



# ЗАРУБЕЖНЫЙ ОПЫТ ГОСУДАРСТВЕННОГО УПРАВЛЕНИЯ И МЕЖДУНАРОДНЫЕ ОТНОШЕНИЯ

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## ISSUES OF INTERNATIONAL COOPERATION IN DEFENSE INDUSTRY: CRITICAL REVIEW

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**Introduction.** The article deals with the topical issues of international cooperation in defense industry. We touched upon the preconditions of the international cooperation in defense industry, the military diplomacy as a mechanism to ensure effective military-economic cooperation and the foreign military-economic and military-political orientations of the Republic of Armenia.

**Aims.** The aim of the present study is to outline the possible directions of international cooperation in defense industry of Armenia.

**Methods.** General scientific methods of theoretical research, content and comparative analysis of scientific and factual material, "case-study" method.

**Results.** The prerequisites and directions of international cooperation in defense industry were systematized. Based on the example of Pan-European military-industrial cooperation, it was noted that the best way to overcome the difficulties arising in the cooperation of this nature is the formation of supranational organizations regulating relations between cooperating states. The features of military diplomacy were revealed as well as the areas of international relations which are regulated within the framework of defense diplomacy.

**Conclusion.** There is a need to develop new strategic concept for Armenia in order to move to a more perfect and effective security system within the Collective Security Treaty Organization (CSTO). Otherwise, Armenia's membership in the CSTO and its formal and non-formal

obligations within this organization will continue to restrain the capabilities of Armenia's cooperation with the West in military-technical and military-industrial spheres even in the context of Armenia's balanced and complementary policy.

**Key words:** defense industry; international cooperation; military diplomacy; national security; joint ventures; licensed production; military-economic collaboration; transfer of technology

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## **INTRODUCTION**

In contemporary realities of national economies, the necessity to balance national priorities and approaches to successful integration into the global economy has been expressed more and more frequently. The problem of maintaining such a balance is more complicated when it comes to international cooperation in weapons and military technology production, as there was a potential for conflict between the aspects of national security, economic development and political independence of the country.

International cooperation in defense industry is a specific direction that combines several key vectors of state policy: diplomatic, military-political, economic and foreign trade. The tendencies of such cooperation often determine the level of national security of partner countries and, in some cases, have decisive influence on the regional security processes, military balance and preservation of peace. Therefore, when the priorities of international cooperation in this area (including choice of partners) are predetermined, the influence of the political factor prevails over the economic one. Despite this, in line with the logic of production cooperation common patterns, as well as due to the initiatives of enterprises involved in the process (which are still commercial organizations and pursuing commercial interests), the international collaboration in military-industrial field (in forms of cooperation, joint ventures and licensed production) has become a major tendency of modern global economy. In this article we touched upon the preconditions and peculiarities of the international cooperation in defense industry, the military diplomacy as a mechanism to ensure effective military-economic cooperation and the foreign military-economic and military-political orientations of the Republic of Armenia, trying to outline the possible directions of international cooperation in defense industry.

## **THEORETICAL BASIS**

### **Preconditions and peculiarities of the international cooperation in defense industry**

The first examples of international cooperation in defense industry are attributed to post-war Europe, where since the World War II, the wave of technological advancement enabled to develop more complex and, therefore, more expensive weapons systems, whereas in developed countries the economic growth rates dropped dramatically (DeVore, 2012): the economic growth was 2 %, then the cost of weapons systems grew by 6–10 % per year (Augustine, 1997, pp. 104–110).

Under such conditions, the international cooperation was essentially an important opportunity for European countries to develop advanced weapons in economic efficiency terms, while preserving the domestic defense-industrial base and independence. According to researchers, transatlantic cooperation could enhance the cost-effectiveness of European defense expenditures by 25 % (Callaghan, 1975, p. 34), and the effectiveness of defense-industrial sector could have increased by 10-20% due to the inter-European military cooperation (Hartley, 1998). M. Lorell and J. Lowell identify three types of incentives to cooperate for states: «economic» by rationalizing R&D budgets, «operational» by promoting interoperability and standardization, and «political» by strengthening interstate alliances (Lorell and Lowell, 1995).

