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SOURCE: KREMLIN.RU

3 August 2018

RUSSIAN INTRIGUE IN THE HEART OF AFRICA. KREMLIN'S INTERESTS ENDANGERED

The fact of murdering three Russian journalists in the Central African Republic (CAR) may have serious political repercussions both for the authorities in Bangui and Russia's interests in the country. The journalists were investigating a Russian private military company; disclosing some information would harm mercenaries from the Wagner Group as well as they would possibly hit the policy implemented by the Kremlin in Africa.

The three Russians carried out a journalistic investigation backed by a businessman Mikhail Khodorkovsky. It was all about the activity of the company belonging to Yevgeny Prigozhin, a businessman with links to the Kremlin and Russian President Vladimir Putin, as well as about mercenaries from a private military firm owned by Prigozhin. Three journalists were killed by unidentified assailants on the evening of July 31 while they were on their way to a town located in the area of deposits of gold, diamonds and uranium, which is being currently protected by Prigozhin's people.

Both his companies as well as mercenaries arrived to the CAR at the beginning of this year. Officially, they were supposed to grant Russia's help for President Faustin-Archange Touadéra. The country has been plunged into civil war for several years while the legal government is able to control only the capital along with a small area around it. The UNSC has imposed an arms embargo on the Central African Republic; nevertheless, in December 2017, Russia secured an exemption to the Security Council arms embargo. As a result, Moscow provided Bangui with arms transport as well as 175 qualified instructors in order to guarantee arms and train two battalions of the government army. Five of the above-mentioned instructors are officers of the Russian army whereas the remaining 170 were identified as civilian ones. In fact, they are mercenaries from the Wagner Group responsible for President Touadery's personal protection. In addition, another contractors flew to Bangui; of course, the main reason of their visit was not official. According to some regional media, as many as 1,400 Russians stationed in the Central African Republic in April this year. Their task is to protect the exploitation of mineral deposits by Lobaye Invest, yet another Prigozhin-owned company. Nonetheless, most of these deposits are located in the areas controlled by Muslim rebels. So the Russians probably began to conclude some secret agreements with them so that they could freely exploit the natural resources. Nonetheless, such plan is contrary to the goals of Russia's mission in the Central African Republic (including its assistance in restoring the control of the state's legal government over the country's territory).

So it does not come as a surprise that the independent journalists, who were flew to the Central African Republic to shoot material on the Wagner Group, became a huge threat to both Prigozhnin's interests but also the ones of the Russian state. It is possible that Islamic State-linked rebels will be accused of killing three Russian journalists; nonetheless, due to numerous ambiguities around this bloody incident, it may lead to the conclusion that mercenaries from the Wagner Group might have been responsible for the attack. The case has gained a lot of publicity; due to the pressure from Western countries, the UN will examine Russia's real activities in the CAR. It seems that Russia's activities may be limited or even completely cut by France. As a former French colony, the Central African Republic is still considered by Paris as its traditional zone of influence. In fact, a few years ago, France took advantage of the help of its allies, mainly in Chad, to start a rebellion; as a result, the then-government was overthrown but at the same time, a civil war broke out. French Foreign Minister Jean-Yves Le Drian has recently paid a visit to Chad. So it is possible that Paris will make an attempt to overthrow the government in Bangui since President Touadéra has apparently decided to cooperate with the Russians. In a sense, he also became their hostage. Because contractors from the Wagner Group constitute now his most immediate protection (as all his compatriots have been forced to step down) while all decisions are made by a special security advisor to President Touadera Valery Zakharov. Thus, the murder of journalists may become an element of the geopolitical game whose players are struggling for control over one of world's poorest country located in the heart of Africa.

SOURCE: WIKIPEDIA.ORG

6 August 2018

OIL-FOR-GOODS AND INVESTMENTS: WILL RUSSIA SAVE IRAN'S OIL INDUSTRY?

Huge protests have recently erupted in Iran in response to the deteriorating economic situation in the country; as a result, the Parliament expects President Hassan Rouhani to provide it with necessary explanation. U.S. President Donald Trump's decision to withdraw from the Joint Comprehensive Plan of Action (reached in 2015) keeps increasing the pressure on Iran's economy. Nevertheless, the worst is yet to come for Tehran as it may be most threatened by sanctions imposed on the state's oil sector. It is rather certain that Western companies will withdraw from Iran, as they will not risk any American repressions. And now Tehran counts primarily on Moscow's further steps. The Russians have already assured that they would provide Iran with any necessary help; at the same time, many Iranians warn that the Kremlin might sell its Middle East ally to the Americans. So one may be afraid of political tensions amid Iran's military presence and Syria as well as reports about an alleged secret agreement between Russia, the United States and Israel.

