



BULLETIN

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What Ending Cooperation on Armaments Means for Russia and Ukraine

Anna Maria Dyner

With Russia's annexation of Crimea, the government in Kyiv has broken off arms industry cooperation with its neighbour. The majority of Ukrainian companies in this sector have stopped fulfilling Russian contracts. This decision will have serious consequences for both Ukraine's military-industrial complex and the Russian army, which depends on Ukrainian supplies for certain elements of its equipment and services. Ukrainian arms companies and Russia may seek to sustain a form of cooperation by using Belarus as an intermediary, boosting that country's importance.

Military Arms Cooperation between Russia and Ukraine. The strong link between the arms industries in Russia and Ukraine has its roots in the days of the Soviet Union, when about 35% of Ukrainian industry was in the defence sector. After the collapse of the Soviet Union, most of this collaboration was broken, which meant that in 1997 the number of Ukrainian defence products companies decreased fivefold, and their share of industrial production dropped from 35% to 6%. However, about 400 Russian companies are still dependent on parts supplied by Ukraine, and about 70% of the component makers and system suppliers for the Ukrainian defence enterprises are located in Russia. Although the share of Ukrainian products in Russian military exports is estimated at only 4%, they are particularly important in areas such as the construction and maintenance of missiles (all of the older intercontinental missiles that can safely use the Topol-M missile system were built jointly), engines for helicopters (primarily Ka-31, Ka-32, Mi-17, Mi-24, and Mi-28), and engines for aircraft (especially transport planes). Without this cooperation, there will be no return to the production of the An-124-100 Ruslan (a heavy-lift aircraft) or the start of production of the An-70 (a four-engine propfan medium-range plane), as well as certain types of ships, tanks, radar equipment, and ammunition. It is also worth noting that Ukrainian plants service RS-20W (R-36M2/SS-18) "Voevoda" Russian intercontinental missiles.

However, in recent years, Russia has been withdrawing from projects carried out jointly with Ukraine. For example, the Machine Building Plant in Dnepropetrovsk (Ukraine) has not been involved in the construction of the S-400 air defence system, even though it participated in the production of the S-300, and engines for the new Ka-52 and Ka-60 helicopters are not produced in the Motor Sich factory in Zaporizhia, Ukraine. Russia seeks to ensure that in the next few years it will be able to independently produce most of the components currently obtained from Ukraine.

Consequences for Ukraine. The termination of contracts for the supply of components and systems for the Russian army will in the next few years seriously affect the condition of Ukraine's defence industry. It is estimated that the annual value exports to Russia amounts to \$1 billion and accounts for 40% of Ukraine's total armaments exports. Moreover, at stake are not only the existing contracts but also the loss of the possibility of extending the cooperation into other areas. The Russian authorities declared in December 2013 that if Ukraine had taken the decision to take part in the creation of the Eurasian Economic Union, Russia would have granted the country as much as 10% of its defence procurement budget. Moreover, one of the retaliatory measures Russia may now take would be to stop the supplies of parts for Ukrainian companies (such as those for Motor Sich), which means they would not be able to fulfil contracts with other countries, such as China and India. Russia may also try to block the export of these weapons, which were created within the framework of cooperation or on the basis of Russian licenses.

It should be noted that by not joining the Eurasian Economic Union, in the next few years Ukraine will probably have lost most of its Russian contracts, as the Russian authorities have decided to pursue self-sufficiency in the production of equipment necessary for its army.

Therefore, the Ukrainian government has already started efforts to find new markets and to maintain existing non-Russian ones. According to the latest SIPRI ranking, covering the period of 2008–2012, Ukraine has become the ninth-largest world arms exporter (47% of which was going to Asian countries, and 23% to Africa). An additional source of support for the domestic defence industry may also be expanding the state purchasing system aimed at equipping the Ukrainian army—the government plans to buy 160 locally produced tanks (T-84 “Oplot” and T-64 “Bulat”) and about 100 armoured personnel carriers—but doing so would be a significant burden on a state struggling with an economic crisis.