The initial form of such international cooperation was granting production licenses to other countries, which created the preconditions for further scientific and production cooperation, including all stages of the production cycle, from the participatory design of new weapons to the modernization and repair of weapons already produced (Ваучский, 2008). As a result of further expansion of such cooperation, international production value chains, including scientific and production structures of several national economies, have been formed. The international cooperation in defense industry is accompanied by the intensification of military technology exchanges, as well as exchanges of experience in effective management of military-industrial sector. This gives rise to such critical problem as the growth of interdependence between the partner countries.

The share of foreign ownership (perhaps, foreign direct investment) in the military-industrial complexes of a number of developing countries has increased since the late 1990s. Besides, military-industrial consortiums have emerged in Western Europe, characterized by the long-term nature and sustainability of cooperation agreements, which greatly contributes to the deepening of interdependence between countries. It is noteworthy that often, in the case of military conflicts, the conflicting parties are formed not by political motivations, but by economic reasons under such interdependence coercion. This is a very important factor for refinement and justification of modern military-economic cooperation vectors.

So, to summarize, we can systematize the prerequisites for international cooperation in defense industry in the following way:

- increasing complexity of new exemplar of modern weapons, systems and complexes;
- weapons production costs and, therefore, the price increase;
- growing knowledge-intensity of their production;
- restricting the serial production capacities and cut-backs in output;
- political reasons.

In point of fact, the likelihood of potential economic benefits on its own will never be enough for international cooperation initiatives in defense industry. All the matter is that it requires to coordinate the activities of several governments of different countries, each of which, in comparison with other countries, has a fear of loss (or less benefit). In addition, apart from the positive aspects of international scientific and industrial cooperation in production of goods for military use, it also implies certain threats and problems, in particular, the imprudent intensification of external military and economic ties can lead to reduction in the level of mili-

tary-technical security and to unacceptable spread of modern weapons production technologies. Consequently, some countries consider it more reasonable to produce weapons samples, their elements and components only within their own borders, conditioned by the requirements for weak dependence on foreign supplies and rapid mobilization opportunities, if necessary, as well as the protectionist approaches that have economic inducements. Even in such circumstances, no country in the world today is able to provide the full spectrum of weapons and military equipment, as well as the research and development necessary for their production. Besides, it is evident that military-technical collaboration can lead to cost savings and low price at all stages of the weapons systems development and production (Копощупов, 2012, с. 5), therefore, the international cooperation in defense industry is an important precondition for the production of modern weapons. The international cooperation is therefore considered as the “second best option” available after autarky because it represents a form of protectionism. It allows the maintenance of military-industrial capabilities on the national territory and the incorporation of foreign technologies (Faure, 2015).

## RESULTS

### **The problem of forming supranational bodies (international organizations) regulating relations in the field of international cooperation in the defense industry**

Based on the example of Pan-European military-industrial cooperation, it should be noted that the best way to overcome the difficulties arising in the cooperation of this nature is the formation of supranational bodies (international organizations) regulating relations between cooperating states. The activities of this international organizations should be aimed at reducing the information asymmetry between partner countries, focusing on long-term cooperative benefits, counteracting to opportunistic behavior and encouraging such investments, which can be beneficial for all parties (North, 1990, p. 152). However, the cooperation initiatives in defense industry are often characterized by a wide range of opportunities, but with considerable difficulties in reaching a consensus on the mechanisms for their effective implementation. According to researchers, four facets of such cooperation institutional design – mandate, membership, interest representation, and resources – have proven especially problematic (DeVore, 2012). In addition, it is also very important to clarify the direction of cooperation, because maybe the countries that want to cooperate in different stages of production (for example, in the production of parts and elements or bought-in components), may disapprove of joint research and development, avoiding the transfer of new technological solutions to partner countries. And conversely, on some occasions, countries can initiate military-economic cooperation, mainly because of their inability to conduct research and development independently.

