

# RUSSIA MONITOR

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SOURCE: KREMLIN.RU

2 July 2018

## AUSTRIA AND NORD STREAM 2: JUDGE IN ITS OWN CASE

**On July 1, Austria took over the Presidency of the Council of the European Union. This is great news for all participants of the Nord Stream 2 project especially due to the fact that an Austrian company is involved in its implementation. Vienna, which is currently governed by a political party declaring its cooperation with Putin's United Russia party, will probably seek to sabotage and to delay the EU initiatives that could harm the construction of the gas pipeline along the Baltic Sea bed.**

**T**he motto of the Austria's EU-Presidency is "A Europe that protects". The country has already set its priorities that are primarily related to security matters as well as protection of the external borders of Europe. Such plans should not arouse any controversies within the EU member states. Nonetheless, they may have completely different opinions on such issues as gas supplies and energy security.

"From July 1, Austria will be in charge of the EU bodies and institution, therefore we can expect that the talks will be interesting", said Yury Ushakov, Putin's adviser on foreign policy. His words, uttered just before Russian president's visit to Vienna in early June this

year, seem to confirm that Moscow has high hopes for the upcoming Austrian presidency. On one hand, the Russians can count on the co-ruling Freedom Party of Austria (FPÖ) as the latter signed a cooperation agreement with the United Russia party in December 2016. On the other hand, Austria's energy giant ÖMV constitutes one of Gazprom's closest European partners. During his recent visit to Austria, Vladimir Putin agreed to extend contract for Russian gas supplies until 2040. In 2017, Gazprom's gas exports to Austria reached 9,1 billion cubic metres, which corresponded to 93 percent of all gas imported to the country. In addition, ÖMV is also one of the western partners involved

in the implementation of the Nord Stream 2 project. And Moscow has already tempted Vienna with the perspective of bringing gas from the Turkish Stream pipeline to Europe via Austria's Baumgarten hub. The implementation of this project in the south, simultaneously with Nord Stream 2 in the north, will enable Russia to give up the idea of transporting the majority of Russian gas via Ukraine. So Vienna may be one of the main allies in this operation as it holds EU presidency till the end of the year.

Austria will be in no hurry in making any decisions on the amendment of the Gas Directive (2009) because new provisions will make the Nord Stream 2 project subject to the EU law. Germany contributed to the slowing down of EU work on the amendment of the directive, which may mean that Sofia was probably susceptible to some impact exerted by Berlin. And even though in April, the European Parliament announced its readiness

to work on the revision of the directive, the Bulgarian EU Presidency used its best efforts to slow down the process and it apparently sought to play for time until the presidency was handed over to a strong supporter of the Nord Stream 2. Requests for a quick revision procedure are regularly supported by a group of ten countries. Recently, Poland's Energy Minister Krzysztof Tchórzewski said that the formal request to transfer the discussion of the revision to the political level was advocated by delegations of 15 countries while during the last debate between ambassadors to the EU even 19 of them expressed their overt willingness to work and to adopt the Council's position. It is already known that the idea was strongly condemned by Germany and Austria. Moreover, Tchórzewski mentioned another country involved in the Nord Stream 2 project whose authorities were against the revision of the directive. It may be all about either France or the Netherlands.

9 July 2018

## PENSION GAP BETWEEN RUSSIA'S SILOVIKI AND CIVILIANS

**The decision to raise the retirement age has recently caused huge resentment among many Russian citizens. Their outrage may turn out to be even greater as well as it might eventually result in social protests if the authorities do not change the rules of the so-called uniformed service personnel pensions. Such may be the case as the Kremlin tends to take care about the pillar of its power. And the siloviki will be expected to suppress social discontent if it gets out of control.**

**M**ore than 90 percent of Russians are against raising the retirement age. According to recent polls, more than half of them believe that the reform will appear to be first and foremost most beneficial for state's bureaucrats. The majority of Russian citizens claim that current authorities will not deprive uniformed services of their privileges. Such state of affairs may increase indignation,

especially facing the fact that, even recently, there has been a chasm between pension benefits for the silovikis and those for other members of the society. It seems that such gap will be increase. Thus, the regime will gain the gratitude of numerous retired members of uniformed services (their number amounts to even 2.5 million). Moreover, such a move will enforce the loyalty of current law enforcement



SOURCE: KREMLIN.RU

officers, which is extremely important for the Russian authorities, especially in the aftermath of the decision to raise the retirement age.

The pension system in the power structures enables its employees to retire even at the age of 35. The benefit amounts to the half of the last earnings; nonetheless, it increases by 3 percent every year. It will be additionally complemented by various bonuses for military awards and decorations. In addition, a retired member of the siloviki camp can start working somewhere else and, after some time, he will be entitled to a state pension from his other job. Meanwhile, according to new regulations, a civilian employee will be able to retire only at the age of 65 (in the case of men) and 63 (women). So the difference

between the retirement age of the siloviki and that of ordinary citizens will amount to 20-25 years. In addition, uniformed pensions are much higher than civilian ones and they come from various sources. Ordinary pensioners get benefits from the Pension Fund whereas former members of uniformed services are paid by their home ministries.

The regime is unlikely to undertake any steps that would possibly consider a threat to siloviki's pension privileges. Funds for the benefits constitute a part of Russia's considerable military expenditures. In the light of the risk of social unrest, it is difficult to question the loyalty of communities whose members are expected to suppress social discontent.





SOURCE: WIKIMEDIA.COM

10 July 2018

## DANGEROUS ACTIVITIES OF RUSSIA'S NAVY FLEET

While organizing a large-scale sports event, each country is expected to take care of its security. So it does not come as a surprise that Russia had decided to alert its services as well as the army. But what do these two, preventing terrorist attacks and massive force concentration in the Sea of Azov, have in common? It seems that the Kremlin traditionally used a big sports event to cover up the activities of its army as they could possibly result with some aggressive activities carried out right after the end of the FIFA World Cup. Such state of affairs might be most worrying for Georgia and Ukraine, with special regard to the latter. Russia's current actions resemble the ones that happened in 2008 and 2014.

The Russian army and services have introduced additional security measures; such decision has been taken in accordance with the President's decree as well as the directive issued by the General Staff of the Russian Federation. Officially, such initiative has aimed to prevent any possible acts of terror, which seems to explain the large number of plainclothes police officers in public transport, increased police patrols on the streets as well as the protection for football players and facilities. So it is difficult to understand what increased state of combat readiness has in common with preventing

possible terrorist attacks. Such "mobilization" is particularly visible in southern Russia, which may worry such countries as Georgia and Ukraine. Numerous warships, patrol boats but also military personnel, including divers, have been deployed to the territory of the Black Sea coast, in the vicinity of Sochi. In particular, they are supposed to control a stretch of coast from the Sochi marina to the border with Abkhazia. Its waters are patrolled by warships (as well as missile corvettes and anti-submarine warfare vessels) stationed in the naval ports of Sevastopol, Novorossiysk and Anapa. The airspace over

Sochi is protected by Pantsir-S1 and Tor missile systems. Moreover, the 1721st Anti-Aircraft Rocket Regiment is equipped with the BUK-M2 long-range air defense system. Facing the Black Sea, the Sochi area is also shielded by rocket artillery. Also flights of civilian aircraft have been restricted in the region's airspace. While such force concentration in the Sochi region may cause concern primarily to Georgia, Ukraine has been rather alarmed by the fact that Russia would continue to strengthen its forces in the area of the Sea of Azov. In June, Russia

sent five warships of the Caspian Flotilla to European waters. Even though the Caspian Sea constitutes a closed water reservoir, it is possible to access the Sea of Azov through the canals linking the rivers of Volga and Don. First, the reservoir was hit by three combat units and two auxiliary vessels. Then two corvettes were sent across the Sea of Azov and the Black Sea; they were expected to reach the Mediterranean Sea. Two of Flotilla's biggest vessels, Grad Sviyash and Veliky Ustyug, have headed for Syria. Both units are armed with the Kalibr cruise missiles.

