MARKET DEVELOPMENT AS A FACTOR OF NATIONAL SECURITY

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The following article considers Ukraine's weaponry market: its problems and prospects, investigates exports of certain categories of arms and determines the impact of military's market as a shaping factor of national security.

Keywords: weaponry's market, military capability, national security, importer, exporter.

Problem. When Ukraine gained its independence, there were around 750 various defense industry enterprises with a total staff of approximately 1.5 million. It is estimated that 140 scientific, technical and scientific and industrial organizations were involved as defense contractors. Overall, the share of weaponry manufactured on the territory of Ukraine accounted for about 30% of the total defense industry of the Soviet Union. As a result of Soviet Union's collapse, over the past twenty years Ukrainian military-industrial complex production capacity has been significantly reduced. Nevertheless, the Ukraine' military industry is confident to maintain a leading position in terms of innovative development of products with high added value. Such development may also significantly contribute to the solution of an array of accumulated social problems that are considered intractable subject to cost-tuned measures for its revival. The necessity of a high level development of Ukraine's military-industrial complex is undeniable and will have direct positive impact on the national security. In the light of the current conflict with Russia, such defense measure is vital. for the stability of our country and will serve as a deterrent for future instabilities orchestrated by Russian Federation.

Analysis of recent research and publications. The situation of Ukraine's and overall world's insufficient and weak weaponry's market, attracted the attention of many leading practitioners and scholars, including V. Begma, V. Budkin, A. Galchinskij, A. Zlenko, V. Kirilenko, A. Lukyanov, A. Shevtsov, I. Muntiyani, Pirozhkov, I. Semenihin, M. Sungurovsky and others. However, in view of the constantly changing situation and no immediate solution in place, the problems remain relevant and urgent, and further fueled by the armed conflict with pro-Russian separatist in the Eastern Ukraine.

The purpose of the article. The main goal of this paper is to analyze the prospects for the development of the weaponry' market in Ukraine and its subsequent impact on the national security.

Main material. The rapid decline of the Ukraine's domestic market is the main problem of the Ukraine's defense industry. Debt forgiveness of a significant part of the military enterprises (about 1 billion UAH) stopped the stagnation of a number of domestic specialized factories. This situation prevents the army from developing and getting new models of weapons and military equipment in sufficient volume. In addition, government's continuously declining level of the country's defense orders: if in 2012 it got about 128 million dollars, in 2013 it fell by another 12% to 114.8 million dollars in 2014. Military conflict with Russia clearly demonstrated the critical need to supply weaponry to Ukrainian army which would affect the country's overall defense system as a whole. However, in the context of this problem, the situation of the deteriorating defense industry today is fundamentally under review. It is known that one of the most important components of the secure and prosperous sovereign country is the viable and potent army [1, 7].

Currently, domestically produced military products meet world standards and compete very well on the international arena. Ukraine had made many advances in the shipbuilding, the manufacturing of aircraft and components, radar equipment, anti-aircraft warfare, missiles and artillery and communications equipment, armored vehicles, automotive, engineering and other special equipment.

Ukraine also has advanced the development of radar equipment, air defense missile and artillery systems and systems of active armored protection. In addition, the Ukraine made significant progress in development of highly sophisticated precision guided munitions, which allows sophisticated precision aim technology targeting enemy's military equipment with an extreme accuracy. Ukraine has also made significant steps in engine development. Ukrainian diesel tank recognized as the best in the world, especially durable in high temperature conditions. Ukraine has also managed to create a line of armored vehicles of various grades and weapons of different bases, which are delivered to Iraq and Thailand, aircraft engines, aircraft military transport aviation, special purpose aircrafts [2-4].

Contrary to the actual drop in the domestic market, the defense industry is developing successfully through exports.乌克兰 military-technical cooperation with foreign countries, estimated in figures achieved in 2013, is at its record. The main contribution to the development of domestic defense companies was made by State Concern "Ukrboronprom", which accounted for 95% of sales (including export operations of private enterprises, which are carried out through the "Ukrspetsexport" and its subsidiaries).

In addition, Ukraine also supplies the special purpose products to several dozen of countries, mostly in Africa, the Middle East and Asia.

The main buyers of Ukrainian weapons are countries in Asia and Africa: Asia - 47%, Africa - 23%, CIS - 21%, Europe - 6%, America - 3%.

In recent years, despite the close production links, export to Russia and Belarus has steadily decreased, and in the context of a military conflict with Russia, exports to that country will disappear altogether.

According to the State Export Control Service of Ukraine, in 2013 Ukraine exported 111,200 units of various small arms and 557 armored vehicles, artillery and rocket launchers. By the end of 2013 Ukrainian export volume was at 53,600 units, which was 52% lower than in 2012.
Pacific region continues to experience the greatest international arms increased by 14%.

