being put to good use. The infrastructure is being expanded at a phenomenal pace and small town Russia is witnessing an unprecedented revival.

I visited the small town of Tula about 190 km southwest of Moscow, with a population of about 450,000. In 1712, Peter the Great, impressed by the local Demidov blacksmiths, chose Tula to be Russia's armament production centre. Tula's great moment came during World War II when it raised its production of weapons to new levels. It was at Tula that Gen Heinz Guderian's Second Panzer Army was held and Moscow's southern flank was secured. A grateful nation awarded Tula the status of "Hero City". When the Soviet Union disintegrated, Tula's fortunes sank. Its great factories just shut down. The city centre was taken over by derelicts. This was the story all over Russia. Even at the turn of this

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century, few would have predicted a revival of Tula. But Tula is now booming. Its old factories are producing more than ever before from fewer factories. The giant Lenin statue in the main square does not any more preside over desolation. New shops and restaurants are opening every day and tourists visiting Leo Tolstoy's estate, "Yasnaya Polyana" 14 km away, have a choice of places to visit. Indians are a familiar sight in Tula. Not only does India continue to buy a lot of Tula manufactured weapons, but Indians like to visit Tolstoy's home and pay respects at his grave.

But the real reason for Tula's revival is that the Russian Army has begun to place orders again and is demanding newer and more modern weapons. Tula has also become Russia's main producer of accordions and samovars, indicating that music and good times have returned to Russia. If towns like Kazan, Nizhny Novograd (formerly Gorki), Novosibirsk and Vladivostok are reviving, the metropolises of Moscow and St. Petersburg are gleaming with new wealth and reconstruction. I took the legendary Red Arrow Express train from St. Petersburg to Moscow. I had thought that I would not ever travel on a better train than the Qinghai-Lhasa Express. But the Red Arrow is something else. It's quiet, smooth and well appointed. After a long and hectic day at Alexander Nevsky's city, the Red Arrow was just what the doctor had ordered.

St. Petersburg is a city that gets better with each visit. There is history at every corner, and some more of it is added each passing day. As we sat having coffee at a fine café overlooking the St. Isaacs Cathedral, the three of us, the former spymaster, the retired air marshal and myself, concluded that the girls in St. Petersburg came in combinations from three basic models — Anna Kournikova, Maria Sharapova and Elena Dementieva. They are all well dressed and sitting perched on the other side of sixty, one can have lots of espresso and wonder how Russia has changed.

Coffee over, we visited the offices of the Kronshtadt Company, a joint venture between state owned Rosoboronexport and a privately owned company Tranzas CJSC established in 2000. Tranzas is essentially a high end software and technology company. The Kronshtadt research centre on the outskirts of St. Petersburg is located in what was an unused factory building. It has been modernised and has a funky and spiffy air about it. Mostly young people work here. On floor over floor, geeks peer over their computer screens and produce binary magic.

Kronshtadt manufactures sea and air simulator systems; computer aided teaching systems, navigation aids and avionics for military applications. I sat in a simulator for a Mi-17 helicopter and went on a spin over Sochi. Its visual

realism was breathtaking as the simulator rocked and turned to the pilot's stick. Then I took off from a harbour to land on the INS *Vikramaditya* with its complement of MiG-29Ks, with folded wings on the deck. Evgeny Komarakov of Kronshtadt, who was showing us around laughingly complained, "Your air force people come and take the rides and say it's wonderful, but don't place any orders." To this, I replied that you must just set one up in India and charge the users by the hour and that it might be a better business model. This is the new Russia and he replied that he will do the numbers instead of just saying *nyet!*

In the recent years, Kronshtadt has developed a line of unmanned aerial vehicles (UAVs). We saw a small system, the Dozor-4 with a wingspan of 4.6 metres and a payload of 12 kg, designed to monitor power lines, oil pipelines, aerial surveying, coastline and border patrolling. It has a range of 400 km and can fly night and day. Kronshtadt has bigger UAVs capable of payloads of 100 kg and over. A flight of three Dozor-4s packs into a Landrover Defender with a trailer. When I told Komarakov that the Defender was made by an Indian owned company, he promptly replied that we can then take out \$60,000 from the bill and buy it direct from the Tatas.