11 July 2018

## PUTIN-TRUMP SUMMIT IN HELSINKI: WHAT WORRIES RUSSIAN PRESIDENT

**The Kremlin took advantage of a meeting between Vladimir Putin and Donald Trump to consider this fact as a great success of its propaganda. Moscow's hopes were even more fuelled by Trump's vague statements about NATO and Crimea. Moreover, the U.S. President was not eager to answer the question whether Russia could be perceived in terms of America's friend or rather enemy. And, in addition, Trump has overtly criticized Germany at the very beginning of the NATO summit. The reason is somehow surprising since it is all about its close cooperation with Russia. So what can Putin expect at the Helsinki summit? Its potential results remain still a great conundrum as well as they give analysts of Russian services and diplomacy a headache.**

**T**he Helsinki summit will aim to strengthen Putin's legitimacy at the expense of the West. For Russian President, a face-to-face meeting with Donald Trumps constitutes already a great success because it clearly shows that Russia remains a partner for other Western countries, even despite its crimes and recent sanctions. Apart from the meeting itself as well as direct exchange of opinions between both leaders, any additional arrangements may act in the favor of the Kremlin. The summit is supposed to improve Putin's recent popularity ratings; they have dropped due to the increase in the retirement age. The Kremlin propaganda will use its best efforts to depict the meeting between both leaders

as a proof of Russia's great power, comparable with the one held by the United States. Such strategy may aim to recall U.S.-Soviet summits from the Cold War era.

Trump's approach to the Crimean problem during his talks with Putin can determine in a great extent the future of European security as well as American credibility in this matter. When the meeting was publicly announced, many people began to come up with a black scenario. There were even some suggestions that Trump might limit the presence of its troops on NATO's eastern flank as well as leave Ukraine and officially recognize the annexation of Crimea. Of course, the negative



SOURCE: NATO.INT

scenario has been prepared primarily by Trump's traditional critics who ignored real steps taken by the current American administration towards Russia, including tightening sanctions, providing Ukraine with military equipment or obstructing the Nord Stream 2 pipeline. So they can possibly say for themselves, claiming that Trump could have given Moscow some high hopes. While all U.S. officials strongly defend their position and insist that the United States will continue to recognize Crimea as part of Ukraine, the President committed a faux pas, saying that his administration is "going to have to see." Such statement sounded all the more alarming, especially in the light of the fact that at the G-7 summit in June, the U.S. President allegedly suggested that Crimea should belong to Russia due to the large number of Russian-speaking communities living in the territory of the peninsula. In addition, Trump criticizes his European allies for supposedly not spending enough on their militaries. According to his critics, due to such moves, the President seeks to dismantle the Alliance.

Nonetheless, Trump is considered as an unpredictable politician whose decisions may appear to be highly surprising. That is why Russian President is facing an extremely difficult task. So is the state's propaganda, as its services need to prepare several different versions on how the meeting should be interpreted. The Kremlin's attitude to the current president of the United States resembles a sinusoid as it varies from post-election euphoria to Putin's recent anti-American message. So there are mixed feelings as disappointment mingles with hope that "Trump takes our side". Such scenario tended to repeat in recent weeks. After Trump's words, interpreted as a desire to get along with Russia at the expense of Ukraine, the President unexpectedly criticized Germany, calling it "captive of Russia", as the German government has been pursuing its Nord Stream 2 project. It is likely that Russian analysts have immediately begun to wonder that would happen to Putin during the Helsinki summit in a few days; especially if Trump criticizes his ally for its "flirt" with Russia as if he would conclude a deal with Putin.





SOURCE: KREMLIN.RU

12 July 2018

## WAGNER VERSUS PATRIOT: FIGHTING FOR MERCENARY CONTROL

Russian war veterans have recently sent an appeal for the legalization of private military companies in the country. The statement ended “conspiracy of silence” on the issue. In addition, it coincided with some information about a new Russian private military company operating in Syria. It seems that its emergence marks the beginning of a new battle between institutions and entities willing to control Russian mercenaries; thus, there is a conflict between the Russian army and the GRU on one hand as well as the FSB and Putin’s oligarchs on the other.

The Wagner Company has become so “famous” and, even if Moscow does not accept his type of “private initiatives”, it does not come as a surprise that its contractors follow the Kremlin’s orders while a new “private military firm” was deployed in Syria. Patriot, as such name was given to the military group, has been mentioned in a petition sent to the presidential administration. As revealed by Russia’s independent news channel Rain TV, it is all about the statement on legalizing mercenary work issued by a group of Russian war veterans. In their petition, retired Colonel General Leonid Ivashov and Colonel Vladimir

Petrov (head of the “Honor and Motherland” international public organization) as well as an ataman Yevgeny Shabaev (chairman of the All-Russian Officers’ Assembly) have written that it is high time to legalize such military groups as the Wagner Company or the Patriot. Under Russian law, it is illegal to conduct any mercenary activities. However, the authors of the petition have emphasized that such organizations involve the participation of former Russian soldiers who are then supported by various “specialists” from the GRU as well as by military lawyers and special forces. Moreover, the aforementioned

retired military officials argue that heads of mercenary firms get state awards as well as they are offered some attractive contracts whereas ordinary soldiers have no right to any help from the government as well as they may be even imprisoned. In addition, their tasks, carried out in accordance with the Russian *raison d'état*, are commissioned even by the state authorities. The letter was sent to the presidential administration as well as to the Supreme Court. War veterans also mentioned that, apart from Patriot, brand-new private mercenary companies have already been operating in such countries as Libya, Yemen, Sudan and even Brunei. One of such entities is now providing security at the construction of a Russian bank in Burundi while its activities are coordinated jointly by Russia's Foreign Ministry, the army and the FSB.

Kremlin spokesman Dmitry Peskov announced that the presidential administration would consider a petition to recognize mercenaries. Nonetheless, it will not be so easy. Even though in 2012, the then-Prime Minister Vladimir Putin admitted that private military companies constituted an instrument aiming to realize national interest with state's direct participation, private contractors' activities have not been legalized since then. In 2014, the law was not adopted as it was blocked by the lobbyists of the Defense Ministry: the FSB would be responsible for both licensing mercenaries as well as exercising control over them. According to the

critics of the Act, such move would provide Lubyanka with a private army composed of thousands of experienced soldiers. The case has re-emerged only this year. In January 2018, Russia's Foreign Ministry Sergei Lavrov tackled the issue of legalizing mercenaries, which resulted with a bill prepared by the State Duma. But it has not been passed, though; it aimed to provide the army with control mercenaries. Due to this fact, the FSB lobbyists used their best efforts to hamper the work on the bill. The recent appeal of the Russian war veterans, as well as the emergence of the Patriot military organization, mean that the GRU lobby along with the army will once again try to force through the legalisation of mercenaries in a way that would make it possible to control contractors by the latter.

The aforementioned Patriot military firm is in competition with the Wagner Company. It is closely linked to Russia's Defense Ministry. As for the Wagner Company, it is allegedly financed and controlled by Evgeny Prigozhin, a businessman belonging to Putin's inner circle. Recently in Syria, there have been some tensions between mercenaries from the Wagner Company and Russian troops. Patriot offers better soldier's pay as well as equipment and training than its "rival". In addition, both companies have competed for a contract to provide security at gold mines located in the Central African Republic. Eventually, the tender was won by the Wagner Company.



