

Belarusian arms exports grow with new rockets and missiles planned

On 31 January, Belarus's state military-industrial committee reported that the export of Belarusian arms in 2017 exceeded the previous year by 15%, reaching more than \$1bn sales. Growth occurred despite problems in accessing Russian military orders, an unclear situation about cooperation with Ukraine and the reported disruption of a deal with Azerbaijan. Meanwhile, Belarusian officials announced plans to produce new missiles and combat drones.

Last year's performance of the national defence industry proves that Belarus evolves economically. It also demonstrates the contradictory balance between Minsk's efforts to maintain [neutrality](#) and its efforts to manoeuvre between Moscow and Kyiv, Baku and Yerevan, and other centres.

No stagnation in the defence industry

On 31 January, a session of the managing officials of Belarus's state military-industrial committee summarised the results of the committee's work in 2017. According to official information, production grew by a quarter. Total exports of Belarusian arms exceeded the [previous](#) year's level by 15% and made up more than \$1bn in sales. While the government steadily struggles with problems in the civilian segments of its machine-building branch, the defence industries perform much better. They continue to earn impressive sums year after year, such that Belarus retains its position among [top-20 world arms sellers](#).

Belarusian arms manufacturers have also diversified their client base. In 2017 they sold products to 69 countries, compared to just 60 countries in 2016. For instance, Minsk-based *KB Radar* could export its electronic warfare systems *Groza-S* and *Optima-B*, while the Barysau-based 140th Tank Repair Plant delivered its light-armoured vehicles, *Kaiman* and *V-1*, not only to the Belarusian army but also to an undisclosed African nation.

Precarious situation with the arms industry's main markets

On state TV, Belarusian businessmen and [defence firm managers](#), including from *Minotor-Servis* and *Integral*, have [openly criticised](#) Russia's policy that aims to [substitute Belarusian components](#) in its military equipment. Furthermore, the chairman of the state military industrial committee, [Aleh Dvihalyou](#), admitted on 31 January that Belarusian firms still face restrictions on receiving Russian state defence orders.

He also revealed something remarkable about the Belarusian arms industry's international ties. Despite historical ties and the critical importance of Russian markets and partners for Belarus, only 54% of the 'international interaction' volume for Belarusian defence industries involves Russian firms. He did not specify what he meant under 'interaction.'

In any case, 46% of interactions involve non-Russian firms and, apparently, the committee did not calculate interaction with Ukraine here. After all, on 1 February, an unnamed representative of the committee talking to *Nasha Niva* weekly announced that military-technical cooperation with Ukraine had been halted as early as in 2014.

Minsk allegedly stopped selling Kyiv military equipment

immediately after it started military operations in eastern Ukraine. This statement likely shows the wish to downplay respective contacts with Ukraine which [undoubtedly continue](#), although Minsk most probably reclassified them in order not to irritate Russian chauvinists.

Did Armenia disrupt Minsk-Baku deals?



Image: Azerbaijani Defence Minister Zakir Həsənov visiting Belarus in October 2017. Image: Salamnews.org

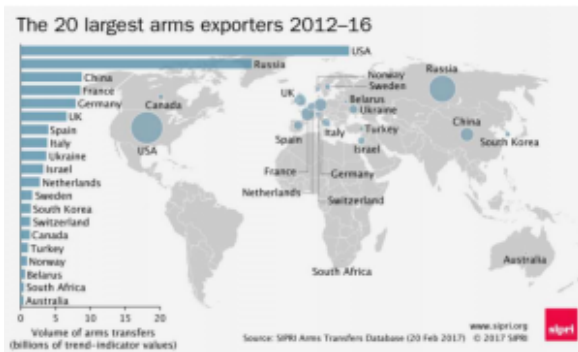
In addition to difficulties with Russia and Ukraine, Belarus recently needed to resolve controversies in its collaboration with Azerbaijan. On 1 February, Belarusian journalist Alyaksandr Alesin told the daily *Komsomolskaya pravda v Belorussii* that Minsk had renounced the deal it negotiated with Baku for the sale of *Palanez* multiple launch rocket systems (MLRS). He insisted that the Belarusian government renounced these plans because of Armenia's intervention. Armenia, clashing with Azerbaijan over Karabagh, formally partners Minsk in the [Collective Security Treaty Organisation](#). Alesin announced that Minsk would soon sell arms to Armenia instead.

The Russian propaganda outlet *Eurasia Daily* followed the story on 6 February. It quoted Russian and Armenian military experts as saying that there was probably never such a deal in the first place.