In this regard, we can identify the main directions of international cooperation in defense industry:

- non-production cooperation for the joint implementation of military research and development;

- production cooperation, when each country specializes in that part of the production cycle where it has comparative advantages (this may be, for example, the production of parts and components, automated control systems or necessary materials);
- adoption of common technical standards so that the weapons of partner countries are mutually compatible;
- co-regulation of defense industry and international market of military products, harmonization of regulatory approaches;
- formation of integrated logistic network and building of technical maintenance system within framework of cooperation;
- co-financing of military production initiatives or formation of co-funding source.

It is evident that the mandate of emerging supranational organization (other international entities) is largely determined by the direction of cooperation at which its activity is aimed. In the case of closer cooperation, it is necessary to form a large structure that will coordinate all areas of cooperation. The choice of mandate and activity areas of the organization is also interdependent with the fact which countries should join the organization. Theoretically, the larger the number of member countries and the greater the possibilities of countries to specialize in any production phases, the more beneficial cooperation will be, however, in practice, functional cooperation reveals many obstacles in the consensus process, mainly by reason of asymmetry between military-economic potential of countries. For example, transatlantic military-economic cooperation countries, where the US is a dominant state, were confronted with the same problem, because the military spending of this country is more than ten times<sup>1</sup> that of European developed countries, so its interests and preferences are primary compared to other countries (Caverley, 2007). To make matters worse, large and small states possess incompatible preferences, whereas large states prefer liberalized markets, the small ones defending illiberal and protectionist practices. Therefore, especially the international cooperation in defense industry is most expedient amongst a more restrictive group of states, but with the same level of economic development and military capabilities (DeVore, 2012, p. 435).

For as much as the defense industry being a sphere of private business (except for some countries where defense industry is a State monopoly), is at the same time under strict control of the State, it is also important to determine who should represent country within international organization coordinating cooperation. The fundamental trade-off is between private sector entrepreneurs, military officials and political authority of elected officials. Certainly, private sector representatives and military officials possess technical expertise unmatched by their political superiors, thus they can best estimate benefits of possible transactions and extract significant advantages from cooperation. Nevertheless, the interests of States can be better represented by the political authorities, given that in such cases, the required decisions have a political nature. The features of military diplomacy will be addressed in the next section of this article.

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<sup>1</sup> *European Defence Agency Annual Report 2009*, European Defence Agency, Brussels, Belgium [Online], available at: [https://www.eda.europa.eu/docs/documents/Annual\\_Report\\_2009](https://www.eda.europa.eu/docs/documents/Annual_Report_2009) (Accessed 22 April 2019).

With regard to earning financial resources of the coordinating body for international cooperation, it is also essential to ensure equal partnership conditions to prevent a stronger partner having influence on governing bodies, and thus being able to provide more resources for maintenance and operation of organization, thereby influencing decision-making process. On the other hand, such international structures can operate at the expense of their own financial resources, which would be funds from remunerations for consulting, accounting, maintenance and other services provided during conclusion of contracts. However, plentiful resources can also undermine governments' ability to control international organizations and under this approach of financing, there is also a fear that interests of some countries may be ignored. According to some researchers, developed countries stood to gain the most from scientific and industrial cooperation in defense industry, so it is they who usually initiate this kind of cooperation (Горностаев и Горностаев, 2001, с. 130–131). Nevertheless, in recent years, the necessity of an international cooperation in weapons production has become more apparent due to the obligatoriness of redeployment of production costs and risks among the members. However, Armenia does not partake in these processes adequately, whereas, especially at the present, when the country has set itself the stubborn challenge of defense industry development, such cooperation can substantially contribute to development of industry's technological and scientific foundations.

### **Military Diplomacy in Endeavoring of Military-economic cooperation**

The effective foreign policy for development of military economy requires the specification of military-political and military-economic orientations. The latter presupposes a rethinking of possible vectors of international relations, emphasizing the expansion of opportunities to withstand the challenges of modern regional and global security threats with regard to military and economic security. In addition, the global weapons market and business is in constant transformation, new advanced weapons are now appearing and the global defense market in 10 years' time will look considerably different from today's, as many of the countries that now are large importers will become tomorrow's exporters (Kytömäki, 2014, p. 2). Therefore, the need arises to move the issues of defense industry development to another dimension equivalent with these changes. From this perspective, the issue of developing expedient military diplomacy becomes very important. This is the essential prerequisite for establishment and expansion of international military-economic cooperation, since it is aimed at increasing the level of mutual trust between States, seeking compromise options and ensuring solidarity in the context of possible conflicts of interest.