SOURCE: WIKIPEDIA.ORG

12 July 2018

## BRAND-NEW MISSILES AND NEW DEADLINES: RUSSIA MODERNIZES ITS NUCLEAR ARMY

**Not only are the Russians providing their nuclear army with new types of weapon but they also change the methodology of the military drills. After 20 years, they finally managed to achieve a sufficient quality of the Bulava ballistic missile while works on the Yars missile are still in progress. Russia's Strategic Missile Troops Commander has already confirmed exact dates when the army will obtain new equipment and weapons.**

**T**he Russian army officially decided to incorporate the Bulava submarine-launched ballistic missile into its arsenal. The works on the weapon had been conducted for 20 years. At that time, the Russians set up two nuclear weaponry projects, namely the Topol-M Intercontinental Ballistic Missile (ICBM) Topol-M (later transformed into the Yars ICBM) and the Bulava SLBM. However, the original project of the Bulava missiles was abandoned after several unsuccessful test launches. Russia's defense industry decided that, due to its lower costs, the Bulava

missiles would use the Topol-M technology anyway. But before the choice of the Bulava missiles was accepted by the militaries, its representatives had conducted 32 test launches of the missile, which took several years to be completed. Works on the Yars ICBM are still being in progress. In mid-June, the Russians announced that they would conduct such a missile launch from Plesetsk to Kura. Although the period, for which the Russians announced the test, has already passed, there is still no confirmation that the missile had actually been launched. It is not known



whether the test was successful and whether it was in fact the Yars system. Needless to say that something went wrong.

Both the Bulava submarine-launched ballistic missile (SLBM) and the Yars intercontinental ballistic missile (ICBM) will become one of the basic equipment used by Russia's Strategic Missile Troops (RVSN). The army branch will have been fully equipped by 2030; in addition, it will have been provided with new missile systems by the years 2027-2028. The plan was announced by Russian Strategic Missile Troops (RVSN) Commander Colonel General Sergei Karakayev. Moreover, the Russian army has introduced a new form of carrying

out the military drills by its nuclear forces. They consist of two parts. The theoretical part is held in the headquarters of the RVSN command while the practical one is devoted to the issue of raising combat capabilities as well general readiness of the Strategic Missile Forces. This year's exercises took place at the turn of June and July. Military drills started in the 54th Guards Missile Division and ended at the command post of the 27th Guards Vitebsk Red Banner Rocket Army headquartered in Vladimir. Theoretical training was held on July 3-5 and it was attended by over 200 officers as well as sub-departments of protection and security, engineers and troops responsible for guarding rear battle position.

13 July 2018

## RUSSIA'S DIPLOMATIC FAILURES IN THE BALKANS: NO END TO THE WAR

**Russia's attempt to undermine a deal between Macedonia and Greece may eventually end up with a great political catastrophe. Aggressive activities conducted by the state's services have already resulted with a crisis in its relations with Greece: the country that has traditionally been friendly with Russia. The latter may have even more serious problems, as it is striving at all costs to torpedo the idea of changing the name of Macedonia in the country. So Moscow risks a complete breakdown of its relations with Athens as well as it may result with acceleration of Skopje's integration within the NATO structures.**

**I**t was a black day for Russian officials and any other officers responsible for Russia's relation with Balkan countries. On July 11, NATO leaders formally invited Macedonia to join the Alliance while Athens confirmed the expulsion of several Russian diplomats. Greece has ordered to expel two Russian diplomats and bar the entry of two others for activities incompatible with their diplomatic status. What is it actually about? The Russians tried to torpedo the agreement concluded by Athens and Skopje on June 17. Under the deal, Skopje will be obliged to change the country's name to the Republic

of Northern Macedonia whereas Greece will give its neighbour the green light to join such institutions as NATO and the European Union. In order to hinder the implementation of the agreement, the Russians probably wanted to use the nationalistic clergy of the Greek Orthodox Church. Apparently, Russia's activity must have been very harmful, since the government, which has been traditionally considered as the most Moscow-friendly one among any other members of NATO and the EU, eventually decided to take such a drastic step. In March this year, when over 20 state members of the Alliance expelled Russian



SOURCE: NATO.INT

diplomats from their territories after the assassination attempt of Sergei Skripal, Athens did not take part in this action.

On the occasion of tossing out Russian diplomats, Greek Foreign Minister Nikos Kotzias revealed that he got a call from Sergei Lavrov when the deal with Macedonia had already been finalized. Russia's Foreign Ministry allegedly admitted that Moscow would obstruct the Greek-Macedonian agreement by performing appropriate actions in Skopje. Such claim has been confirmed by some other moves taken in the following weeks. When Macedonia's Parliament voted on June 20 to ratify the deal with Greece, they agreement was vetoed by the country's president Gjorge Ivanov. He is strongly connected to the VMRO-DPMNE party; the political grouping aims to overthrow the left-wing government and regain authorities it had lost a year before. Politically speaking, VMRO-DPMNE is considered as center-right but it supports Russia. However, under Macedonia's Constitution, the president is obliged to sign a bill if the parliament adopts the same act for the second time. On July 5, the proposed law was accepted by the majority in the country's parliament, including left-

wing parties as well as representatives of national minorities. Nonetheless, such move has not solved the problem yet.

Finally, the agreement with Greece will be finalized and the name of the country will be changed only after the referendum scheduled to be held in Macedonia in autumn. It is therefore necessary to expect Russia's subversive actions to intensify. Also Macedonia's current government should be warned by the GRU operation in neighboring Montenegro in the autumn last year. However, the coup attempt ended with the failure of the Russians and their Montenegrin allies. So far, not only has VMRO-DPMNE incited street protests but it is also seeking to block the appointment of a new electoral commission responsible for the referendum organization. Nevertheless, if the vote finally takes place, one should expect even bloody provocations that are additionally fostered by tensions in the country as well as the fact that VMRO-DPMNE are now launching a strategy of total opposition. In addition, the Russians had already fuelled the country's destabilization with the help of its agency (and the Serbs being its important component) before the government change in Skopje.



SOURCE: KREMLIN.RU

16 July 2018

## RUSSIA'S GRU: FRONT-LINE SERVICE IN THE WAR WITH THE WEST

**A federal grand jury in the United States charged 12 Russian military intelligence officers with carrying out hacking activities during the 2016 presidential campaign. The media have also reported that either former or current GRU officers had been responsible for the attempted assassination of the former Russian spy Sergei Skripal. This is another accusation against Russian military intelligence. Thus, the GRU is gradually becoming the special service of Putin's regime, responsible for front-line fights with the West.**

**O**n July 13, the federal grand jury of the United States announced charges against 12 officers of Russia's military intelligence agency, the GRU, as part of the U.S. investigation into the Russian involvement in the presidential election. The indictment was secured by Special Counsel Robert Mueller. The United States Department of Justice reported that the Russians were accused of hacking Democratic computer networks and stealing large amounts of data. The Russian officers created a web-based Guccifera 2.0 character and a DC leak portal; both of them were used to publish information, political emails and alleged leaks. The U.S. Director of

National Intelligence Dan Coats stated that Russia is "the most aggressive foreign player in American cyberspace". Also Homeland Security Secretary Kirstjen Nielsen confirmed that U.S. intelligence services were monitoring the continuous Russian efforts to divide members of the American society with the use of social media and other resources. Russia's Foreign Ministry reacted in the same way as everyone had expected. Its representatives claimed that there was no evidence that 12 Russians were anyhow connected with the GRU or they hacked U.S. servers. Moreover, such indictment aimed to prevent the USA and Russia from normalising its bilateral



relations, which seems to explain why it had been announced right before the Helsinki summit.

