

Belarus Helps Ukraine with Military Equipment

On Tuesday, a provocative article appeared in the pro-Kremlin Russian daily, *Vzglyad*. It demanded that Belarus hold a referendum on becoming a part of Russia or else face Ukraine's fate.

The article referred to Alyaksandr Lukashenka's [recent interview](#) with *Bloomberg*, in which he once more cautiously expressed his sympathy for Kyiv and criticised the annexation of Crimea.

Moscow knows these are not just words. Minsk has avoided using the strategic means at its disposal – like its control of the Ukrainian [oil products](#) market – to destabilise the neighbouring country. Instead, it has enhanced economic cooperation with Kyiv and even sold military equipment to Ukraine.

Strategically Important Support

Belarus has been consistent in supporting Ukraine since the Crimea crisis. In March 2014, Minsk could have made the life of Kyiv's new leadership much harder by demanding advance payments for oil products. Because Belarusian firms control about 60% of the oil goods market in Ukraine, this step would have further weakened Kyiv's bankrupt government. Instead, the Belarusian side increased the supply of oil products and offered delayed payments to its neighbour.

In January 2015, the Belarusian ambassador to Kyiv [Valiantsin Vyalichka](#) announced that Belarusian firms would conduct transactions in the Ukrainian national currency. Even though this decision facilitated better bilateral trade between the two countries, it entailed political and economic risks for

Belarus. Minsk risked retaliation by the Kremlin, on the one hand, and financial losses due to the unstable exchange rate of the Ukrainian hryvna, on the other.

Small but Important Supplies

Belarusian-Ukrainian trade in military or dual-use goods further proves that Minsk has not succumbed to Moscow's pressure. As the crisis in Ukraine unfolded, the media reported that Belarus increased [contact](#) with Ukrainian defence firms, discussed joint ventures as well as the transfer of new technologies.

Less known is the growth in the deliveries of Belarusian military-relevant equipment, spare parts, and weapons components to Ukraine. According to Ihor Tyshkevich of Ukrainian *Hvylya.net*, the official bilateral trade statistics demonstrates a significant increase in "unspecified" Belarusian exports of an apparent military character. The military components of exports are usually hidden in official statistics under the category of "other."

While the volume of military-relevant exports remains modest, these transfers may have played an important role in boosting Ukraine's defence by satisfying very specific needs of the Ukrainian army. For example, one of the problems Kyiv faced last year was a lack of engines and batteries for its armoured vehicles. Tyshkevich analysed official statistics and found out that the export of "other" engines from Belarus to Ukraine increased from \$1.1m in 2013 to \$1.67m in 2014. The export of spare parts for "other" engines has increased twofold, reaching \$2.84m in trade.

Since the beginning of the war in Eastern Ukraine, Belarus has been supplying Ukraine with vehicle batteries. In 2013 Ukraine did not import any of these batteries from Belarus. In the second half of 2014, Minsk exported \$125,000 worth of them. In 2014, Belarus also sold \$2.19m worth of electrical engines,

which can be used in tank turrets. It's an impressive rate of growth when compared to the previous year, in which only \$16,000 worth of electrical engines were sold, writes *Hlylya.net*.

Minsk has also supplied Kyiv with optical and electronic devices, one of the specialisations of the Belarusian defence industry. According to official statistics quoted by Tyshkevich, last year Belarus delivered \$1.7m (in 2013 – \$184,000) worth of binoculars, the [best night vision monoculars](#) and thermographic cameras to Ukraine, gun sights to the tune of around \$1m, as well as range finders, monitors and other optic and electronic components for military equipment valued at over \$1.1m.

Military Trucks and Jets

Belarusian exports also included some ready-to-use military equipment. There are indications that Kyiv bought Minsk [Wheel Tractor Plant](#) (MZKT) chassis for its missile and artillery systems. Despite the slowdown in the Russian market and the corresponding decline in Russian military purchases from MZKT, the plant has managed to earn more money in July-September 2014 than in the entire previous year – at least partly due to the growth in exports to Ukraine.