These allegations clash with some well-known realities. First, Yerevan has hardly any leverage over Minsk. For more than a decade, Baku and Minsk have cooperated in effectively every sphere and the Belarusian government has no interest in disrupting such relations because of Armenia. Yerevan, by far the poorer of the Caucasus states, cannot replace Baku, especially in the defence sphere.

Much circumstantial evidence indicates that Minsk and Baku at least considered the *Palanez* deal. First, top defence and defence industry officials from both countries held numerous talks in recent years. Official announcements acknowledged that last year's negotiations between the Belarusian and Azerbaijani presidents covered defence cooperation. Almost certainly these negotiations included *Palanez* – it cannot be otherwise, given the importance Lukashenka attaches to his *Palanez* project. Azerbaijan also has an interest in such weapons to neutralise the *Iskander* ballistic missiles Armenia received last year. Last but not least, a prominent Azerbaijani expert, general Yaşar Afdəmirov, spoke to several Azerbaijani media about the probability of such a deal between Belarus and Azerbaijan.

Cautious advancement of missile programme



Map: SIPRI

Minsk tries to develop [new products](#) to counter problems in traditional markets. Talking to the *BelTA* news agency on 31 January, the state secretary of security council, [Stanislau Zas'](#), revealed plans to produce new sophisticated arms. In particular, this year, defence industries are planning to complete the development of combat drones.

Above all, however, Minsk develops its defence industrial capacities in the area of rockets and missiles. Minsk started its [missile programme](#) from zero, perhaps only in the early 2010s. In the quoted interview, Zas' said that in the first half of 2018 Belarus would test a new, completely Belarusian-made rocket for the *Palanez* MLRS. Until now, Belarusians relied on [rockets including some Chinese parts](#) for this system.

In addition to replacing the remaining foreign components in the *Palanez* rockets, Zas' announced that designers were developing a new, Belarusian missile for the Soviet-designed *Buk* surface-to-air missile (SAM) system. Minsk believes that with the introduction of a new missile it can make the SAM system fit-for-purpose again.

According to circumstantial evidence published in Belarusian media, it could be retro-fitted Soviet-designed air-to-air missile types R-60 and R-73 that Belarusian designers intend to use in a new version of the *Buk* SAM system. First, Belarusian company *Belspetsvneshtekhnika* has modernised these missiles to extend their lifetime and efficiency. Moreover,

it has designed new modifications, R-60BM and R-73BM, to be launched also from land-based SAM systems.

To summarise, the Belarusian defence industry faces [multiple challenges](#) which, if not addressed, could weaken the industry in the long term. First, instability in cooperation with [Russia and Ukraine](#), especially with both at the same time, looks potentially damaging. Secondly, the national arms manufacturers need to design new defence products, sometimes never before produced in Belarus, as older Soviet types become outdated.

However, if the [national defence industry](#) copes with both tasks by diversifying its partnerships and developing new products, that not only will ensure its survival but also strengthen the country's independence.

Russia Wants Belarusian Enterprises Instead of Promises

On 13 December, Russian Prime Minister Dmitry Medvedev proclaimed that Russia and Belarus may introduce a single currency. Various officials from both countries have regularly proclaimed such intentions since 1993.

There has been no result to these back and forth in the past two decades, yet officials apparently have more interest in the process than in outcomes. Integration talk hides the reality of the [diverging developmental](#) paths of two nations.

The results of bilateral relations are far from ideal as the

decline by eleven percent in volume of Belarus-Russian trade illustrates. According to Medvedev, trade diminished due to negative processes in global markets. Indeed, declines might be a result of Russian policy. This is especially true after Russia's one-sided accession to the WTO took goods from cheap-labour countries squeezed out Belarusian goods from Russian markets.

Russia does not want to consider Belarus a partner. It strangles Belarusian enterprises economically to force Minsk into selling them to Russia. The most publicised cases concern Belarusian oil refineries and its defence industries.

Earlier, Lukashenka speculated on his being Russia's best ally. Now he has a harder time to gain favours from Moscow as Ukraine just became a lot closer to the Kremlin by rejecting the EU association agreement. It is no wonder then that the day after President Yanukovich of Ukraine got his deal with Putin Lukashenka rushed off to Russia.

Ukrainian Nuisance

As Ukraine seemed to tilt towards the EU and Russia was on retreat in the region, Lukashenka believed that his positions as Moscow's only friend in relations with Kremlin were quite promising. On 6 December, he unexpectedly said that there was no obvious need to sell the Minsk Wheel Tractor Plant (MZKT).

Despite the fact that the plant has been on a Russian priority buying list as an established producer of world-quality civilian and military special transport vehicles. "I always wondered about this eagerness to sell the plant [...] sure, I am absolutely against it," he said. Such statement contradicts promises which Minsk had given Moscow for financial aid after 2011 financial crisis in Belarus.