The accused Russians served in military units no. 26165 and no. 74455. The first group has been involved in infiltrating the e-mail account of Emmanuel Macron. The unit also targeted such facilities as the White House as well as Foreign Ministries of such countries as the Czech Republic, Poland, Germany and many others. The hackers aimed also to break into servers of defense ministries of the NATO countries, the Bundestag, the OSCE as well as foreign media. Thus, military intelligence plays a major role in activities in cyberspace. For example, the GRU appeared a way more effective in industrial espionage during the

Cold War era. The second conclusion is that military intelligence is the most aggressive Russian service in terms of external activities, as evidenced by the GRU's role in the war campaign in Donbas and Russia's military intervention in Syria. For years, military intelligence has been responsible for conducting activities against Georgia. Now the GRU's activity can also be noticed in the Balkans. Military intelligence agents sought to torpedo the recent Greek-Macedonian agreement as they had intention to overturn the current government in Skopje. Earlier, the GRU had organised an unsuccessful coup d'état in Montenegro. Now the GRU has been accused of conspiracy by the USA (officially) and Great Britain (so far unofficially).

17 July 2018

## HELSINKI SUMMIT: NO PEACE FOR TRUMP

**There is no doubt that the Trump-Putin summit held in the Finnish capital constitutes anything but an easy PR opportunity for Russian President. Such state of matters may increase Putin's approval ratings; however, it does not necessarily have to influence his popularity. There were no concrete decisions that the Kremlin could consider in terms of an American concession made to Russia. Thus, it was not so much about Putin's victory but rather it was Trump who had lost, as the latter preferred to focus on Russiagate and his own troubles in Washington. All additional events, such as the accusation of 12 Russia's GRU agents by the American authorities or the detainment of Mariia Butina (referred to as "a secret agent of the Russian government"), seem to constitute rather a part of the escalation in U.S.-Russian diplomatic relations. So Russia's party of war is likely to come into prominence in Moscow. The risk of Russia's aggressive actions has increased after the FIFA World Cup and the Helsinki summit.**

**E**ven though the FIFA World Cup in Russia has appeared to be a great PR success for the country, Putin's approval ratings are continuously decreasing. There is only one reason, namely raising the retirement age. So if the football championship did not meet the expectations of the Kremlin and they did not compensate for unpopular decisions

on carrying out social reforms, it may also turn out that Putin's victory in Helsinki will not change the gloomy situation. Maybe it would have been better if Trump had made any specific concessions in this respect. But American President did not officially recognise the annexation of Crimea. It basically means that Putin may be forced to



SOURCE: FLICKR.COM

resort to any other measures to prevent his further loss of popularity; not only his but also the one of the entire state regime.

There is a growing danger of a “small victorious war”. The most obvious option is another blow to Ukraine. It may be about transforming the Sea of Azov into Russia’s internal sea. After the annexation of Crimea, the construction of the Kerch Strait Bridge and the actual blockade of Ukrainian shipping in the basin, the Russians could possibly strike Mariupol and break through a land corridor to the Crimea. Ukrainian President Petro Poroshenko has ordered the army to stop Russian provocation in the Sea of Azov. Earlier, he had warned against the Russian offensive on the Ukrainian city of Mariupol.

Nonetheless, it is not certain that Putin will choose Ukraine as a target of his potential strike. Moreover, Russia may undertake some aggressive steps towards Georgia. The aforementioned cases would have a military character while the third option would rather consist of the use of hybrid warfare. So how to take control over Belarus? The simplest way would be to conduct a palace putsch and to deploy new authorities in Minsk, who would submit their request (either a discussion or formally) to the Russian Federation. There also remains the question of the Middle East. Nonetheless, the recent week’s events have indicated that Moscow had managed to gain a solid position in Syria so there is no use of taking any risk.





SOURCE: MIL.RU

18 July 2018

## RUSSIA'S THREAT TO FINLAND

The recent summit in Helsinki reminded that the city had already witnessed some important meetings between representatives of the West and the East. Nonetheless, they all took place during the Cold War era. At that time, Finland held a specific status of a state actually belonging to the Soviet zone of influence; nonetheless, the country kept its nominal independence and political system (which led to the creation of the term “Finlandization”). Nonetheless, in recent years, mostly due to Moscow’s aggressive foreign policy, Helsinki has clearly begun to approach NATO structures. Such state of affairs may be disapproved by the Kremlin as the Russian authorities would like to draw Finland back into their zone of influence or at least make the country “no one’s land” between Russia and NATO. The Trump-Putin summit aimed to alarm Finland. At that time, the Russians made several military gestures as well as threats towards its western neighbour.

While Helsinki was preparing for the upcoming Trump-Putin summit, a group of Russian special operations forces parachuted onto the island of Gogland in a Russian-controlled portion of the Gulf of Finland. The drills envisaged sabotage actions, destroying both mock military communication and the enemy’s air defense as well as preparing a helicopter landing site for an aircraft that was supposed to

take troops from the island. Information about the military exercises was revealed by Russia’s Defense Ministry on July 10 whose representatives boasted that Russian troops had jumped from a helicopter at an altitude of 2,500 meters to an unprepared ground. The island of Gogland is located less than 40 km from the Finnish city of Kotka. Simultaneously with the beginning of the summit, warships of Russia’s Northern Fleet was heading



towards St. Petersburg along the maritime route near Helsinki and the aforementioned island. In May this year, Russia carried out submarine missile exercises in the vicinity of the Finnish coast. With such military gestures, Moscow aimed to remind the Finns about their strategic geographical location. It should be remembered that Finland has more than 1,300 km of border with Russia, which is unprotected to a great extent.

In 2016, Putin threatened that his country might be forced to go to a war if Finland joined NATO. In December 2017, Finland's Defense Ministry accused Russia's forces of violating its airspace. According to the latest reports by the country's army and intelligence, Russia's hostile activity keeps increasing. Even though, Finland has no intention to join NATO. Such a decision is strongly disapproved by a significant part

of Finnish society as well as the country's ruling elites. Importantly, Finland's policy (also towards Russia) may still remain under influence of people who used to work for Soviet intelligence as well as their associates. Until now, the Finns have not fully settled with this infamous part of their history. The state is also attached to its long tradition of neutrality. Helsinki, however, does not intend to succumb to Russian blackmail and pressure. Instead, the state aims to expand its army (based on conscription) and defense system in order to make any potential aggressor calculate whether an attack is worth such growing costs. On the other hand, Finland has been recently tightening its defense cooperation with NATO, Sweden and the USA, as evidenced by such steps as arms purchases or participation in an increasing number of the Alliance's maneuvers.