The Minsk Truck Plant's (MAZ) sales to the Ukrainian armed forces are openly publicised. In July 2014, Ukraine's Internal Affairs Minister Arsen Avakov revealed that the Ukrainian National Guard had placed orders for trucks and trailers from Belarus, and the media reported on a delivery of 44 new MAZ trucks. In October 2014, the National Guard reportedly bought 27 more MAZ trucks and several dozen trailers from Minsk.

Even more strategically important was Belarus-Ukraine cooperation in the field of aviation. The Belarusian 558th Baranavichy aircraft repair factory may have been speaking about Ukraine when it announced a \$66m overhauling of MiG-29s

for a “foreign customer.” The announcement coincided with the Ukrainian army receiving several overhauled MiG-29s in December 2014 and January 2015. The Moscow-based *Nezavisimaya Gazeta* commented that the Belarusians may have been behind the restoration of the Ukrainian aircraft.

Minsk has also dramatically increased exports of “flying vehicles” and parts for them, which likely includes drones, to Ukraine. If in 2013, Belarus’s respective exports amounted to \$12,000, in 2014, Minsk earned more than \$5m, while in January-March 2015 – almost \$4m, reports *Hvylya.net*.

Much for Belarus but too Little for Ukraine?

The full scale of these deliveries remains unknown. Recently, however, the head of the Belarusian Military Industrial Committee [Siarhei Hurulyou](#) commented on the rapid growth of [defence exports](#). According to him, the national defence industry has earned more than \$800m through exports last year. Undoubtedly, a portion of these military and dual-use exports went to Ukraine.

Russian daily *Nezavisimaya Gazeta* downplayed the significance of Belarus’s military exports. It quotes a Russian military expert saying that Belarus “currently cannot provide large-scale aid in re-arming the Ukrainian armed forces because [its specialisation](#) includes only a limited range of defence products.”

While Belarus can hardly rearm Ukraine, Minsk seems to be helping as much as it can. Belarus clearly wants to maintain good ties with Kyiv and hopes to help Ukraine survive as a state. In doing so, Belarus risks enraging the Kremlin, who can easily retaliate against the Belarusian leadership.

Such policies prove that the noisy battles of rhetoric between Minsk and Moscow are not all just words. Belarus also pursues its own policies, even as it pays attention to Russia’s own sensitivities and is treading carefully. [Minsk is clearly](#)

[willing to sabotage](#) and resist the Kremlin's regional ambitions, so long as they do not suit them.

Belarusian Volunteers Join Ukraine Conflict on Both Sides

Earlier this month the Belarusian media put out a story on the Belarusian military unit Pahonia, which is training in the Valyń region of Ukraine in order to join Ukrainian army.

Fighters did not reveal their names, fearing potential KGB pressure, but Ukrainian officials say many Belarusians have contacted them to join the unit.

Some Belarusians were also detected on the other side of the conflict. While they did not form any special unit and are trying to keep their involvement under wraps as Belarus' KGB has already initiated a number of criminal cases against them for being mercenaries.

At the same time it seems that Belarus is urgently trying to learn lessons from the Ukrainian conflict, while also seeking to retain full control of the situation domestically ahead of 2015 presidential elections.

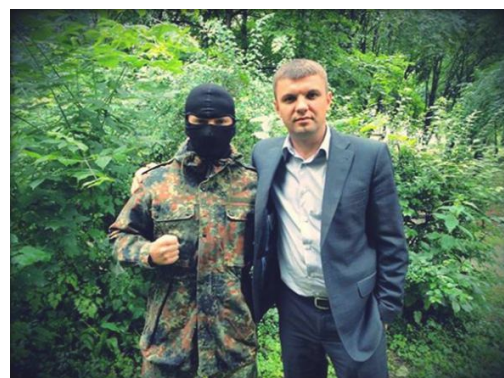
This month the government ramped up its anti-terrorist legislation, while Lukashenka's speeches have become increasingly loaded with security issues. He has been urging the authorities to strengthen Belarusian sovereignty on the basis of a strong economy and a heightened level of international authority.