Consequences for Russia. The termination of existing contracts by Ukraine will, however, also have significant consequences for Russia. The first is in the import of components for and servicing of intercontinental ballistic missiles. Components for the “Voevoda” missiles are imported from Ukraine, and specialists from the Dnepropetrovsk company Yuzhmash are responsible for their service. Also, the navigation systems used in the “Topol” and RS-18 “Stiletto” missiles are Ukrainian. The second impact would be seen by the Russian air force, which also uses Ukrainian products, such as the R-27 and R-73 air-to-air missiles used by Russian fighter jets, or braking parachutes and hydraulic systems used in the Su-27, Su-30 and Su-35 aircraft.

The Ukrainian defence industry also supplies engines for the Russian fleet (i.e., for frigate projects 11365 and 22350) and covers about 70% of Russian army demands for helicopter engines. To replace components for helicopters produced by Motor Sich, Russia would need three or four years and significant financial investments to construct a suitable factory. The challenge is huge, because about 3,000 helicopters are due to be acquired under the current Russian Army re-armament programme and another 260 helicopters should be exported to countries in Southeast Asia and Central and South America.

In the Quarrel, Will Belarus Win? The break in armament cooperation between Russia and Ukraine could benefit the Belarusian defence industry. The authorities in that country have not only offered to take over some of the Ukrainian contracts but also have declared a readiness to develop armament cooperation with both Russia and Ukraine.

It seems probable that joint Ukrainian–Belarusian defence enterprises will be created in Belarus with the aim of pursuing cooperation with Russia. It should be noted that Belarusian and Ukrainian armaments companies still maintain close ties, i.e., the company renovating planes and helicopters in Orsha cooperates with Motor Sich, and a factory producing tanks in Borisov in Belarus cooperates with one in Kharkiv in Ukraine. It can be also assumed that with the current situation in Ukraine, the Belarusian authorities will try to become an intermediary in the arms trade between its neighbours.

Belarus can also offer its services to Ukraine and Russia separately. It may service the Ukrainian Su fighter family because the Belarusian Baranovichi renovation plant is a Russian-certified “Sukhoi” (e.g., “Su”-fighter) factory. The same plant can renovate and modernise Russian An-100 transport aircraft. Belarus can also offer to provide Russia with electronic warfare systems created by the “Radar Design Bureau” and the construction of An-38 small transport aircraft at the Minsk aviation repair factory.

Conclusions. The break in cooperation in the Russian and Ukrainian defence industries will have negative consequences for both countries. Russia will be forced, sooner than expected, to build modern factories to produce engines for helicopters. Work on a new intercontinental ballistic missile—the “Sarmat” (to replace the “Voevoda”)—will also probably be accelerated, as its completion was originally planned for 2018–2020. It can also be expected that the Russians would make very good offers to Ukrainian specialists that maintain “Voevoda” missiles. At the same time, if bilateral relations improve Russia may point to the losses to the Ukrainian economy from the breakdown in armament production as a way to stimulate future cooperation in this area.

It should be noted that since Ukraine’s most important military factories are in the eastern part of the country this is partly why Russia is pushing for “federalisation” of the country, as it would be easier to get access to the needed products. In analysing the rationale for possible Russian intervention in eastern Ukraine, taking control of these arms factories would probably not be the primary goal but it could provide Moscow additional incentive for military action.

It can be assumed with high probability that Russia will allow the creation of Belarusian–Ukrainian enterprises to produce military equipment for the Russian army. For Ukraine, cooperation with Belarus (which raises the possibility of cooperation with Russian enterprises) may be an opportunity not only to maintain production for the Russian market or to gain new markets but also for the maintenance of the country’s own military equipment of Russian (and Soviet) origin.

The answer to how to help Ukraine (in addition to political and financial assistance) should include not only increasing the frequency of joint military exercises but also exploring the possibility of purchasing Ukrainian weapons and equipment (i.e., for the planned Polish–Ukrainian–Lithuanian brigade) as an additional stimulus for economic growth in Ukraine. In the long term, the inclusion of selected Ukrainian arms producers to holding companies based in NATO countries is also worth considering.