20 July 2018

## FSB'S SPY-HUNT: HYPERSONIC LEAK AND AN EXPERT ON LATVIA

**While Russian spies are being exposed, expelled and detained in some Western countries (as evidenced by the case of 12 GRU officers and the arrest of Mariia Butina in the USA as well as scandals in Greece and Macedonia), the FSB counter-intelligence officers are now hunting Western spies in Russia. First, the media revealed information about the detainment of a well-known political scientist from Kaliningrad who had previously been associated with some pro-government institutions. The next morning, the FSB entered the offices of the Roscosmos research workers who might have known something about Russia's hypersonic weapon projects. In both cases, the investigation is being conducted under article 275 of Russia's criminal code (for treason). It is liable to imprisonment for 20 years.**

**O**n the morning of July 20, the FSB investigating group entered the Central Research Institute of Mechanical Engineering (TsNIIMash; a subsidiary of Roscosmos and its main research center) and the office of Dmitry Paison, the director of the United

Space Missile Corporation's research and analysis center. In addition, the federal agents have been interrogating dozens of employees in connection with their potential contacts with Western services. Someone has been allegedly responsible for informing



SOURCE: WIKIPEDIA.ORG

Western countries about the result of Russia's hypersonic weapons program. According to the FSB officers, the aforementioned institutions were allegedly the sources of the leak. Both entities are part of Russia's federal space corporation Roscosmos. The TsNIIMash closely collaborates with the Tactical Missile Corporation joint stock company responsible for the state's hypersonic projects. The Director General of Roscosmos, Dmitry Rogozin, ordered the security service of the corporation to provide the FSB officers with all the necessary help. So it looks that there will be a great purge in Roscosmos; the same situation may occur in the entire space industry.

On July 19, it was reported that a few days earlier in Kaliningrad, the FSB officers had detained Antonina Zimina, an expert on the Baltic states. She is suspected of treason; the woman was arrested and then transported to Moscow. She has been put in the Lefortovo Prison. Her detainment has caused a great shock among members of expert circles who have been implementing the Kremlin's political orders for many years. Zimina has been involved in hybrid activities against the

Baltic countries; she has mostly been dealing with the political elite of Latvia as well as policies such countries as Estonia, Latvia and Lithuania towards Russia. Until 2016, she had been overseeing the Baltic Center for Cultural Dialogue in Kaliningrad; the institution is now headed by her husband. Moreover, Zimina belongs to the Gorchakov Fund's Club of Friends. Officially, the Fund's tasks involve promoting Russian social programs outside the country as well as supporting Russian-speaking media in other countries. The Alexander Gorchakov Public Diplomacy Fund was established in 2010 under the order of the then-President Dmitry Medvedev; its main aim was to achieve Russia's foreign policy goals. From the very beginning, it has been managed by Vyacheslav Nikonov, grandson of Vyacheslav Molotov. Members of the Fund's Council and its directors are approved by the President of the Russian Federation. Its activity is financed from the state budget as well as by some private entities. The Fund, along with its associated NGOs and thinktanks, are supposed to serve as channels of cooperation and information exchange with pro-Russian communities in different countries, not to forget agent cooperation.



SOURCE: KREMLIN.RU

23 July 2018

## PUTIN'S INNER CIRCLE IN TURMOIL FOLLOWING CORRUPTION SCANDAL

The Investigative Committee and the FSB are currently dealing with the corruption case in Gazprom and its subsidiary, Sogaz insurance company. The enterprise constitutes one of the oil giants in Russia; in addition, it has been privatized and is now controlled by businessmen belonging to Putin's inner circle. For years, the company has been provided with lucrative contracts from state-owned companies (primarily Gazprom); nonetheless, it maintains very close business relations with Rosneft. Thus, a corruption scandal was not such a shock as the fact that it was disclosed in such business environment.

The Main Investigation Board of the Investigative Committee of Russia in Moscow suspects Anton Baryshek, Sogaz's Executive Director for Business Innovation Development, of accepting a commercial bribe. The managing director, along with several other people, tried to corrupt money to the deputy head of Gazprom's insurance board; he handed her over 100,000 dollars for concluding a contract that would be beneficial to Sogaz. According to the investigators, in February and March this year, representatives of both Sogaz and Gazprom Invest (Gazprom's

100-percent subsidiary) held talks on an insurance contract worth more than 1 billion roubles; moreover, the same agreement was included in Baryshek's corrupt proposal. Established in 2007, Gazprom Invest is the main contracting party of Gazprom's investment projects and operates mainly in the European direction. When Gazprom's Deputy Head of Insurance Directorate, Galina Bushmina, received money in March this year, she immediately informed her superiors about this fact. Also the FSB was informed about the case. Nonetheless, it is not clear



why Barysheka was detained only at the end of June. It was only then when the case was published in the media.

Its main source, a weekly newspaper “Kommersant”, belongs to Gazprom’s business group. Interestingly enough, Gazprom is one of the main shareholders of SOGAZ. Also Gazprom’s CEO, Alexei Miller, heads the Sogaz’s board of directors. Until mid-2014, the insurance company was controlled by the Rossiya Bank, also referred to as “Putin’s bank”. When its main shareholders (Yuri Kovalchuk, Gennady Timchenko and Nikolai Shamalov) were subject to Western sanctions, they reduced their shares in the company while Timchenko said that he would cease to be a shareholder anymore. So it was Gazprom

that took over the majority of the bank’s shares. However, Sogaz’s CEO is associated with Gazprom’s main rival. In 2016, Anton Ustinov replaced Sergey Ivanov Jr., a son of the previous head of the presidential administration. Former adviser to Putin, Ustinov belongs to a group of Sechin’s loyal people. He was his main aide in the years 2008-2012 when Sechin held a position of deputy prime minister in charge of the energy sector. Moreover, Gazprom’s Board of Directors has elected Mikhail Putin as its Deputy Head. In March 2018, Putin’s cousin assumed the aforementioned position for a five-year period. Since 2004, he has been working as a manager in multiple Gazprom subsidiaries.

23 July 2018

## UNDER SPECIAL SUPERVISION: CORRUPTION SCANDAL IN RUSSIA’S REFINERIES

**It was only recently that a series of corruption scandals have been revealed in the supervisory institution of Russia’s refinery industry. An investigation led to the deputy head of Rostekhnadzor; interestingly, she is a friend of Rosneft CEO Igor Sechin. It is another example of his huge influence in the Russian oil and gas sector; in addition, it constitutes a blatant manifestation of a high-level corruption in this industry.**

**T**he scandals broke out in one of Russia’s most powerful control and surveillance institutions, namely the Federal Service for Ecological, Technological and Nuclear Supervision (Rostekhnadzor). In May, Russian officers detained the head of the North-West Rostekhnadzor Grigory Slabikov. During the search, the operatives found 1.5 billion roubles in cash. The investigation is underway; the FSB officers arrested also the daughter of the official, Yelena Slabikova. She was accused of accepting bribes. In April, the investigators detained the Chief of Rostekhnadzor’s Volga Region, Igor Isayev. Before having been released, he had signed a special

commitment that he would not leave the country. Even though, he fled Russia; as a result, he is wanted by the state’s officials. He was also convicted of corruption offenses. In addition, Isayev allegedly maintained intimate relations with the main character of the text. She is believed to be responsible for all corrupt practices in the oil industry. At the beginning of July, the Russian Prime Minister dismissed the head of the Federal Service for Supervision of Use of Natural Resources (Rosprirodnadzor). His position may be assumed by the hitherto deputy head of Rostekhnadzor, Svetlana Radionova. She is associated with Igor Sechin. Radionova has



SOURCE: GAZPROM-NEFT.RU

been working in Rostekhnadzor since 2009. Thanks to her practice in the prosecutor's office (she dealt with the Yukos issue), she quickly came to high-rank position in the supervisory institution. For years, she has been closely associated with Anton Ustinov, former adviser to Deputy Prime Minister Igor Sechin and President Vladimir Putin. Ustinov has been recently appointed chief executive of Sogaz insurance company.

Rostekhnadzor is in charge of issuing licences for oil refineries. Nonetheless, many of companies had to buy themselves out during these controls. In order to "resume" their activities, each enterprise was expected to pay an amount ranging from 50 to 250

million roubles, depending on its production volume. Radionova was to receive bribes by intermediaries. Large amounts of money were transferred as "fees" for experts' artificially high pricing. Extortion money had to be paid mostly by small refineries. Since the time Radionova was appointed deputy head of Rostekhnadzor, about 60 percent of institution's regional heads have been dismissed. Radionova's corrupt practices had to be accepted by higher authorities, including Anton Ustinov. He also belongs to a group of people loyal to Igor Sechin. He is currently holding the position of the head of Sogaz; the Gazprom-controlled entity is the main insurance company in Russia.

