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## **Russian Arms Export Policy: An Interview with General S. A. Karaoglanov, Chairman of "VO Oboronexport"**

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For many years the issue of arms sales was considered to be a closed topic in the former USSR. Information and data relating to this matter have never been published by the Soviet press. In an exclusive interview recently conducted on behalf of the Mönch Publishing Group, General S. A. Karaoglanov, Chairman of "VO Oboronexport" (General Defense Export Corporation) detailed, for the first time, the guidelines to the Russian defense export policy. "VO Oboronexport" is, and has been for the past forty years, the sole organization responsible for deliveries of Russian arms and other defense products abroad.

As the first official representative of the former Soviet Union to provide comprehensive information on the future arms export policy of Russia, General Karaoglanov pointed out that the decision to release such information to the press had been taken after a great deal of consideration. It was not as he put it "a tribute to political fashion or to run ahead of the engine," but more an opportunity for both sides to learn more about each other. It is felt that such meetings will promote a trust and understanding that not only considers the business of arms sales but also gives a better understanding of the Russian position regarding non-proliferation of arms to the hot-spots of the world.

The issue of arms proliferation is seen as being particularly acute due to the world military and political balance undergoing deep changes, including radical transformations in the former USSR and Eastern Europe, as well as the growth of nationalistic trends in some regions. As Gen. Karaoglanov pointed out "The Russian Government is perfectly aware of its responsibility in this respect and is actively looking for ways to improve the system of military and technical cooperation with other countries."

The changes in Russia have brought about changes in the organization of the structure for military and technical cooperation that are based around a parliamentary group that has been formed within the Supreme Council of the Russian Federation. The group is responsible for supervising arms export activities and providing reports for the Presidium of the Supreme Council on the yearly plans for military and technical cooperation. Represented in the group are members of four permanent parliamentary committees and commissions: international affairs; industry and power supply; defense and security; planning, budget, taxation, and pricing, respectively. The final decision as to whether or not to provide military and technical assistance to a given country or group of countries rests solely with the Russian Government. The second organization concerned with arms exports is the Military and Technical Cooperation Commission (KVTS) which is composed of the heads of the Ministry of Foreign Economic Relations, the Ministry of Foreign Affairs, the Ministry of Defense, the External Intelligence Service, the Ministry of Economics, the Ministry of Finance, and the Ministry of Security. The KVTS considers all the principal issues on deliveries of military materiel, and on the basis of the Commission's suggestions the Government takes its final decisions which are then forwarded to the organizations directly involved in export operations.

In this way responsibility for exports is strictly controlled and ultimately rests solely with the foreign trade organizations of the Ministry of Foreign Economic Relations of the Russian Federation, namely "VO Oboronexport" (General Defense Export Corporation), perhaps better known in the world under its old name of General Engineering Department, "Spetsvneshtekhnika"

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(General Technical Department) and the GUSK (General Cooperation Department). In accordance with established practice, there is a kind of "worksharing agreement" between these organizations. Generally speaking, "VO Oboronexport" is involved in the export of armaments and military materiel (including ammunition and spare parts) as well as in providing technical support, while "Spetsvneshtekhnika" is responsible for technical assistance to customer countries in defense construction projects; and GUSK takes care of transferring to the customer countries the licenses for production of defense-related products and for delivery to these countries of the equipment and materiel needed in the framework of the license or coproduction program.

The activities of these three organizations are coordinated by a special unit of the Ministry of Foreign Economic Relations, namely the General Department for Military and Technical Cooperation.

There remain some differences of opinion regarding the future of arms exports and controls which are the subject of ongoing debate within the Russian Government; however, Gen. Karaoglanov has adopted a realistic and positive view of the defense export trade. "Armament is a very peculiar and sensitive product. While free trade in, say, consumer goods would mainly affect the economic interests of this or that country, the same situation as regards arms would have a direct impact on the future of the whole of mankind. That is why, despite my complete adherence to the principles of market economy and manufacturer's freedom, I do believe that the trade in these specific goods should be centralized and concentrated in the hands of a foreign trade organization (or a small number of them), under strict state control." At the same time Gen. Karaoglanov recognizes that it would be unnatural to completely cut manufacturing plants out of the process of selling their products, as was the case in the past, and consideration must be made of their individual requirements in relation to a proper export control framework.