Back in Moscow, on the way home, we visited the MiG factory on the outskirts of the city. Originally we were supposed to go to Zhukovsky airfield where the Moscow Air Show is located. But it was raining and we settled for a factory visit. It was the former air marshal's show all the way. He had flown both MiGs and Sukhois. In 1971, he had brought back a Sukhoi-7 with half a wing shot off and got the VM for it. As the MiG officials and he bantered about sharing experiences, I was wondering about the Russian journey I had witnessed since the last days of Mikhail Gorbachev and to the early days of Dimitry Medvedev.

While I was in Russia, the Georgian President Mikheil Saakashvili decided to send troops into the breakaway republics of South Ossetia and Abkhazia. Russian troops, who were ostensibly on a peace-keeping role, were attacked and several were killed, as Georgian forces attacked the two republics. The weeks preceding this witnessed hectic activity in Tbilisi. Condoleezza Rice came calling and assured the Georgians of full US support and even a possible entry into NATO. Shades of US Ambassador April Glaspie's meeting with Saddam

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Hussein of Iraq on July 25, 1990, when she assured him that the USA will not be unduly perturbed if Iraq invaded Kuwait. That was the cue for Saddam to occupy Kuwait which finally ended in disastrous consequences for Iraq and Saddam personally.

Now our friend Saakashvili is an interesting fellow. He is a US citizen of Georgian origin who returned to Georgia to seek that country's leadership primed and paid for by the USA. Georgia's geography makes it important, for any oil pipelines out of Azerbaijan into the West fully skirting Russia will have to run through it. Whether egged on by Rice or not, Saakashvili miscalculated. The Russian response was swift and devastating. His army, modernised and supplied by the USA and Israel, collapsed within hours of the Russian counter-attack. Russia is back.

India has been buying the bulk of its weapons from Russia, even in the most difficult days after the collapse of the Soviet Union. This is not just because they were contracted earlier, but because the Russian military-industrial complex kept rolling out, albeit at a slower pace, new weapon systems like the Su-30 which were not only much cheaper than their Western equivalents but also technologically more superior. We also successfully set up a joint venture to manufacture the Brahmos supersonic cruise missile during this difficult period. But, nevertheless, the Russian supply chain was grievously damaged as many of the vendors and ancillaries were now in other countries of the former Soviet Union. For instance, the airframe of IL-76, which is the mainstay of the IAF transport fleet, was now being manufactured in Uzbekistan. The tank factories supplying the T-72 and T-90 main battle tanks (MBTs) were in the Ukraine. The plant that supplied the Soviet Navy's submarines with torpedoes was now in Kyrgyzstan.

Unfamiliar as they were with the cost accounting and business practices of industries operating in the free market and away from the subsidised hothouse of a centrally planned and controlled economy, Russian managers tended to either underestimate costs or overestimate their production capabilities. The result was that often they did not perform and fulfill commitments. The case of the aircraft carrier, *Gorshkov*, renamed INS *Vikramaditya* is a case in instance. The Russians company Severmash initially agreed to refit and modernise the carrier for about \$200 million after having been worsted in negotiations by Indian bureaucrats and naval officials. When the reality began to hit them, Severmash realised that that there was no way they could deliver. Meanwhile, our navy kept changing specifications, requiring major design and structural changes. The net result now is a carrier that will cost \$1 billion more. The Russians have egg on their face and we are red in the face over the turn of events.

The squadron of MiG-29K carrier-borne fighters is ready but we still will lack a carrier for them till 2012.

But despite this and other setbacks, the Russians are still a good bet for India because they can deliver top class technology at costs that we can afford. That is why we have signed up for the development of the fifth generation fighter aircraft with the Sukhoi design bureau. Besides, which American or European company will agree to joint development with India when it will imply joint production as well? But, above all, any comparable Western system will cost 30-70 per cent more than the Russian equivalent. We will discover this when the bids for the 126 fighters required by the IAF are opened. There are other strategic consequences also to be considered. The eclipse of the Russian advanced arms industry will leave us vulnerable to great Western monopolies and cartels. As it is,

the Americans consider arms sale by them to be a diplomatic favour. If this is so, then there must be a cost *quid pro quo*. But quite to the contrary, international sales are meant to subsidise production for domestic consumption. Many of our senior officers have in recent years openly favoured Western arms and some have taken to speaking loudly about it. Like war, a nation's strategic options are too serious a business to be left to admirals!

The Russian rise is now inexorable. Its great factories are humming with activity. Its great laboratories are buzzing with ideas. We will not see a return of the Cold War but neither will we see the return of a unipolar world order. But South Block seems condemned to miss the lessons of history. It will keep looking Westward when it is the East that is now rising.

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