24 July 2018

## PUTIN'S PERSIAN GAME

**The Russian-Iranian alliance has not been exposed to such a difficult test for a long time. Such a state of affairs was first triggered by a clash between Moscow and Tehran at the OPEC+ summit in June. In July, U.S. President Donald Trump and Russian President Vladimir Putin held a meeting at the Helsinki summit; both leaders met face-to-face in order to discuss the issue of Syria as well as the role of Iran. Nothing is known about any details of their conversation; nonetheless, the U.S. President might have wanted Putin to provide him with a guarantee of limiting Iran's role in Syria, and perhaps even eliminating the country from the Syrian territory. Such is the main goal of Israel, Saudi Arabia and the United Arab Emirates.**





SOURCE: KREMLIN.RU

On 12 July, Vladimir Putin hosted Ali Akbar Velayati, a top foreign policy adviser to Supreme Leader Ayatollah Ali Khamenei. Shortly after Putin's meeting with Israeli Prime Minister Benjamin Netanyahu, the Iranian politician was assured that Russia expressed its full support to Iran, defended the 2015 agreement on Iran's nuclear program and considered the Iranians' military presence in Syria to be fully justified. Such a move has not calmed all authorities in Tehran, though; following the Helsinki summit, it was said that Moscow and Washington had made a first big step to conclude a deal that would eventually oust the Iranians from Syria. However, such agreement seems unlikely to happen, and due to Russia's unfavorable steps, the country will find it difficult to change its oil policy towards Tehran.

At the meeting held at the end of June, OPEC members and other oil producers agreed that they would reduce restrictions on the production of raw materials by increasing production by 1 million barrels per day. It was agreed that every fifth barrel of such increased production would be produced by Russia. At the June summit of OPEC+ coalition, Iran, Iraq and Venezuela tried to oppose Russia, Saudi Arabia and the UAE. But in vain. However, this change does not have to be

a blow to Tehran; facing American sanctions, Iran seeks to maintain the lowest possible level of global extraction along with the highest prices. Among the main recipients of Iranian oil there are such countries as China, India, South Korea and Turkey. India pays with rupees, China desperately needs oil while Turkey has stated that any U.S. decision would not affect its oil purchases in Iran; imports from its eastern neighbour account for more than 50 percent of Turkey's overall oil purchases outside the country. But Iraq does not intend to end its cooperation with Iran: Baghdad sends raw materials from the city of Kirkuk to Iran's Kermanshah and, as a result, obtains ready-made fuels for the south of the country. Nevertheless, it is all about Russia and its attitude. Meanwhile, during Velayati's visit to Moscow, which took place just before the summit in Helsinki, it had been agreed that Russia would invest 50 billion dollars in Iranian energy. Russia's oil and gas giants Gazprom and Rosneft are currently holding talks with Iran's oil ministry on investments in mining the resource. Earlier, another gas company Zarubezhneft had signed a deal on joint project to boost production at two brownfield sites. So, in spite of the declared political rapprochement between Putin and Trump, Russia and the USA present completely diverse standpoints on Iranian oil.





SOURCE: KREMLIN.RU

25 July 2018

## KREMLIN'S PRESSURE ON LUKASHENKO: FSB OFFICER TO BE RUSSIA'S NEW AMBASSADOR

**Russia's new ambassador to Moscow used to serve in both the KGB and the FSB. Previously, he had been nominated to hold a diplomatic position in particularly sensitive regions. Such designation suggests that the Kremlin may tighten its policies towards Belarus. And special attention is paid to the recent commentaries of Belarusian President Alexander Lukashenko who indicated that Russia posed more serious threat to his country.**

**P**utin named a former KGB and FSB officer, Mikhail Babich, to be new ambassador to Belarus. He has already represented Putin's interests in Chechnya and the Volga region (where he acted as a Presidential Plenipotentiary Envoy). For the first time of Russian-Belarusian diplomatic relations, it was a representative of force structures (siloviki) who was appointed Russia's ambassador to Minsk. In addition, he has rather grim reputation. Before, Babich had been a soldier of an elite assault group; later, he joined the Russian KGB. Then he became the head of the Antey Corporation (a company specializing in the production of high-performance surface-to-air missile systems) and the Prime

Minister of Chechnya (in the years 2002-2003). Putin has a great weakness for Babich; such a sentiment results from the past. So father of the new ambassador, Colonel Viktor Babich, served as Putin's superior in KGB's Dresden location in the 1980s. Moreover, Russia's previous ambassador Alexander Surikov conducted a very soft policy towards Lukashenko. So if Kremlin seeks to tighten its policy towards Minsk, it was certainly not possible during Surikov's term of office. Thus, Putin suggest a man whom he has sent to the country being currently at war with Russia. In the summer of 2016, the Kremlin wanted Babich to assume the post of ambassador to Ukraine. The Russians demonstrated a very

provocative behaviour when they had publicly announced Babich's name even before Kiev sent any official consent. Such a step resulted in the fury of Ukrainians who did not agree for Babich's arrival.

The fact that it was Babich who had been nominated does not necessarily mean that Putin decided to pursue the same scenario as in Donbas or to prepare a palace coup. Instead, he may still take advantage of the rich arsenal of both political and economic means. In addition, he will have plenty of opportunities to do so. Next year will be marked by possible presidential elections. In addition, both countries shall also set gas prices soon after 2019. Also profits made by Belarusian refineries can also become next victim of Moscow's policy. There is no doubt that Lukashenko will have to face much harder policy led by Moscow. He might have heard something about it from Putin at their meeting on June 19 because three days later, during a visit to Mogilev Region, the president warned local officials. "If something has been planned, it needs to be put into practice", he

said. "Only death can be treated as justification as we are on the frontline. If we do not survive these years, we lose, it will mean that we will be forced to be incorporated into another state or they will simply wipe their legs about us. Or, far it be from us, they will start a war as they have done it in Ukraine", Lukashenko claimed. And, according to Belarusian Foreign Minister Vladimir Makei, the state's independence and sovereignty constitute sacred concept so Belarus has no intention to form part of any other states. "Belarus will not choose between the West and the East", Belarusian President announced on July 2. "Our society chooses independence, peace and partnership. We choose Belarus", he added. And on July 17, when Babich's nomination became widely discussed, Lukashenko verbally attacked the Russian siloviki. He also referred to Russia's allegations on Belarusian participation in avoiding the embargo on Western goods and announced that importation of such sanctioned products was organised by Russian companies managed by "important people in uniforms".

26 July 2018

## OIL COMPANIES DAMAGE RUSSIAN ENVIRONMENT

**An environmental NGO Greenpeace has recently drawn attention to damages made to Russia's natural environment due to the disastrous state of the country's pipelines. The main defendant, Russia's oil giant Rosneft, has accused Greenpeace of performing actions ordered by other entities. The organization has long been under Russia's scrutiny. Nonetheless, their findings have been recently confirmed by official data issued by state institutions. Thanks to the current Russian law and, more importantly, political connections, the Sechin-ruled group, as well as other oil companies, managed to avoid any punishment. And they have no intention to change their approach to the problem.**

**A**ccording to Russia's Ministry of Natural Resources and Environment, about 1.5 million tons of oil pour into the ecosystem each year as a result of various failures in mining and transport systems. Similarly, the Federal Service for Supervision of Use

of Natural Resources (Rosprirodnadzor) reported that there had been 3,496 Rosneft oil pipelines incidents that happened only in Khanty-Mansi Autonomous Okrug in 2017. It is said that the oil leaked to the area of 3,500 hectares. In the same period, there occurred





SOURCE: GREENPEACE.ORG

29 technical failures of Lukoil and only 5 in the case of Surgutneftegas. Rosneft accounts for over half of the total oil extraction in Russia.