After the visit to Moscow paid by a top foreign policy adviser of Iran's Ayatollah Ali Khamenei (which took place just before the Helsinki summit), it was reported that Russia had agreed to invest 50 billion dollars in the Iranian oil sector. Nonetheless, nothing is known about an offer that was presented to Ali Akbar Velayati during his recent visit to Russia. The simplest solution would be to take advantage of the already-existing "oil-for-goods" scheme; it has been agreed in 2014 before the sanctions against Iran were lifted. But such a possibility was not excluded by Russia's Energy Minister Alexander Novak on July 13.

In the past, Iran has already resorted to the barter method of oil trade when its oil sector was sanctioned; such method has been applied while Iran exported its oil products to India. However, at those times, final consumers constituted also recipients; now, Moscow acts only as an intermediary because it is an oil power and does not need Iranian oil for its internal needs. Nonetheless, there remains a question how to organize it from a logistic point of view. Loading Iranian oil on Russian tankers (expected to export the resource to other countries) will not be beneficial for Iran's fleet of tankers. And the second issue is the size of this type of exchange. It would currently provide Tehran with a total of Russian products worth 20 billion dollars in five years; in turn, Iran would commit to export its oil to Moscow. That is far below the amount discussed by Velayati. There is no doubt that the sum may be increased by simply changing the rules of the "oil-for-goods" agreement along with boosting the daily export of raw material for Russians; it is currently planned to constitute half a million barrels a day and it may even double.

In addition, Russian aid for Iran will be possible thanks to the country's participation in investments in the Iranian oil industry. Following his visit to Moscow, Velayati told reporters that a Russian oil company signed a $4 billion deal with Iran that would soon be implemented. Also Russia's oil giants – Rosneft and Gazprom – have already started talks with Iran's Oil Ministry with the intention of signing deals worth up to 10 billion dollars. This year, another Russian company, Zarubezneft, have got involved into a consortium with Iran's local enterprise Dana; they will develop oil fields of Aban and Western Paydar. The contract is estimated to be worth approximately 750 billion dollars. Russian companies are currently involved in 12 out of 19 agreements in the Iranian oil industry concluded after the abolition of sanctions in 2016. Thanks to these deals, Iran will receive large amounts of money that may be used for further development of local oil fields. However, the Russians offer a way lower level of technologies compared to their Western counterparts.

SOURCE: GAZPROM.RU

8 August 2018

RUSSIAN PROBLEMS IN GAZPROM-NAFTOGAZ CONFLICT

Russia's energy giant Gazprom gradually loses the possibility of raising some funds on external markets due to a deepening legal dispute with Ukraine's Naftogaz. After the Ukrainian company has successfully managed to freeze Gazprom's assets in several Western countries (including the United Kingdom), foreign banks seems still afraid of both borrowing money and servicing the firm's securities. Nonetheless, the Russians keep refusing to fulfill the decision of the Stockholm arbitration tribunal as well as they link the post-2019 transit of its gas through Ukraine with the case of "settling arbitration disputes". But Naftogaz considers the case to be already closed as well as it raises the game's stake by making another complaint to the court in Stockholm. The long-lasting dispute with the Ukrainian giant may affect Gazprom's financial condition and it may even hamper the implementation of export gas pipeline projects, including Nord Stream 2.

As informed by Reuters, Gazprom has already suspended its external borrowing program. The reason is simple: an intensifying legal dispute with Ukraine's Naftogaz within the framework of the award of the Stockholm Arbitration. In June, a court in London froze Gazprom's assets in Great Britain at the request of Naftogaz. The Ukrainian company has been using its best efforts to force Gazprom to pay a compensation of 2.6 billion dollars, as ordered by the tribunal. It seems that the British verdict has scared off Western banks that traditionally cooperate with Gazprom. Thus, it is more likely that any new funds, which may be acquired by Gazprom in London, might also been frozen under the aforementioned decision. Such state of affairs has seemingly complicated Gazprom's plans, as the company is obliged to repay 15.2 billion dollars of external indebtedness until the end of the year. In addition, the corporation needs some extra funds for the implementation of gas pipeline projects to China (Power of Siberia) and to southern Europe (Turkish Stream), not to forget preparations before carrying out the Nord Stream 2 trunkline.