As a result, it is planned during these initial stages to grant the manufacturing plants the right to seek out trade agents and marketing agencies, selected amongst a limited circle of those authorized by the Government, all of whom can work together through all stages of the commercial process right up to the signature of the contractual documents.

The lifting of the veil of secrecy surrounding the Russian defense export organization has also necessitated a raising of the profile of the government trade organization, and as a result "VO Oboronexport" has embarked on a major campaign to establish client understanding of their role. "VO Oboronexport" has even adopted a nameplate for the office door—something that simply did not exist under the old Soviet regime for reasons of security! The official address for all contacts should be directed to the company headquarters in the heart of Moscow at No. 18/1 Ovtchinikovskaya Naberejnaya Embankment, Moscow. Here, as Gen. Karaoglanov put it, "One can buy anything—from collector's small arms to warships."

"VO Oboronexport" has been established as the legal successor to the General Engineering Department of the Ministry of Foreign Economic Relations. The Corporation is the oldest arms exporter in the country. It has accumulated 40-years of experience in military and technical cooperation and it enjoys a reputation of being a reliable and responsible partner worldwide with a very efficient network of representatives. The future activities of "VO Oboronexport" will include:

- Carrying out commercial and other operations on the export market for the delivery of defense-related products and services, including those through the companies of foreign countries;
- Providing technical assistance in training, handling, combat use, modernization and repair of armament, and other defense materiel;
- Providing mediation consulting and other services related to foreign economic activities;

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- Export/import of general-purpose products in the interest of other enterprises, associations, and organizations of the industrial complex of the Russian Federation.

The guiding principles of the activities of "VO Oboronexport" are described by Gen. Karaoglanov as being "of mutual benefit and with strict adherence to all the international agreements in the sphere of arms trading." The company will try to avoid the political aspects previously involved with defense exports, which implies that as a commercial activity the company is looking for creditworthy customers, although traditional not-so-well-off partners will not be let down. As Gen. Karaoglanov put it, "Our policy as regards these customers is to look for compromise solutions that solve the problems of financing in a way that is acceptable to both parties."

Regarding the technical capabilities of Russian equipment Gen. Karaoglanov said "With our country now moving towards a policy of openness . . . we are now able to demonstrate openly to our partners the achievements of the Russian scientific and technical "brains" and the capabilities of the advanced branches of our industry. Just a few years have passed since Russia became a fully-fledged participant at international air shows, and look at the interest triggered by our commercial and combat aircraft around the world over! This is paralleled by a similar interest in Russian achievements in several other high-technology industrial areas, as confirmed by the increasingly large number of joint ventures being formed by Western companies (including quite a few with worldwide reputations) and advanced Russian enterprises and design bureaus."

It is felt that such conditions open a very wide field of activities for various commercial mediating structures that try to make up for the lack of experience in foreign economic activities for the administration of these enterprises. In such cases the advantage of dealing with "VO Oboronexport" are said to be especially evident. The company has been representing the powerful Russian military industrial complex on the foreign market for many decades. The products of partner-suppliers are known internationally, including the MiG-31, MiG-29 and MiG-27 fighters of the Mikoyan Design Bureau, the Su-27 interceptor of the Sukhoi Design Bureau, the complete range of helicopters of the Mil and Kamov Design Bureaus, tanks such as the T-72 and T-80, manufactured by the Urals Machine-Building Plant, the 877 EKM submarine class by the Saint-Petersburg shipyard, and the advanced S-300 air defense system.

For future business contacts with Western businessmen the importance of selecting and doing business with a reputable and reliable partner in Russia must be considered of the highest priority. In this case the credentials of "VO Oboronexport" stand out and the company is now operating more openly and cooperating, among others things, with private mediating companies—although careful checking and selection of prospective partners require evidence of the company's reputability, including End User Certificates for any Russian armament. The need for constant checking in this way is considered vital because, as Gen. Karaoglanov puts it, "we value our reputation higher than some doubtful monetary gain, which unfortunately cannot be said of other Russian mediating organizations." Gen. Karaoglanov went on to point out, for the benefit of Western businessman, "that presently not a single Russian organization, with the exception of the three specialized foreign economic associations of the Ministry of Foreign Economic Relations, mentioned earlier, has been issued a general license by the Russian Government for trading armament and combat materiel. Knowing this will help serious businessmen avoid wasting time on some seemingly attractive offers."