The network of industrial oil pipelines in Russia is estimated at hundreds of thousands of kilometers. In great majority of cases, leaks are caused due to old and rusted pipes. The Russian branch of Greenpeace believes that the wear level of oil pipelines in Russia amounts to 50-70 percent. Rosneft explains such state of affairs with the terrible condition of the infrastructure that dates back to the Soviet as well as Yeltsin times. Greenpeace claims that Rosneft shall allocate 200 billion roubles more for exchanging pipelines each year. Even though, the company ruled by Igor Sechin, a businessman who belongs to Putin's inner circle, has no intention to spend any funds on environmental protection while the state's policy seems to foster such state of

matters. In the light of the current regulations, the company does not have to pay for any oil that remains in the environment. However, financial penalties for such leaks are rather symbolic; thus, they do not force companies to modernize their pipelines. And fines constitute a total of about 10 billion roubles a year; it is ten times less than the potential cost of modernization. Rosneft's controlling interests belongs to the Russian state holding company Rosneftegaz. Rosneft is one of the leaders in global oil extraction. In 2017, it was the third Russian company in terms of its profit. The company's CEO and Chairman of the Management Board is Igor Sechin. The Board of Directors of Rosneft is headed by former German Chancellor Gerhard Schroeder while the post of the Deputy Chairman of the Board of Directors of Rosneft has been assumed by Matthias Warning, a former Stasi agent.





SOURCE: GAZPROM-NEFT.COM

26 July 2018

## RUSSIA'S TAX MANOEUVRE: TRIUMPH OF OIL LOBBIES

**A long-time battle over the shape of taxation changes in Russia's oil industry will probably end up with the success of oil companies. The government will use its best efforts to make sure that they feel as less affected by the consequences of the so-called tax manoeuvre as possible. Thus, there will be some discounts for refineries while the authorities may refund export duties to companies in the case of sharp increases in oil prices.**

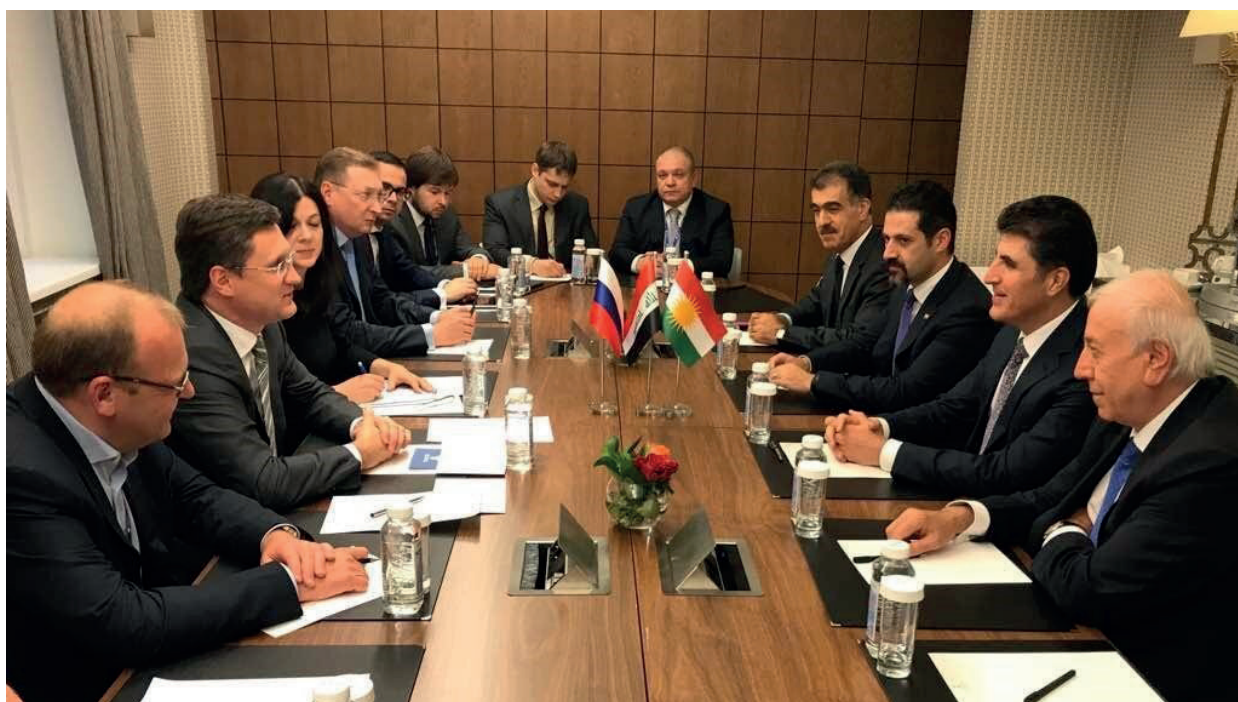
According to Russia's Finance Ministry, in 2017, the state's budget lost approximately one trillion roubles (17.5 billion dollars) as a result of delaying the introduction of the so-called tax manoeuvre in the oil industry. Around 600 billion roubles, so the majority of this amount, come from subsidies transferred to a refinery due to the fact that export duties on petroleum products are lower those imposed on raw material. Last year, the ministry has prepared proposals on liquidation of subsidies. It was about introducing the so-called tax maneuver that accounted for a zero duty rate on crude oil and petroleum products. Moreover, the state budget would have been compensated with

the increase in the mineral extraction tax (MET, or NDPI in Russian). Such a strategy has been in place since 2015 when oil tariffs were reduced by up to 30 percent per barrel, which decreased the refinery's margin in a significant way. In 2017, oil companies protested against the complete elimination of the duty. They were supported by the Energy Ministry whose representatives argued that such a decision ought to have been delayed by seven years. Such state of affairs provoked protests from oil companies as they claimed that the change would affect the profitability of oil processing. In addition, they have gained a powerful ally: Chairman of the Executive Board of Sberbank of Russia, Herman Gref,

who was against the bill in its original shape as he was afraid that a number of refineries might possibly go bankrupt.

Thus, the government finally agreed to amend the bill on the so-called a tax manoeuvre which envisages a gradual reduction of export duty by 2024 from 30 percent to zero, and at the same time, a stepwise increase in the tax on mining minerals. After the amendments, refineries that undergo modernization will be exempt from delivering at least 10 percent of high-grade gasoline to the internal market by 2024. In addition, another provision provides

for the possibility of refunding the export duty if oil prices increase or drop more than 15 percent in a month. The tax manoeuvre may appear to be most profitable for Rosneft's Siberian refineries as well as a Gazpromneft's refinery in Omsk. It would provide the government with 58 billion dollars over a six-year transition period. Nonetheless, these calculations have been estimated before the government's decision to accept amendments that would satisfy the oil industry and they may reduce the profit for Russia's federal budget.



SOURCE: CABINET.GOV.KRD

27 July 2018

## ROSNEFT TO START EXTRACTING OIL IN IRAQI KURDISTAN

The Russians will start to extract oil in the Kurdish part of Iraq at any moment, as confirmed by reports from both sides of a deal concluded in October 2017. At that time, Russia's oil company Rosneft purchased 80 percent of shares in five oil fields. From the very beginning, the agreement was widely criticized by the government in Baghdad. However, the Russian oil giant did not seem to care about it.

