

Cut Ties With Ukraine Cost Russian Defense Industry \$940 Million

By [The Moscow Times](#)

July 22, 2014



Russia is trying to cut its dependence on products made by Ukrainian firms like Zenit rocket builder Yuzhmash.

The Federal Space Agency, or Roscosmos, estimates that Russia will need to spend about 33 billion rubles (\$940 million) through 2018 to offset the losses from cutting military ties with Ukraine, Kommersant reported Tuesday, citing a letter between Roscosmos officials.

Ukrainian President Petro Poroshenko in June prohibited military-industrial cooperation with Russia amid the escalating crisis in Ukraine, blocking Russia from importing the Ukrainian equipment that its defense industry sorely needs.

Russian officials have called for the defense industry to reduce its dependence on Ukrainian defense imports, but the switch to large-scale domestic production will take time and money.

In order to raise funds, cash should be diverted from pre-existing federal investment

programs in the space and defense industries, Kommersant quoted Mikhail Khailov, head of automatic space systems at Roscosmos, as saying in a letter to the agency's deputy head Alexander Ivanov.

Roscosmos said that 2.3 billion rubles (\$66 million) could be siphoned off from the federal space program and 23.2 billion rubles (\$665 million) from the state's defense industry development program to aid the switch to domestic defense production.

A third federal investment program could be asked to cough up 7.5 billion rubles (\$215 million) to help fill the gap left by Ukrainian imports, the report said.

Until the money arrives, Roscosmos can free up cash by cutting spending on "lower-priority programs," Khailov wrote, according to the report.

Deputy Prime Minister Dmitry Rogozin, who oversees the Russian space and defense industries, said previously that it would take two years to substitute Ukrainian imports with domestically produced equipment.

Rogozin said Monday that the government had already approved the plan, which will be presented to President Vladimir Putin within the next few days, Lenta.ru reported.

Russia's dependence on Ukrainian defense imports is a by-product of the collapse of the former Soviet Union. When the Ukrainian Soviet Socialist Republic became an independent state in 1991, Kiev found itself in possession of vital Soviet-era defense industry assets such as the Yuzhmash factory in Eastern Ukraine, which produces space rockets, satellites and missiles along with machinery for civilian uses.

See also:

[New Defense Minister Under Fire for Proposing Ukraine Victory Parade in Sevastopol](#)

Original url:

<https://www.themoscowtimes.com/2014/07/22/cut-ties-with-ukraine-cost-russian-defense-industry-940-million-a37565>