Military (defense) diplomacy can be defined as a set of activities carried out mainly by the representatives of the defense department, as well as other State institutions, aimed at pursuing the foreign policy interests of the State in the field of security and defense policy, and whose actions are based on the use of negotiations and other diplomatic instruments (Pajtinka, 2016). Military diplomacy, in essence, was one of the least explored areas of international relations, mainly due to the fact that competent State authorities often do not disclose information on military diplomacy based on principles of security. As a result, the lack of reliable information

sources limits the possibilities for fundamental and integrated research and identification of patterns.

One can highlight several areas of international relations which are regulated within the framework of defense diplomacy<sup>2</sup>:

- stability, mutual understanding and confidence building among partner (allied) countries;
- ensuring operative compatibility between allies;
- establishment of democratic values in the military sphere (regulation of military and civilian relations, development of mechanisms of societal control in the military sphere).

At that, the regulation of relations can be implemented in several ways, with the conclusion of direct agreements between the defense or military departments, the transfer of military equipment and armament (free of charge, preferential or at market price), military doctrine coordination in armed conflicts, development of joint counteraction policy, etc. In practice, such cooperation can be manifested in the development of joint military trainings and personnel, joint actions in armed conflicts (for example, peacekeeping), as well as the development of technical standards and provision corresponding services.

In recent years, in the context of current global geopolitical and economic realities, the negotiations on armament exports became an important area of public diplomacy which success is determined by weapons export performance of countries. Moreover, in many cases, the weapons export represent itself simultaneously as an essential component of the defense policy (diplomacy) of the State - a specific lever of influence - and opportunity for providing military-economic security. For example, states producing strategically important weapons may export them to strengthen their regional or global political positions. They just sell their weapons only to countries which have a status of "strategic ally" and will use those weapons according to "common interests". On the other hand, by setting under such dependence on arms exports the seller may apply certain political enforcement towards the "allied country(s)". The growth of mutual dependence is more prominent especially in military-political unions where member states agree their all defense-related activities (Muthana, 2011). Although this default option increases the small states dependence on another states, it is, however, the most effective in that it allows them to acquire weapons without having to pay the initial R&D cost and without having the engineering skills required to develop weapon systems (Jones, 2007, pp. 142–143). It should also be noted that in the multi-polar and competitive environment of international relations, the main armaments' producers tend to not sell modern weapons in order to prevent the spread of innovative technologies, whereas, they may just donate outdated weapons or sell them at below market price.

Thus, even though private companies are the main vendors in the global armaments market, transactions are monitored and, more often, directly implemented by state-owned companies. The same can be said about the cooperation in defense industry, as cooperation contracts and agreements are actually acquired

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<sup>2</sup> *The Military Balance* 2009, Routledge, London, UK, 2018 [Online], available at: <https://www.taylorfrancis.com/books/9781351225939> (Accessed 22 April 2019).

through defense diplomacy links. Moreover, frequently it was the State contractor that initiated such cooperation between private enterprises (for example, in Russia) as a separate function of defense diplomacy. As a result, taking into account the peculiarities of production and transfer of armament and military equipment, and conditional on requirements of the technological safety provision issues, as well as protectionist policy of States, military industrial cooperation among countries is proceeding with significant difficulties and conventions. Regardless of the way in which this cooperation takes place (sale of armaments, production technology, license, or joint production etc.), there is a number of circumstances that is reviewed for every transaction on a case-by-case basis as a matter of military diplomacy expediency. They are:

- appropriateness of the transaction to the legitimate security needs of the partner countries;
- no contradiction to the national and regional security interests of the donor (vendor) state, especially when the transfer of armaments or production technology may increase security threats and lead to arms' race;
- the potential impact of the transaction on the donor-country's capabilities and technological advantages, particularly if it comes to the protection of classified technologies;
- guarantees provided by the recipient country for the non-transferring of special technologies to a third party or for their unauthorized use;
- probability of the significant change in the military-political situation of the recipient country, which may result in the improper use or transfer of the sold (or supplied) armaments;
- the degree of support for the strategic and foreign policy interests of the donor country, which may imply the enlargement of impact and accessibility, the distribution of risks and obligations among countries, effective interaction;
- efforts of the recipient in human rights protection, development of democracy, the fight against terrorism as well as the likelihood of the abuse of arms' acquisition in these areas;
- the likelihood of reexport or resupply of weapons to countries which can use them with rough violations of human rights and international humanitarian norms;
- the impact on the donor country's industry and in particular the military-industrial base;
- the availability of similar weapons systems in the country (from other suppliers);
- capability of the recipient country to maintain and properly utilize the armaments in accordance with its intended end-use<sup>3</sup>.

In fact, one of the key objectives of the military diplomacy in the context of international cooperation development in defense industry is to seek an optimal balance between the geopolitical interests of country, the industrial technological cooperation with the advanced manufacturers of weapons, and solvent importers, with whom the contracts or agreements will not endanger the reputation

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<sup>3</sup> The listed circumstances are similar to the US Conventional Arms Transfer Policy norms (Kaidanow, 2017).

of the donor country in human rights and international humanitarian norms protection and in the fight against terrorism. At first glance, the economic benefit is of secondary significance in such transactions. Nevertheless, in practice, a more detailed study of phenomena reveals other realities. In particular, the arms are sold to those countries which pay for it well. On the other hand, the acquisition of international contracts (licensed production, creation of joint ventures etc.) in the military industry area through the diplomatic channel (based on geopolitical factors) can have a substantial economic effect by spurring the development of a number of interconnected industries in the economy.

### **The orientations of foreign military-economic policy of Armenia in defense industry**

The Armenia's foreign military-economic policy is based on military-political orientations which have emerged as response to the regional realities in line with the state security issues simultaneously promoting regional and international security. In this regard, the international cooperation of Armenia is implemented both through bilateral agreements with individual countries and on the basis of multilateral agreements within the framework of regional and international organizations that regulate security issues. According to the Armenian National Security Strategy<sup>4</sup> and Military Doctrine of the Republic of Armenia<sup>5</sup>, the main components of the military-political security of the country are:

- Armenia-Russia bilateral relations, cooperation in defense and military-technical spheres, strategic partnership between the two countries. Armenia also has joint armed forces with Russia (*Combined Group of Troops (Forces) of the Armed Forces of the Republic of Armenia and the Armed Forces of the Russian Federation*);
- Membership in the Collective Security Treaty Organization (CSTO), active and practical participation in the programs implemented by that organization;
- Bilateral military cooperation, particularly with the United States (in the field of defense reform, establishment of interoperable subdivisions, international stabilization and peacekeeping operations) and Greece;
- Partnerships with NATO and its partner countries within the framework of the Euro-Atlantic Partnership Council, the "Individual Partnership Actions» and the "Partnership for Peace" programs;
- The activities of security agencies of international security organizations, including the Organization for Security and Cooperation in Europe to ensure that arms control is open and transparent, particularly within the United Nations and Organization for Security and Cooperation in Europe;
- Cooperation with regional and non-regional countries whose policies do not contradict with the fundamental values of Armenia's national security.

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<sup>4</sup> *Republic of Armenia National Security Strategy* [Online]: approved by the National Security Council of the Republic of Armenia dated January 26, 2007, available at: <https://www.mfa.am/filemanager/Statics/Doctrineeng.pdf> (Accessed 9 March 2019).

<sup>5</sup> *The Military Doctrine of the Republic of Armenia* [Online]: President Decree no. NH-37-N dated February 7, 2007, available at: [https://www.files.ethz.ch/isn/155588/Armenia%20Military%20Doctrine%202007\\_eng.pdf](https://www.files.ethz.ch/isn/155588/Armenia%20Military%20Doctrine%202007_eng.pdf) (Accessed 9 March 2019).