**I**t is all about the implementation of the contracts signed in October 2017. The entire process is expected to occur till the end of this year. Last autumn, Rosneft concluded a deal with the Kurdistan Regional Government regarding the purchase of shares (80 percent) in five oil deposits. The transaction would amount to 400 million dollars. The total reserves of the fields are estimated at around 670 million barrels. The Russian company may start mining works in August this year at the oil fields of Batil, Zawita and Chamanke. It is expected that the total production will amount to 180,000 barrels per day, which would mean a 3.4-percent increase in Rosneft's total output. Nonetheless, these are only some official reports by Kurdish media. But a representative of Rosneft announced that the company intended to operate at the oil deposits of Batil, Zawita, Qastok, Harir-Bejil and Darato.

So Rosneft has intention to implement contracts whose legality has long been questioned by the authorities in Baghdad. Such was the last year's claim of the Iraqi parliamentary committee on oil and energy. And in January this year, the Secretary General of the Iraqi government announced that the authorities in Baghdad would not accept any deals concluded between Rosneft and the Erbil government. However, the Russian company insists that, in the light of the current Iraqi law, it is entitled to negotiate with both Baghdad and Kurdish autonomy.

Over the past year, Russia has invested four billion dollars in the oil and gas sector in

Kurdistan, much more than the United States, and it has become the largest foreign investor in northern Iraq. In February this year, Rosneft has announced that it would finance a two-year contract for the purchase of Kurdish oil in advance. In June, another contract was signed, this time for 20 years, according to which, Rosneft was supposed to buy Kurdish oil that will be processed in German refineries. In fact, Rosneft subsidizes the economy of the Kurdistan Regional Government (KRG). In 2017, the company paid the government of Iraqi Kurdistan 1.3 billion of advances under a contract for the supply of oil. The Russians spent a lot of money on purchasing oil, exploiting deposits and controlling oil pipelines that connect the Iraqi Kurdistan with Turkey. Such activities met with a strong opposition from the Baghdad government as it claimed the right to a decisive vote on oil exports from the autonomous Kurdistan region. And he managed to get his own way – in the autumn 2017, a rapid military operation carried out by the government forces made the Kurds forget about their dreams about both political and economic independence. The Sechin-governed company has already invested so much in Kurdistan that it does not care about any Iraqi objections anymore. Moreover, Baghdad will not enter into conflict with Russia. Under the current regulations, Iraqi Kurdistan should sell all the oil extracted on its territory through the Iraqi center. And Baghdad provides the KRG's budget with a 17-percent profit from the sale of the raw material. And Iraq is likely to apply the same mechanisms while negotiating deals between Rosneft and the KRG.





SOURCE: ONGUN.RU

28 July 2018

## ATTRACTIVE RUSSIAN WOMAN AND GUNS

**Mariia Butina, a Russian national indicted by a federal grand jury, has been spying for Russia for years. The 29-year-old has specialized in an alleged fight for the broadest possible right to bear a gun in her native country. Moreover, she used this pretext to infiltrate the Russian opposition; since 2015, Butina has been spying on American right-wing circles, including the National Rifle Association (NRA).**

**O**n July 17, Mariia Butina was indicted on charges of acting as an unregistered agent of a foreign government (according to the Foreign Agent Registration Action). Before, the woman had been infiltrating the Russian opposition. At the age of 22, she brought together Russia's main supporters of the universal right to bear arms.

Before the Duma elections in December 2011, Butina founded the group under the name Right To Bear Arms. She came to Moscow from the Siberian city of Barnaul and easily managed to bring together weak groups of supporters of easy access to guns. They were well organized and generously financed. Thus, it is possible that someone stood behind them. In addition, they had some political allies. In July 2012, Russia's Senator Alexander Torshin

announced a plan to introduce legislation that would broaden access to handguns. However, his idea has never been put into practice. In 2013, the bill by the nationalist Liberal Democratic Party was shot down in a first reading in the State Duma. Nonetheless, Butina continued her cooperation with Torshin until the time when the woman began her studies in the United States; before, she had stepped down as the head of the Right To Bear Arms group. The Russian group clearly declined; in March this year, it even lost its legal status while its founder got involved in infiltrating the NRA in the United States. And it seems that the Right To Bear Arms organization was established to infiltrate the Russian opposition; nonetheless, it subsequently redirected its activity towards the American NRA. Butina's actions were

also supported by Alexei Navalny; Russia's opposition activist also advocates for the right to keep arms. In 2014, he endorsed Butina's candidacy for a membership in the Civic Chamber, Russia's consultative civil society institution. In 2013, a former State Duma deputy Ilya Ponomarev delivered a speech at the annual Right To Bear Arms conference. He was an honorary member of the organization, along with another well-known oppositionist Andrey Dunayev as well as Alexander Torshin and leader of the LDPR party Vladimir Zhirinovskiy.

The issue of the Right To Bear Arms organization constitutes a classic provocation carried out by Russia's security services. They skilfully manipulated social expectations, which were particularly large among opponents of Putin's regime, to infiltrate the opposition thanks to a specially controlled organization. At the same time, it was possible to canalise the activity of supporters of the right to bear arms. The experience gained in Russia was then used abroad.

29 July 2018

## WESTERN SANCTIONS: LITTLE IMPACT TO RUSSIA'S OIL AND GAS SECTOR

**It is expected that Western restrictions, imposed on Russia by the United States and the European Union after the annexation of Crimea, will become troublesome for the state's economy only in a few years. The Russians are currently managing all resources they have at their disposals; in addition, they have been also maximally exploiting the existing infrastructure. President Vladimir Putin is aware of any dangers caused due to such long-term cut-off of Russian business from Western technologies. So this issue will certainly constitute one of the main themes of his closer relations with the U.S. President Donald Trump after the Helsinki summit. In this respect, the most urgent problem is the Nord Stream 2 pipeline project.**

**T**he biggest problems for the Russian gas sector may be caused by the extended application of sanctions against export gas pipelines. The restrictions have been included in Countering America's Adversaries Through Sanctions Act, signed by Donald Trump in August 2017. Theoretically speaking, such regulation prevents the president from introducing any sanctions that would prohibit operations on equipment supplies and construction services for new pipelines as well as maintaining the existing ones. Such transactions could not be worth more than 5 billion dollars annually. Nonetheless, there are two conditions to be fulfilled. Firstly, restrictions may not threaten any national

interests of the United States. Secondly, further sanctions are introduced following prior consultations with European allies. Surprisingly enough, at the Helsinki summit, Donald Trump gave up his extremely negative rhetoric on the Nord Stream 2 project; even though, Moscow cannot feel safe. And Trump has little power to prevent the lower house of the Parliament from adopting the law.

The sanctions imposed on the Russian oil and gas sector are constructed in such a way that their painful effects will be noticed by the country with a certain delay. Blocking technological cooperation will result in long-term problems with maintaining



SOURCE: KREMLIN.RU

correct extraction level as well as it may prevent Russia from developing its transport infrastructure. As a result, the country may lose its outlets. Nonetheless, the sector is still highly dependent on foreign finance and technology. Sanctions that affect Russia's energy sector have virtually no impact on the current situation of world markets, do not lead to any short-term destabilization, nor do

they cause a sudden price increase. Russia's oil and gas companies have managed to adapt to the Western sanctions. The hydrocarbons production has recently been growing in Russia. The deposits, which have been prepared for Russia to be exploited, will allow the country to maintain and even increase their extraction by the end of 2020.

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