However, the first round of talks between Russia and Ukraine on gas transit after 2019, which took place in mid-July in Berlin with the help of the European Commission and Germany, did not bring any satisfactory results. The next meeting is scheduled for autumn this year. The Russian side depends all decisions on gas transit on the final settlements of the dispute with Naftogaz. Even if the first ruling of the Stockholm arbitration tribunal appeared highly disadvantageous for the Russians, they have no intention to give up. They do not implement the award; instead, they have claimed that it was necessary to wait for the final result of the appeal. Moscow subordinates the transit after 2019 to favorable settlements of disputes related to other deals. According to Naftogaz, both conflicts (on the gas supply agreements as well as gas transit contracts) have already been concluded in Stockholm. However, the problem is that Gazprom has no intention to implement the awards of the tribunal, as it does not provide Ukraine with gas at prices set by arbitration. Moreover, Russia's giant has not paid a 2.6-billion-dollar compensation. Since the end of May, Naftohaz has initiated legal action to secure the arrest of Gazprom's assets on the territory of Switzerland, the United Kingdom and the Netherlands; the initiative has been undertaken with the aim of forcing Russians to reimburse all costs to Naftogaz. And now the Ukrainian corporation submitted a claim to the Stockholm arbitration court for 11.58 billion dollars from Gazprom related to a transit contract. According to the Ukrainians, such decisions are not fair. Naftogaz has estimated that the application might be reviewed no earlier than at the end of 2020 while the transit contract will have expired by December 31, 2019.

12 August 2018

RUSSIA'S HEAD OF INTELLIGENCE SERVICE AND DEPUTY DEFENCE MINISTER IN PAKISTAN

The Russians seek to mark their presence in Pakistan; first, the country was visited by Russia's Director of the Foreign Intelligence Service, Sergey Naryshkin, who took part in a meeting of leaders of intelligence services of Russia, China and Iran. Then, it was Russian Deputy Defence Minister who paid visit to the country with the aim of discussing a deal on training Pakistani officers in Russia. In addition, a Pakistani warship was presented during the recent parade of the Russian fleet in St. Petersburg; thus, it seems that security cooperation between both countries is dynamically developing, as we wrote in our report a few month ago. The Russians tend to replace the Americans while their recent rapprochement with Pakistan may considerably affect the development of the situation both in a neighbouring Afghanistan as well as in the region.

SOURCE: KREMLIN.RU

Russia has adopted the same mechanism as in any other region of the world; the Kremlin presents its cooperation offers every time and everywhere traditional U.S. influence seems to diminish or the Americans enter into a conflict into their already existing ally. The Russians are not so powerful to become a full-fledged U.S. substitute, though; nonetheless, they may demonstrate some advantages from the point of view of a potential partner. They are not interested in observing democracy and human rights and have no qualms about achieving their goals. This is also the case in Pakistan. In January this year, U.S. President Donald Trump suspended all military aid for Islamabad and froze cooperation between the two countries, accusing the Pakistani authorities of hiding terrorists as well as undertaking insufficient efforts to stop the Taliban in neighbouring Afghanistan. And there is no doubt that the Russians say exactly what the Pakistan would like to hear, namely that they are currently doing well in fighting Islamic terrorism and they constitute a guarantee of stability in the region. Such declarations are backed by concrete actions in the cooperation of both countries, as evidenced by the fact that Pakistani military will be able to train in Russia for the first time in history. The agreement was signed at conclusion of first meeting of Russia-Pakistan Joint Military Consultative Committee (JMCC). The Russian delegation, led by Deputy Defence Minister Alexander Fomin, arrived to the city of Rawalpindi at the north of Pakistan, where the talks were held. The Pakistani side was represented a group led by Pakistani Defense Secretary Zamir ul Hassan Shah. Until now, Pakistani high-ranking officers received military training and education in the United States. So Islamabad is currently looking for any other option once the U.S.–Pakistani dispute led to the suspension of all military exchange programs.