Belarusians Ready to Fight for Ukraine

Since the outbreak of hostilities in Ukraine, some Belarusian citizens have sought to personally join in on the military conflict in Ukraine. Ukrainian TV channels occasionally show stories of a Belarusian unit in the Valyń region of Ukraine training and preparing for combat in the country's south-east.

The unit has a name Pahonia and trains Belarusians who want to fight against the separatists. According to head of the Valyń City Council, Ihor Guź, the unit has been formed as part of an initiative of the Right Alliance youth organisation, which has cooperated with Belarusian oppositional youth groups and individuals for many years.

All of the volunteers who have joined are younger than 30 years old and many actively work with Belarusian NGOs. Belarusians do not dare reveal their names as to prevent repression against them and those associated with them at home. The Malady Front, an opposition organisation, confirmed that some of its members have made their way to Ukraine. "After we announced the unit's formation, about 50 people showed up and contacted us to join it. Sure, there are members of the Belarus KGB among them, but we will figure out a way of how to deal with it [later]," Ihor Guź said.



In an interview with the Rosbalt news agency, an anonymous Pahonia fighter explained that they crossed the Belarus-Ukraine border legally, and if they are questioned on their return home at border what they were doing in Ukraine, they

will answer they simply reply that they were working in Kyiv.

“We don’t tell anyone about it, people would not understand. Only our closest relatives know that we went to war,” the Pahonia volunteer said.

Belarusian combatants say they decided to help the Ukrainians in their fight against Russia because Belarus may face the same threat in the future:

When Georgians said that Ukraine will be the next, nobody believed them. Lukashenka is quite smart, but Moscow will do away with him sooner or later. And we hope our Ukrainian brothers will help us just as we help them now. We are not being paid any money here.

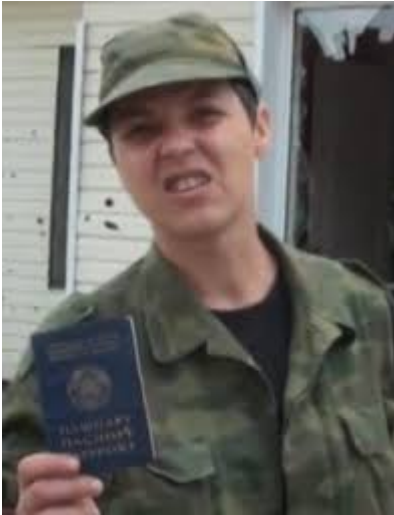
Aide to Minister of Internal Affairs of Ukraine Anton Herashchenko confirmed that “there indeed are Belarusian citizens who want to fight against the terrorists in Ukraine. Ukrainian legislation does not allow for the use of foreign units, but they can easily obtain Ukrainian citizenship.”

Earlier, Semion Semenchenko, the leader of the Donbas volunteer battalion reported that 15 Belarusians joined them in order to fight against pro-Russian forces.

DNR Combatants Face KGB Pressure

As Belarus remains a nation divided over whether its future is with the EU or Russia, it is hardly surprising that Belarusian nationals have been appearing on the other side of the conflict as well.

Earlier this month Ukrainian security services reported that it detained a citizen of Belarus. Allegedly, he came to Odessa together with some Russians with an order from Russian intelligence services to destabilise the situation in the region. They established contacts with local radical groups, distributed leaflets and inspired anti-government protests.



In May, Ukrainian Security Service detained Belarusian citizen Alieh Šabalin, who was accused of carrying out preparations for a terrorist act. Despite this and other individual incidences of collaboration with pro-Russian forces, no organised units of Belarusians on the side of the separatists have yet to appear.

Natallia Krasoŭskaja became perhaps the most famous Belarusian in the pro-Russian camp. A few videos of her have appeared online, videos where she claims she is from Barysaŭ, Minsk region, and came to Ukraine back on 5 May to support the separatist forces.

Showing her Belarusian passport and addressing Lukashenka, she proclaims in one video that the Donetsk People's Republic has the backing of the Belarusian people.

