



HOW DO RUSSIAN LOANS “HELP” ARMENIA TO MODERNIZE ITS MILITARY CAPABILITIES?

By Fuad Sahbazov, Baku-based independent regional security and defence analyst

Armenia’s dependence on Russia makes it a pivotal foothold of Moscow in the South Caucasus, as the only host country of a Russian military base in the region, as well as a member in the Russia-led Collective Security Treaty Organization (CSTO), and the Eurasian Economic Union (EEU). While the growing arms race in the region and the recent escalation of tensions in Nagorno-Karabakh increased the vulnerability of Armenia, Russia seems to have reinforced its ability to ensure full control over Armenia. In fact, Russia’s growing aggressiveness and ambitions threaten to destabilize the fragile security in the South Caucasus region. Obviously, over the last several years, Russia

has steadily acquired control of key economic sectors in Armenia such as in energy, transports, banking system, railway network, and in the telecommunications system. Aside from this economic monopoly, the bilateral military and security partnership with Russia have long served as a crucial element for Yerevan. Nevertheless, Moscow sought to maintain its security patron role in the South Caucasus by boosting military cooperation both with Armenia and with its arch-rival Azerbaijan. The long-term conflict between the two South Caucasian states has generated an arms race in which Yerevan struggled to restore the military balance with Baku despite its limited financial

capabilities. Therefore, Russia offered discounted weaponry to Armenia, while Azerbaijan was able to purchase more advanced and expensive weapons systems. Such a pragmatic attitude of Moscow raised concerns in Yerevan, in particular in light of the intense military rhetoric of Baku following the four-days war in April 2016.

This war resulted in improving Azerbaijan's tactical positions along the Line of Contact (LoC) and pushed Armenia to seek more weapons acquisitions and the adoption of a new strategy to modernize the Armenian Armed Forces. Consequently, the "Modernization Program for the Armenian Armed Forces, 2018-2024" was brought forward by the Ministry of Defense of Armenia in mid-March of 2018. According to this program, the Armenian defence policy will aim at consistently increasing the combat readiness by making effective use of enhanced military education and science, as well as by increasing the skills of the military to use modern equipment and weapons systems. The document touches upon a wide-range of fields, namely upgrading the military-industry, enhancing the operational governance and so on. (<https://armenpress.am/> on 20 March 2018).

It should be also pointed out that this new document identifies Azerbaijan as an imminent security threat to Armenia. Hence,

the proposed modernization plan appears to be very ambitious and promising for Armenia with its modest military budget and weaponry, especially amid Azerbaijan's growing arms imports from Israel, Turkey, Ukraine, Russia, and Belarus. Indeed, according to the Stockholm based SIPRI, Azerbaijan took the 27th place in the world in terms of arms imports in 2016-17 (<https://report.az/> on 13 March 2018).

Aside from this modernization program, Armenia's plans for a Nation-Army (first announced in 2016) aims to promote closer integration of Armenia's military and society by offering opportunities for society's active cooperation with the defense sector. However, the new plan may give the army too much influence over the shaping of the country's future. While the details of this plan are rather scarce, the rising influence of the military in the country has become controversial. The underlying motivation for this new plan is, most likely, the long-term conflict with Azerbaijan over the Nagorno-Karabakh region. Notwithstanding the facts, Baku has not officially reacted to Armenia's ambitious defence plans.

Armenia has long been trying to close the gap in its military industry and defence budget against neighboring Azerbaijan. Unlike Armenia, whose defense budget in

2018 is estimated at around \$516 million (against \$439 million in 2017), Azerbaijan is set to increase its defense budget to \$1.6 billion (<https://www.azernews.az/> on 29 September 2017). Azerbaijan's 2018 defence allocations include 1.36 billion manat (\$800 million) in funding for the Armed Forces, 0.1 billion (\$60 million) for national security, and 1.258 billion (\$740 million) in other defense expenditures (<https://jamestown.org/program/azerbaijan-boost-arms-exports-2018/>). The reasons behind the explicit shortages in military equipment and defence systems of the Armenian military are the Russian monopoly over the defense industry, and the lack of opportunities for diversification of its military arsenal. The Kremlin keeps Armenia in its orbit through proposing huge loans. In October 2017, the Armenian government formally approved a proposal to sign an agreement with Russia regarding a new loan of \$100 million to purchase sophisticated Russian weaponry. Under the agreement, Yerevan should use those funds between 2018 and 2022 (<http://tass.com/> on 29 March 2018).

In spite of Russian sales of offensive weapons to Azerbaijan triggering mass riots “against Russia” in the capital city of Yerevan during the 2016 April clashes, defence minister Vigen Sargsyan noted in an

interview to the Kremlin-linked Sputnik that: “Russia will remain a strategic partner of Armenia” (<https://sputniknews.com/> on 22 February 2017). In light of this statement, it is highly likely that Armenia eyes more advanced weapons' acquisitions from Russia in the near future. In connection to its role as a key arms supplier to both Armenia and Azerbaijan, Moscow maintains its leading role over the Nagorno-Karabakh negotiation process.

However, Armenia does not hide its dissatisfaction with Moscow's pragmatic approach to security issues. Prior to the four-days war between Azerbaijan and Armenia in April 2016, Moscow reassured Yerevan that Azerbaijan would not use Russian-made offensive weapons against Armenian Armed Forces because of its alleged influence over Azerbaijani authorities. However, the active involvement of “Smerch” and “Solntsepek” fire systems in the subsequent fight showed that Moscow held actually no direct leverage over Baku.

Azerbaijan is leading a clear and consistent opposition against the unrecognized separatist regime in Nagorno-Karabakh, while persistently avoiding to accept Russia's conflict resolution plans. Given the obvious limits of its economic and military resources, Yerevan is clearly far from

achieving visible changes in modernizing its Armed Forces very soon, as it claims. However, the military drills of the Joint Armenian Armed Forces, held in Nagorno-Karabakh in December 2017, showed that Armenia has been able to change the concept of its military operations, and to increase its defensive capabilities, which may challenge

the Azerbaijani Armed Forces in the future. Nevertheless, it is very unlikely that Azerbaijan will ever accept the current status-quo in the region, and therefore, Armenia is doomed to remain under Moscow's influence, since Russia remains the only key guarantor of Armenian national security.