## DISCUSSION

The application of international experience and assistance in the upgrading of the Armed Forces of the Republic of Armenia, addressing the requirements of armament and military equipment, training and skills development of Armed Forces personnel, as well as the development and reconstruction of the military-industrial complex are declared the main purposes (among other purposes) of the international military and military-technical cooperation of the Republic of Armenia<sup>6</sup>. In the development of an external security strategy, Armenia follows the principle of balanced relations, the goal of which is to enlarge the external relations and the realistic balance of cooperation with global powers, while preserving the country's autonomy in decision-making. It does not suppose the balanced agendas with all regional powers, but aims at the effective use of integration opportunities provided by international relations, taking into account the strategic interests that are common to both Armenia and the international community.

It is not difficult to notice that at a crossroads of international cooperation Armenia has strived to stay within the so-called complementary policy. In practice, however, Russia has had a considerable share in these relations thanks to which bilateral cooperation is qualified as “strategic.” By the way, the choice of countries seeking strategic cooperation can be somewhat comparable with the formation of a portfolio of financial investments, since each participating country provides certain advantages (assets) to a business partner and at the same time, adequate risks. Since “strategic assets” are by nature, long-term, so the “state-investor” would refrain from “investing in a speculative assets” even if there is a great opportunity get benefit in the short-term. The “real value” of strategic long-term relationships is assessed by stable political, economic, military links, common interests and goals, goodwill and dominant values in society. At the same time, the relations of the strategic partner with the countries with which it has a real conflict or potential conflict is highlighted. The last circumstance, of course, is decisive, but not in the Armenian-Russian relations. For Russia, Azerbaijan is also “an important military partner in the Caucasus region”, as well as it is manifested in “practical steps”<sup>7</sup>. But that is the other side of the issue.

In this study, we are more interested in why Armenia, having a strategic ally which is the second largest country in the export of the armaments and military equipments, yet has not more or less competitive military industry. It is quite unusual also because Armenia has made considerable contribution to the development of the Soviet Union's military industrial complex and now there is a considerable potential for producing own military-industrial products (Հարությունյան, 2018, էջ 96–120). On the other hand, it is well known that international research-and-production value chains in defense industry tend to develop within the framework of a strategic partnerships, alliances or a certain military-political bloc and agreements, given that here is an opportunity to control the impact of the spread of military technology on national economy and international security (Горностаев

<sup>6</sup> *Ibidem.*

<sup>7</sup> *Азербайджан – важный стратегический партнер России* [Электронный ресурс]. 2017. 16 нояб. URL: <https://news.day.az/politics/951187.html> (дата обращения: 17.03.2019).

и Горностаев, 2001). From this point of view, too, Armenia is one of the best countries for Russia to establish cooperative relations in defense industry. Particularly, the military cooperation with Russia, and especially the presence of the Russian military base in Armenia, is viewed as an important factor for the neutralization of foreign military threats. In this context, it is also important to establish the Armenian-Russian joint military-industrial enterprise and specialized educational institution for the service and repair of armament and military equipment of the 102nd military unit. The establishment of such a complex will enable its production potential to be used in the repair, modernization and maintenance services for the Russian armaments and military equipment in the traditional markets of Russia in the South direction. In the future such a complex can foster the production of armaments and its components solving the socio-economic and demographic problems of Shirak region.

Nevertheless, there are some arguments of the lack of examples of effective cooperation between Armenia and Russia in the military-industrial sector - Russian protectionist policy, the unstable geopolitical situation of Armenia, the limited investment opportunities from the Armenian side, the incompatibility of Armenian and Russian legislature, etc., but in all those cases, there are solid counterarguments: firstly, membership in the Eurasian Economic Union, which makes the sponsorship unacceptable; secondly, military presence of Russia as a guarantor of geopolitical stability in Armenia; thirdly, readiness of Armenia to harmonize the national legislation with Russia, etc.). The attitude that Russia, having comparative advantages in the military industry, avoids "redistributing" them among the partner countries, which are also the main consumers of the Russian armaments and military equipment (with considerations for not losing traditional markets of Russian products) is also unfounded, because in particular of Armenia Russia is facing of non-solvent demand, which was not always prepared to satisfy. Obviously, there are reasons to look for in another demesne. In any case, the Armenian-Russian successful military-industrial cooperation requires the diplomatic solutions cause their economic justifications are powerless.