After this latest Ukrainian rapprochement with Russia, Minsk had to adopt to a new view of reality. On 20 December Vice

Prime Minister [Uladzimir Siamashka](#) said that next year a share in MZKT would be sold to a Russian investor. MZKT is a valuable asset yet it will lose in its value if Russia would implement its plan to [exclude non-Russian](#) enterprises from Russian arms production technological chains. Moscow already started to replace its foreign suppliers with Russian companies and emphasised that it would provide no special exemption for Belarus despite its being the most loyal Russian ally.

Tactical Oil Weapons

Moscow resorts to similar unfriendly means to get their hands on Belarus' oil refineries. Russia declined to agree with the Belarusian government on a yearly balance sheet of oil shipments to Belarus. Moscow agreed with Minsk on Saturday only on their oil export plans for January-June. In this way Putin can keep Lukashenka on a short leash. The Russians did as much in 2013 and are apparently going to do it again next year.

As a result, while in 2013 Belarus was planning to import from Russia 23m tonnes of oil, it actually managed to get no more than 20.7m tonnes. Under these circumstances, Belarusian refineries face unpredictable workload schedules and can work only at 80-85 per cent of their full capacities which adversely affects their profitability.

Belarusian Vice Prime Minister [Pyotr Prakapovich](#) openly lamented on Friday that Moscow was not willing to refine more oil in Belarusian refineries and sent its own crude abroad of Customs Union leaving its allies without work and revenues. Indeed, the Belarusian government cannot provide refineries with sufficient volumes of oil and has to sell its shares in them to somebody who can bring the necessary oil in. Prakapovich announced that Minsk had already sent to Russian Rosneft' its offer to sell its state-owned majority share in Mazyr refinery next year.

Strategic Oil Weapons

The Russian Prime news agency reported recently that Russia was preparing to sign with Belarus a protocol on prolongation of December 2010 agreement. That agreement destroyed political economic basis of Belarusian regime as it made Minsk pay [export duties](#) on Russian-origin oil and products extracted from it.

Before that, Belarusians get Russian oil on duty-free conditions, refined it and exported oil products, mostly to Europe, without paying any duties to Russia. The December 2010 agreement made Belarusian oil products' exports shrink and stripped the government of revenues estimated to be up to \$4bn annually.

Lukashenka repeatedly spoke of his hope that Putin will deliver on his promises and since 1 January Minsk will be relieved of its obligation to pay these duties. Moscow seemingly has better idea – Russian Deputy Prime Minister Igor Shuvalov in October said that Russia would begin duty-free oil trade with Belarus only in January 2015 and only if Minsk removed all its trade exemptions with Russia inside the Customs Union.

No Overtake of Belarusian Industry

The State Secretary of the Union State of Belarus and Russia Grigori Rapota on 4 December complained that only integration between several electronics firms (Belarusian Integral and Russian “Roselektronika; Belarusian Peleng and Russian “Roskosmos”) has gone well. However, other planned projects in chemical and machinery branches faced their own difficulties – integration between “Hrodna Azot” and “Gazprom” and “Evrokhim”; MAZ and Russian KAMAZ.

As economic analyst Tatyana Manyonak told the Belapan news agency last week, it was Lukashenka who makes the final decision on the sale of Belarusian enterprises. And he is

seemingly not in the mood to sell now. In addition to his ambiguous statements on MZKT, earlier in October, he publicly criticised the Russian proposals of the MAZ and KAMAZ merger, because the Russians failed to guarantee MAZ new investments, production increases, technological renewal and market expansion.

The Belarusian government has for a long time been demonstrating increasing economic and political nationalism. So far it managed to neutralise Russian pressure on many points while [getting from Moscow](#) substantial preferential economic treatment and assistance.

Even in the unfavourable conditions of 2011, as Minsk lost the option of “going West” after brutal crack down on post-election protests, the Belarusian government still managed to [get billions](#) of dollars of Russian help to overcome its financial crisis. For that, Lukashenka gave the Kremlin little more than a few promises most of which he does not seem to plan to deliver on. These tactics have paid off – Russia scaled down its demands and now Lukashenka can sell the same things once again.

But this tug-of-war cannot last much longer. Beginning in 2010 Russian aid and subsidies have not been sufficient to bolster Belarus' ailing economy and the deficit of its current accounts regularly requires additional injections of funds. To get the money, the Belarusian government will both reform the economy and sell some assets. These economic changes will result in political shifts – however, this does [not necessarily](#) mean that they will lead to the establishment of a liberal democracy.