However, the Belarusian authorities appear to not be all that enthused with this brand of flagrant pro-Russian patriotism. As Krasoŭskaja notes out in a later dispatch, the Belarusian KGB called her mother to inform her that they have filed a criminal case against her. She added that other Belarusian nationals in the DNR paramilitary army have also gotten word that criminal cases were opened against them.

Lukashenka's Rhetoric

It seems that Belarus is desperately trying to learn as much

as possible from the conflict between Russia and Ukraine. This month the government amended its anti-terrorist legislation which includes a section on financing terrorism, increased penalties for the recruitment of mercenaries as well as for training individuals with the purpose of having them participate in terrorist acts.

On 22 April, Lukashenka [in his annual address](#) to the nation ordered Belarusian security services to closely monitor and control those who promotes the “Russian issue” in Belarus and immediately curb these kinds of discussions, regardless of who starts them. And as the cases surrounding the Belarusian paramilitaries working on the side of the DNR has shown, the KGB is indeed carrying out its orders.

Publicly though, Lukashenka continues to maintain a diplomatic balance by utilising ambiguous and unclear statements whenever speaking about either side of the conflict. His rhetoric mainly involves urging all sides to end the armed conflict and restore Slavic unity.

Speaking at the Kupalle annual festival in his native village Aleksandryja on 6 July, Lukashenka stated that “Slavic unity has seriously fractured, and we should do our best to achieve peace in Ukraine.” He used similar words on 10 July at the opening of the Slavic Fair cultural festival in Viciebsk.

Both sides are both seeking to draw Belarus further into their camp. At the opening ceremony of the Slavic Fair, the Ukrainian ambassador to Belarus Mikhail Ezhel read a letter of greeting from Ukrainian president Poroshenko.

At the same time, Lukashenka has been increasingly frequently raising the issue of national security in his conversations with Belarusian officials. “The weak are abused, and the strong are respected in the new geopolitical reality, so we must be strong politically, and even more so economically,” he said at a gathering with Belarusian diplomats.

The Belarusian leadership, for its part, continues with its balancing act on the foreign affairs front, while trying to retain complete control of the situation domestically.

The fear of combatants returning, who may come back home as agents of foreign influence, is forcing the Belarusian authorities to their tighten up security measures.

Before the 2015 presidential elections, Lukashenka is not going to allow for hardly any political liberalisation, especially in an environment that is so highly volatile.

Will Russia Buy Up Belarus' Defence and Oil Industries in 2014?

At a press conference on 11 June, Russian ambassador to Belarus, Aleksandr Surikov, announced that Russia had agreed with Belarus to acquire three Belarusian military and high-tech large-scale industrial complexes.

Belarus has always been very reluctant to sell of its state property for various reasons, which is not limited to just collecting rent for the elite, but also maintaining political control over their employees.

However, three groups of assets seem to be up for sale: companies that work with the Russian military industry, industries dependent on Russian energy resources and many barely profitable companies from Belarus' regions, which create a burden on the budget but have helped to sustain regional economies and social stability.

While the first two appear to be bargaining trips in Belarus' dealings with Russia, the latter is unable to attract foreign investors as their goods are intended primarily for a domestic market and barely economically viable as is.

Military and High-Tech Industries

The Belarusian regime has always approached privatisation [with a great deal of caution](#). Lukashenka and other high-ranking officials constantly repeat ad nauseam the phrase “we are not going to sell to anyone that which was created by the hard work of many generations of Belarusians”.

This patriotic rhetoric, however, cannot be taken at face value – the regime naturally wants to retain control over the public sector in order to prevent any kind of social discontent or anti-government activity from flaring up. Nevertheless, it is now apparent that it will finally have to part with several groups of assets, which create serious problems for the Belarusian economy.

In 2007 and 2011 Belarus had to sell to Russia one of its major assets – the Beltransgaz company, which controlled the transit of gas from Russia to Europe in Belarus. The deal ensured that Belarus would receive discounted gas prices for many years to come.