Certainly, there are also a number of objective reasons, which hinder military industrial cooperation of Armenia with not only Russia but also with other states. The most important of these reasons is the transborder blockade by Azerbaijan and Turkey. According to the World Bank analysts, the transport unblocking and the development of transport links will double Armenia's exports and GDP will grow by more than 30 %. With the abolition of the transport blockade, transportation costs will be reduced by 30–35 %. According to the estimations Armenia's transport costs are twice higher than the global average costs and are the highest in the region. At present, Armenia's transport communication can be considered a deadlock, as cargo transportation depends on Georgia and Iran, and Armenia itself does not have crucial importance for its neighbors with regard to be a transit country. This, in turn, heightens Armenia's unilateral dependence on neighbors (Մեղրունյան և ուր., էջ 14–15).

From this point of view, Armenia's integration into international transport routes acquires particular importance, which will contribute to the reduction of transport costs and the diversification of arms supply chains. At the same time, this will raise the competitiveness of Armenian commodities (including military-

industrial products). In this regard particular care is required the possibility of the China-Persian Gulf-Iran railway to be integrated into the Persian Gulf-Black Sea multimodal international transport corridor in the context of China's «One Belt – One Road» initiative regarding the prospect of participation of Armenia in it. The development of policy towards Armenia-Iran-China trilateral cooperation is becoming strategically important in order to heighten Armenia's involvement in this project. Armenia's balanced economic orientation towards the Eurasian Economic Union and the European Union can also contribute to this. Particularly, the opportunity of exporting goods (including military-industrial) with zero-duty to Eurasian Economic Union and with preferential terms to the European Union markets can attract Chinese investments. In addition, the signing of the free trade agreement between Iran and Eurasian Economic Union will allow Chinese companies registered in Armenia to export their production with zero customs duties to Iran as well. Let's point out that from the perspective of Armenia, such a policy will not contradict the principles of strategic partnership with Russia, because in the world geopolitical arena the trends of the coordination of security policy among Russia, China and Iran have become apparent which has caused the West to consider the weakening of the military-political influence of those countries in the Eurasia as a strategic goal (Подберезкин и др., 2015, с. 766). The Russian-Chinese bilateral military-industrial and military-technical cooperation gradually develops also in the spheres of aeronautics, aviation missile weaponry, marine propulsion and the production of components of fire-fighting management systems (Allen, 2001). Another key element is that China attached particular – strategic – importance to Russia and Iran in the “One Belt – One Road” initiative (in particular, Iran plays a key role in China's 1 trillion US dollars infrastructure investment, and in 2016, Iran and China have agreed to boost bilateral trade up to 600 billion US dollars over the next 10 years (Rezaei, 2017).

At this intersection of strategic interests, it is necessary to look for the “international” perspective of the development of Armenian defense industry. For example, the formation of a joint aerospace defense system and a uniform informational-communicational space can become the most probable area of cooperation between the three major countries. Obviously, such a cooperation will require the creation of a huge multinational military capability, assuming great demand for both offensive and defensive weapons and military equipment, which will be probably satisfied by the joint efforts of the three states. Armenia can also have its role in meet such demand, if it has the opportunity to participate in the defense industrial production values of Iran, Russia and China using its competitive advantages. On the other hand, regional air defense system between Armenia and Russia within the Collective Security in the Caucasian region can be effectively integrated into common (trilateral) aerospace defense system<sup>8</sup>.