It is very likely that Afghanistan will be chosen the main area for cooperation. The country comes close the positions of Moscow and Islamabad towards the Taliban (and their unofficial support) or the Afghan section of the Islamic State organization, whose emergence and large importance seem troublesome both for Russia and Pakistan. In July, the head of Russia's Foreign Intelligent Service paid a visit to Pakistan where he took part in the working meeting of the leaders of the intelligence services of Iran, China, Pakistan and Russia. The focus was on the issue of proliferating IS forces in Afghanistan. Sergei Naryshkin's presence seems particularly important in the light of accusations Russia has made to the Americans. The Kremlin criticized Washington for alleged increase in Islamic influences in Afghanistan, which may constitute a blow into Russia, as they are far-reaching in northern provinces bordering the former Soviet republics. Moscow has estimated that thousands of Islamists from Central Asia, who were trained in IS camps located on the Afghan side, would be then deployed to their countries in order to destabilize them.

The thaw between the old enemies of the Cold War began in 2014, when both countries when the two countries signed the groundbreaking Agreement on Defence Cooperation. Then Pakistan ordered from Russia four Mi-35 assault helicopters; moreover, the two countries carried out joint counterterrorism drills. In addition, Russian and Pakistani warships have recently taken part in joint military exercises in the Arabian Sea while the Pakistani frigate PNS Aslat has participated in the latest parade of the Russian navy in St. Petersburg. Moscow has already emphasized that the cooperation would provide Islamabad with numerous economic benefits. It was expected that state's trade turnover would increase by 82 percent in the first half of this year; nonetheless, they remain at the low level of 450 million dollars. Moreover, the Russians help to build a gas pipeline from Karachi to Lahore. And such Russian emergence in the energy sector may raise some long-term concerns, especially in the context of some projects aiming to diversify the route of hydrocarbon exports from Central Asia (see TAPI). In addition, Moscow has already suggested that it had intention to engage in nuclear cooperation.

14 August 2018

MAKING THE FRONT LONGER: RUSSIA TO STRENGTHEN ITS WESTERN FLANK

Due to the analysis of defence and modernisation projects, as well as changes within the organisational structure of Russia's armed forces over last two years, it may be indicated that the state's authorities pay a lot of attention to the Western Military District. At the same time, it should be noted that more and more effort is currently being devoted to strengthening the potential of the Southern and Central Military Districts. There is no doubt that the western section is being exploited mostly from political point of view, as a field of a potential conflict with NATO. Nonetheless, Russian politicians and generals seem to be afraid of a deterioration of the country's strategic position in the West due to close defence cooperation between Finland and member states of NATO.

The Western Military District is one of the five military districts that the Russian Federation has been divided to. Despite its small territory, it occupies an area of 25 federal entities (including Moscow and the Kaliningrad Oblast), therefore it has great strategic importance in terms of the main front of the NATO-Russian confrontation. The Western Military District is headquartered in St. St. Petersburg while the district borders with four NATO countries (Estonia, Latvia, Lithuania, Poland), Finland, Belarus and Ukraine. Following the formation of the Northern Military District, the bordering line between NATO and the Western Military District; the Kola Peninsula, which neighbors Norway, has been included within the territory of the Northern Military District.

SOURCE: STRUCTURE.MIL.RU

The Western Military District disposes of the greatest combat potential of all Russian military districts. During the July meeting of the Defence Ministry Board, Russia's Defence Minister **Sergey Shoygu** announced that since 2016, more than 70 large units and military formations, including two divisions and three brigades, had been created within the territory of the district. At the same time, military units of the Western Military District received about 5,000 – either new or modernised – pieces of armaments and equipment, thanks to which the share of modern utilities could increase from 39 to 54 percent. For example, in the period between December 2016 and May 2018, the elite Tamanskaya Fifth Motorized Rifle Brigade has been equipped in modern T-72B3 tanks. As for aviation, the latest generation of the S-35 aircraft has been deployed in Karelia while the bases in Kursk and Kaliningrad have been provided with the Su-30SM. By the end of this year, the 448th Rocket Brigade in Kursk will have been delivered the Iskander-M missiles systems. The unit, recognised as Russia's best rocket brigade in 2017, constitutes part of the 20th Army of the Western Military District (headquartered in Voronezh, under command of General Andrei Ivanayev). In addition, it is the last unit to use the old Tochka tactical ballistic missiles. Due to the military expansion of the 20th Army, special military towns of a new type are currently being built in the Voronezh Oblast, Belohorod Oblast and Bryansk Oblast; they will host troops who serve in the aforementioned tactical unit.

