

Ukraine will (finally) invest in modernising its army

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On 24 January, the Ukrainian Ministry of Defence presented its financial plans for 2012. According to the budget law, 16.4 billion hryvnia (US\$2.04 billion) will be allocated for military purposes, an increase of 20% on last year. The Armed Forces' current operation has been allocated up to 35% more money than in 2011. The greatest increase in expenditure – of up to four times – will go towards the technical modernisation of the armed forces (up to US\$185 million). These measures will allow for the modernisation of 21 combat aircraft, 5 helicopters, and 612 tanks and armoured combat vehicles. The Ukrainian army will also receive 10 new Oplot tanks (the first 10 were delivered in December 2011). In addition, expenditure on the development of armaments and military equipment will double (to US\$293 million), including work (started in 2011) on building a new 58250-type prototype corvette (expenditure on this ship has risen by five times, and this year it will amount to US\$54.2 million); completing work on the prototype An-70 transport plane; and developing the new Sapsan missile system. The beginning of this modernisation process is linked to a further reduction in the numbers of the Ukrainian army. At the end of 2011 it had 192,000 personnel (including 144,000 military personnel); by 2017 it is projected to number 130,000 employees in total, both soldiers and civilian.

Commentary

- In the first half of the last decade, Ukraine's armed forces underwent a deep cut in numbers as well as in-depth structural and organisational reform; this was connected with adapting the Ukrainian army for future membership in NATO. Due to the lack of funding, however, the third element of the reform, technical modernisation, was continually postponed. The Ukrainian army continued to use armament and military equipment which functioned mainly thanks to so-called 'cannibalisation' (obtaining spare parts from other units), thus gradually depleting their total capabilities. As a result, by the turn of this decade it had become technologically the most backward army in the region, with the lowest ratio of technical efficiency. Faced with the threat of losing military capability, initiating the process of technical modernisation became a necessity.
- The investments in modernisation and the purchase of new weapons and military equipment for the armed forces should be treated as direct support for the Ukrainian arms industry, which is still an important element of the Ukrainian economy, although only a small proportion of the companies which benefit from exports (mostly subcontractors from the Russian arms industry) actually make a profit. Without orders

from the Ukrainian army, most of the country's armaments industry would be threatened with collapse; this is not only a problem concerning Ukraine's defence, but also its society more generally (the arms industry factories are major employers in some regions).

- From Kiev's perspective, the increase in military spending budgeted for 2012 – and especially the allocation of the funds (expenditures for the operation and modernisation of the armed forces have increased to the greatest extent) – is a breakthrough. For the first time in many years, the Ukrainian Ministry of Defence has available funds in excess of 1% of GDP (specifically 1.1%; in recent years, the ministry's budget has fluctuated at around 0.8% of GDP). Yet despite this level of military spending, Ukraine still lags behind its largest neighbours. The share of its neighbours' military expenditure in GDP is as follows: Belarus 1.3%, Romania 1.4%, Poland 1.9%, and Russia (depending on the method used for the calculations) 3 to 4%.