By the way, in relation to the CSTO it should be noted that although at the initial stage of its formation, it has successfully carried out the tasks, it could not have taken into account the strategic interests of all member states and all factors related

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<sup>8</sup> The agreement on the establishment of this system was signed in Moscow on December 23, 2015. Source: *Armenia Ratifies Agreement on Joint Air-Defense System with Russia* [Online], Reuters, 2016, 30 June, available at: <https://www.reuters.com/article/us-armenia-russia-defence/armenia-ratifies-agreement-on-joint-air-defense-system-with-russia-idUSKCN0ZG2AS> (Accessed 23 March 2019).

to the regional security. Later, in 2005–2006, it became evident that it should be transformed into a multifunctional organization, whose function of ensuring collective security should be implemented not only in the military but also in other spheres of cooperation. In such circumstances, there is a need to develop new strategic concept in order to move to more perfect and effective security system within the CSTO. This concept should take into account the requirement of multifunctionality and the non-alternativity of international cooperation towards its provision (Коранджян, 2014, с. 258). Otherwise, Armenia's membership to the CSTO and its formal and non-formal obligations within this organization will continue to restrain the capabilities of Armenia's cooperation with the West in military-technical and military-industrial spheres even in the context of Armenia's balanced and complementary policy.

## CONCLUSION

Thus, international cooperation in defense industry is conditioned by a number of difficulties, the most significant of which is the problem of “optimal dependence” of national defense industry on foreign partners, which is crucial for ensuring the security of national economy and country. The problem is most acute in small countries unable to control the performance of individual links of international military-industrial production chains and often acquiring the right to participate in them only on the condition of “closed vision” having no ideas about nature and purpose of final product and even of its real market price. Nevertheless, in recent years, the necessity of an international cooperation in weapons production has become more apparent due to the obligatoriness of redeployment of production costs and risks among the members.

However, Armenia does not partake in these processes adequately, whereas, especially at the present, when the country has set itself the stubborn challenge of defense industry development, such cooperation can substantially contribute to development of industry's technological and scientific foundations. In particular, the acquisition of international contracts (licensed production, creation of joint ventures, etc.) in the military industry area through the diplomatic channel (based on geopolitical factors) can have a substantial economic effect by spurring the development of a number of interconnected industries in the economy. In that context, there is a need to develop new strategic concept for Armenia in order to move to the more perfect and effective security system within the CSTO. Otherwise, Armenia's membership to the CSTO and its formal and non-formal obligations within this organization will continue to restrain the capabilities of Armenia's cooperation with the West in military-technical and military-industrial spheres even in the context of Armenia's balanced and complementary policy.

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## **ПРОБЛЕМЫ МЕЖДУНАРОДНОГО СОТРУДНИЧЕСТВА В СФЕРЕ ОБОРОННОЙ ПРОМЫШЛЕННОСТИ: КРИТИЧЕСКИЙ ОБЗОР**

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**Введение:** в статье рассматриваются актуальные проблемы международного сотрудничества в сфере оборонной промышленности. Особое внимание уделяется предпосылкам такого сотрудничества и развитию военной дипломатии как механизма, гарантирующего продуктивную военно-экономическую кооперацию, а также особенностям внешних военно-экономических и военно-политических ориентаций Республики Армения.

**Цель:** целью исследования является определение возможных направлений международного сотрудничества Армении в области оборонной промышленности.

**Методы:** общенаучные методы теоретического исследования, контент-анализ и сравнительный анализ научного и фактологического материала, метод «кейс-стади».

**Результаты:** в результате исследования были систематизированы исходные условия и направления международного сотрудничества в сфере оборонной промышленности. Анализ военно-промышленной кооперации европейского региона показал, что наиболее оптимальным способом преодоления трудностей в этой сфере является формирование наднациональных институтов, регулирующих подобное сотрудничество. В статье отражены основные атрибуты военной дипломатии как области международных отношений в контексте оборонной дипломатии.

**Выводы:** в целях организации действенной системы безопасности Армении в рамках Организации договора коллективной безопасности (ОДКБ) необходимо формирование и развитие новой стратегической концепции. В противном случае членство Армении в ОДКБ и ее формальные и неформальные обязательства продолжат ограничивать возможности для сотрудничества Армении с Западом в военно-технической и военно-промышленной сферах даже при условии сбалансированной политической линии Армении.

**Ключевые слова:** оборонная промышленность; международное сотрудничество; военная дипломатия; национальная безопасность; совместные предприятия; лицензионное производство; военно-экономическое сотрудничество; трансфер технологий

## БЛАГОДАРНОСТИ

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