Four years, 2004 through 2008, the sales volume of its weaponry arsenal: compared to the preceding international community still continues to increase 20 years since the end of the Cold War, but the total of 55 countries were engaged in the sale of exported weapons, Pakistan (8%) and Russia (7%). China, consuming over one-fifth (21%) of Ukrainian consumers of weapons of Ukrainian production are moved to the eighth position in the global list. Key 2009-2013 versus 2% in 2004-2008, and the country world market of weapons’ dealers increased to 3% in by approximately 72%. Thus, Ukraine’s share in the taken by Russia with 8.3 billion dollars, the second – China with 1.8 billion dollars [7, 8].

According to the research institute, the Asia-Arms exports from Ukraine in 2009-2013 increased 60% compared to other market leader countries, which continuously increase the volume of weapons by 20-30% per year, Ukraine is lagging behind and may even disappear from the market altogether. Unless significant capital investments are made into technology and design of new, and improvement of existing military equipment and weaponry is made, Ukraine will continue to lose demand and eventually lose its competitive position in the worlds market.

Currently, Ukraine has about 60 projects of advanced weapons systems development. Their participants are 134 Ukrainian defense enterprises, including state-owned company “Ukrspetsexport” and its subsidiaries. Ukraine also significantly expanded its military-technical cooperation with other countries. The most known projects reflecting the level of domestic technologies and new areas of military-technical cooperation include high-precision weapons (VSP) SE “GosKKB “Luch” being developed and delivered into Belgium, the joint development with Poland of the APU “Luch”, new systems defeat armored targets with precision munitions produced by GP “GosKKB “Luch” are exported to Israel. Ukraine has won the tender from the Russian manufacturer for repair of air defense systems S-300 to Kazakhstan. In summer of 2013 the contract was signed for repairing and modernization of MiG-21 Air force and Air defense of Croatia, which have been successfully completed.

Among the developments completed in 2013, it should be noted the successful development of 90 and 105 mm guns with guided missile Falrück and easy ATGM "Corsaire" (SE "GosKKB “Luch”), modernization of training and combat aircraft L-39 and L-39M version ("Odessa Aircraft Repair Plant "), modernization of the Su-25 and Su-27 ("MiGremont"), construction of navigation equipment (SE "Orizon-Navigation"), complex of opto-electronic resistance, etc.

In addition, BM “Oplot” and tank engine 6 TD-2E (SE "V.O. Malyshev’s plant"), 152-mm self controlled artillery shell “Tsvetnik” (SE NPK "Progress"), landing assault ship on the hovercraft "Bison" (JSC "Fe "More"), high speed boat "Conan 750 BR" (SE "Steckoplastik") and others were launched in serial production in 2013.

In June 2014, Paris based World Exhibition of defense technologies featured a ground-based air defense "Eurostatory- 2014". According to the organizers of the event, the Exhibition featured more than 1,500 exhibits from 59 countries. More than 100 official delegations from 90 countries have attended, including the organization of the EU and NATO. Ukraine was represented by the State Enterprise "Ukrorobonprom" and by the Thermal Vision Technologies (TVT), a private company specializing in night vision equipment. Exhibition
demonstrated products of the Ukrainian domestic defense industry, particularly models APC-ZE1 armored plant Kiev, APC-4 "Kharkov KB and V.O. Malshev's plant", antitank system "Sarmat "SE GosKKB "Luch", as well as a number of products of "G.I. Petrovsky's Kiev factory of automation", SE "Izumskoe instrument making plant", PAO "AvtoKrAZ" and many other products produced by the Ukraine's leading defense enterprises [4].

Conclusions and suggestions. Military products produced in Ukraine meet the world standards and compete well on the world market. In Ukraine there is a complete cycle of military aviation production, from A to Z so to say, which is only possible in other seven countries in the world. However the lack of innovation, capital investment and relatively weak exports dictate the state of chronic crisis. Over the next five years, a matter of survival for the majority of enterprises of the military-industrial complex (MIC) of Ukraine will become their ability to shift their supply to overseas markets. It should be noted there is objectively favorable factor, a general long-term growth of military spending of the most countries of the world and their continuous demand for military equipment and weaponry. This trend offers significant opportunities to Ukrainian defense enterprises to increase their exports. However, in a short term, as a result of the military conflict with Russian Federation, it is clear that the supply of exports will be reduced in favor of strengthening the defense of the Ukrainian army.

Despite many outstanding issues that Ukrainian defense industry is facing, there is significant number of so-called "dual-use technologies" that are suitable for use in a "civilian" sectors of the economy, as well as in medicine, prevention of emergency situations and anthropogenic disasters, as well as other humanitarian purpose use. Using of such technologies may give a new momentum to the Ukrainian economy as a whole and contribute to the country coming out of the long-term economic stagnation.

Further research needs to find the optimal growth and balance between the development of exports and domestic supply of modern military equipment and weaponry to ensure a strong and capable Ukrainian army.

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