

Private Sector and Export Revenues Boost Belarusian Defence Industry

On 11 August, the State Military Industrial Committee of Belarus announced that in the first half of this year its defence enterprises earned a net profit of \$80m, thus overfulfilling the assigned export plans by a quarter.

Foreign media have recently reported that new Belarusian military equipment or equipment modernised in Belarus is being used by the Turkmenistani and Kazakhstani armies, Syrian government troops and Burmese air defence. In addition, the Belarusian government has finally started procuring arms for the country's armed forces.

The national defence industry, which emerged in the 1990's as a helpless fragment of Soviet arms industries, evolved to become a significant branch of the Belarusian economy. This happened also because of the rise of the private sector and [diversification](#) of its markets and partners.

Money from Arms

The Belarusian defence industry began to pick up speed in the early 2010s. For instance, in 2011-2015 the Baranavichy-based *558th Aircraft Repairs Plant* increased its production volumes by 5.5 times while its personnel grew by a quarter.

How much arms Minsk actually exports remains a secret. Based on insider information, the Moscow-based *Centre for Analysis of World Arms Trade* reported that in 2004-2011 Belarus exported arms for \$550m, i.e., \$69m every year.

However, these were hard times for Belarusian arms exporters as the old Soviet arms had already been sold and new products had yet to appear. The figures are now higher as the industry has started producing new items and a proliferation of [local conflicts](#) requires a growing amount of equipment.

So far, Belarusian firms have been exporting arms with [no proven violations](#) of international norms, despite concluding risky deals. On 27 July, the *Balkan Investigative Reporting Network* and the *Organized Crime and Corruption Reporting Project* claimed that arms from Belarus, alongside other countries, were being sent [to rebels](#) supported by the West or associated with [Western allies](#) in Syria and Yemen. Belarusian transportation companies had been transporting arms to these rebels.

However, by doing this Belarus has neither broken international legal norms nor challenged global powers. Investigators believe that everything probably took place with the CIA's knowledge.

New Players

This increase in export resulted from the large-scale evolution of the national defence industry. First of all, the private sector has got larger. In January, Belarusian President Lukashenka praised a privately-owned defence company, *Minotor-Servis*, for its efficiency, describing it as a paragon for the entire economy.

Following that, the Belarusian media outlet TUT.by published an analysis of private defence firms indicating that *Minotor-Servis* was not an exceptional case. It listed ten more private defence companies which have succeeded in finding a profitable niche.

The Minsk-based company *Tetraedr* is just one example. It already runs several production sites of up to 13,000 square metres in Minsk. However, as its founder and director Andrei Vakhouski told Belarusian media earlier this year, “we do not limit ourselves to Belarus. Our main production sites are outside the country.”



On 7 August *Tetraedr* declared that it signed an agreement with the *Electronics Corporation of India Limited*. The two companies revealed only that they intend to cooperate in manufacturing and delivery of “high-technology defence equipment.” Given their profiles, they are probably attempting to undertake maintenance, modernisation or manufacturing of air defence- and electronic warfare-related systems owned by the Indian military.

The implications of the private sector's rise in this area are immense. First, the defence industry can provide a model for development of private firms in other branches of the economy. Secondly, throughout the world the defence industry has frequently become a driver for technological innovation in other areas, leading to the manufacture of high-technology civil-use items.

New Partners

Thirdly, even though the Belarusian defence industry is [disproportionately entangled](#) with the Russian military industrial complex, Belarusian private firms working in the defence industry boast more diversified international partners. For example, for many years the main customer of privately-owned *Tetraedr* was Azerbaijan; the firm also worked actively with Kazakhstan.

In addition, while earlier Belarusian defence firms were most likely to do business with former Soviet allies and relied on older Soviet-era ties for their exports, the situation is now different. For example, over the past three years Belarus has been developing [relations with Pakistan](#) in the defence sphere thanks largely to the help and mediation of China and/or conservative [Arab regimes](#).

Last December, The French daily *Le Monde* reported [another case](#) in which Belarusian arms firms were doing business with international arms traders outside the former Soviet network. According to French journalists, a French-Israeli businessman named Steve Bokhobza had been acting as an agent for the Belarusian defence firm *Beltechexport* for at least three years.

Steve Bokhobza reportedly has good connections with French and African politics and business communities as well as the Israeli security establishment. Bokhobza, according to *Le Monde*, facilitated deals between the Belarusian firm and its affiliates in the Central African Republic, Equatorial Guinea and most likely other countries.

Not Just Exports

For the first time ever, the new [Military Doctrine](#), which entered into force on 20 July, contains a separate section on national defence industries. It emphasises the necessity of developing the defence industry as "a high-technology sector capable of meeting the needs of the Armed Forces with regard to modern armaments, military and special equipment."

This is new for the Belarusian defence industry, which in 1991 was still a highly export-driven branch. Initially, Belarusians exported equipment inherited from the Soviet era and modernised Soviet arms. The capacities of national defence industries subsequently evolved. By the early 2010's the

government announced that 90 per cent of exported arms constitute Belarusian-made products.



[The Belarusian military](#), however, has deployed few of them. In January 2013, Lukashenka admitted that more than 70 per cent of products manufactured by national defence industries were going abroad, and such major firms as *Peleng*, *MZKT* and

Tetraedr were exporting almost all their production.

Back then, in 2013, he demanded from government officials in charge of the defence industry to create arms for export and mentioned supplying the national army almost as an afterthought. Now, Lukashenka insists on providing weapons for the national army.

Addressing graduates of military colleges on 5 July, Lukashenka exclaimed, "Any country that takes its own security seriously should produce its principal weapons with its own hands." The Belarusian leader cited the recently established production of lightly-armoured vehicles and [missiles production](#) as examples of the approach.

In sum, despite many contradictions, the Belarusian defence industry is far from stagnation, unlike many other branches of the Belarusian economy (such as machine building). It brings a stable income from exports and develops finished products.

These products, including anti-tank rockets, optics, electronics, and missiles, have not only found a market abroad, they have also contributed to national military capacities.

Moreover, the development of this branch can set an example for other industries, especially with regard to the incremental development of the private sector and diversification of international ties.