This year the first group of enterprises on the auction block, and No1 candidates for sale, are a handful of military and high-tech industrial complexes whose primary customers are found in Russia. As Russian ambassador in Belarus Aleksandr Surikov said on 11 June “We have reached a basic agreement on Integral, Peleng and MZKT. The last international evaluation of MZKT assets will be completed by 31 July”.



Integral is closely connected with the Russian market and requires substantial investment after years of decline and stagnation. “The Russians want Integral incorporated in their military-industrial complex, which will ensure a maximum of output for the enterprise”, Head of State Property Committee Heorhi Kuzniacoŭ said.

Another high-tech project of particular interest to the Russia is Peleng. Belarus negotiated the sale of 25% of its shares of the company to Roskosmos, a Russian space industry corporation. The Peleng company produces optoelectronic space equipment and conducts research in the same field.

The Minsk Wheel Tractors Factory (MZKT) may also potentially join the Russian state holding Russian Technologies. It will produce chassis and tractors for the Russia's army and its oil industry. Currently, MZKT is one of the main manufacturers of tractors for Russian army.

Oil and Gas Dependent Enterprises

The second group of industries up for sale are those which are heavily dependent on Russian oil and gas. It is starting to look like the Hrodna Azot and Mazyr refineries are likely to be sold off as well.



In May Belarus announced that it would auction off 25% of its Hrodna Azot shares, the largest enterprise in the Hrodna region, which produces chemicals and fertilisers.

The enterprise is Belarus' largest consumer of natural gas, therefore selling it to Russia is, to a degree, a logical step.

However, the conditions for its sale are rather unattractive for the business community. For example, part of the deal states that workers' conditions cannot deteriorate over the first 5 years of the deal. Moreover, investors must provide Belarus' agricultural sector with the necessary amount of fertilisers and build a new production complex that is estimated to cost \$1.2bn.

Last but not least, investors must guarantee a steady gas supply for 10 years to ensure the full production capacity of Azot is maintained throughout. Nevertheless, Russia has shown continued interest in the company, with Gazprom, Evrokhim and Rosneft being the main candidates for its purchase.

Meanwhile, according to the Russian ambassador in Belarus, Russia so far has no interest in buying up a large portion of Mazyr refinery's shares due to the unfavourable terms that would be associated with any deal. As part of the conditions for selling its shares, Belarus is demanding that any new owner retains the current number of workers and increases the refinery's production capacity.

The Government Will Get Rid of its Bad Assets?

Belarus is ready to get serious about privatisation, but at the moment it only wants to sell off low-profit companies that are vital for sustaining local regional economies.

As a [study of the 2011-2013 pilot privatisation](#) project conducted by Belarus Public Policy Fund shows, the government is trying to sell off mainly companies with low profit margins that are full of personnel that are years, if not decades, away from retirement. In doing so, it is not seeking to rake in profits, but rather is trying to maintain local employment levels in the regions where these factories are often the core of their respective local economies.

the state tries to shift the responsibility for maintaining social welfare

Simply put, the state tries to shift the responsibility for maintaining social welfare from the state budget to the private sector. Few would then question potential investors' reluctance to jump on these 'opportunities'.

According to Civitta consulting expert Daniel Krutzinna, the international business community does not believe that Belarus will implement any extensive privatisation anytime in the near future. It will rather focus on a number of deals with Russian companies and on the sale of unprofitable companies to local investors.

As the three groups of companies up for sale will demonstrate, Belarus' privatisation is set up so that it is inherently favourable to Russian interests. Very likely, Belarusian industries will be used for leverage in the Russia-Belarus [bargaining within the Eurasian Economic Union](#), where Belarus seeks to get the most favourable gas and oil trade prices it possible can.

While Russia is about to acquire several important military-related industries, it is hard at work negotiating on other industries, trying to make the terms of their sale much less 'social'.

With smaller, but socially important enterprises, especially in the regions, which do not interest foreigners, Belarus will face a bigger dilemma – finding a local business that will agree to become partners in supporting the state's social contract.