Shoygu had no intention of concealing that the entire process of making the Western Military District more powerful is closely linked to its potential confrontation with NATO forces. On July 24, the Minister declared that "the Alliance keeps strengthening its contingents" in Eastern Europe while the number of NATO troops recently increased. The forces of the Western Military District are currently concentrated on areas located near the borders with the Baltic countries and Poland. Nevertheless, Finland's rapprochement with NATO and the United States may eventually oblige the Russians to change their initial plans. If the potential front line in a possible war was extended by more than 1,300 kilometres (Russian-Finnish border), such state of matters would weaken Russia's defence and offensive capacities; thus, it does not come as surprise that Moscow is highly concerned about security policy of both Helsinki and Stockholm. The topic was also discussed by Shoygu during the meeting at the Defence Ministry. The official stated that Moscow had been alarmed by an agreement between Helsinki, Stockholm and NATO as the deal, according to Russia, enables the Alliance to use both airspace and territorial waters of Sweden and Finland. Such steps force Russia to provide an immediate response, Shoygu said. He did not provide any other details but one may assume that Moscow might possibly change its war plans by bringing military forces closer to the borders of Finland and Sweden as well as performing provocative actions, especially towards the Finns.

SOURCE: SYRIA.MIL.RU

16 August 2018

RUSSIAN TREASON IN SYRIA. DEADLY EFFECTIVE STRATEGY

It is very likely that the military forces of Syria's President Bashar al-Assad will attack the Idlib province – the last rebel-held bastion; the operation will probably take place in mid-September. The fourth de-escalation zone was created only last year; such idea was launched by the Russians. This insidious strategy has appeared to be successful as the Syrian regime already regained control of three rebel enclaves. Thus, the battle of the Idlib province may be the most difficult as well as the bloodiest one since both rebels and civilians have nowhere to escape.

In May 2017, Russia, Iran and Turkey agreed to create four de-escalation zones in Syria. The three states were supposed to guarantee relative peace in these regions. The zones were set up in the areas controlled by some rebel groups: the Idlib province (1), parts of Hama, Hims and Aleppo provinces (2), the Damascus suburb of Eastern Ghouta (3) as well as areas of Daraa, Suwayda and Quneitra provinces (4). As for the latter, it became the main subject of an agreement concluded between Russia, Jordan and the United States in July 2017.

It was clear that Moscow did not care about peace in the region as well as security of its inhabitants. And even in September 2017, Russia's Foreign Minister Sergey Lavrov announced that the sections had been set up with the aim of ceasing any further violence, but their founders had no intention to subsidise them forever.

The de-escalation zones constituted part of a strategy whose aim was to restore al-Assad's control over the majority of Syria. Apart from four zones being created, a ceasefire was announced and it blocked the possibilities of any rebel activity while al-Assad was able to concentrate his army, deploy them to different regions and destroy the rebel enclaves. Each time, the forces of al-Assad, Hezbollah and Iran were supported by Russia – one of the authors as well as the main guarantor of the de-escalation zones. First, they attacked Hama, Hims and Aleppo provinces.

Another zone, Eastern Ghouta, was besieged in the spring of this year while the southwestern sector was recaptured only in the summer. The main offensive against the Daraa province was launched on June 19. A few weeks later, on July 12, the Syrian army entered the rebel-controlled (since 2011) city of Deraa. As a result, about 150 civilians were killed while over 120,000 people were forced to leave their homes permanently. This is also where the forces of President al-Assad fought against the Islamic State. Finally, on August 2, a representative of Russia's General Staff Colonel General Sergei Rudskoy announced that al-Assad forces, supported by the Russian air aviation, retook control over all three provinces in southern Syria.

Already at the beginning of July, the Russians warned the negotiators from the Free Syrian Army (FSA), based in the Deraa province, that they should avoid the Idlib province after the ceasefire due to a planned offensive in September this year. The Idlib province became the place to where many rebels and civilians evacuated from other regime-held regions of the country. As a result, this small region, which amounted to 1.5 million inhabitants in 2011, is now home to 3 million people. The province is currently controlled by 7,000 rebel militants. More than half of the region remains under control of jihadists from the Tahrir al-Sham (HTS) group – previously known as al-Nusrah Front – an al-Qaida affiliate in Syria.

Only a small part of the southeast of the province is controlled by the regime forces, while the rest – by Turkish-backed rebels. The Turkish army has previously deployed more than ten strengthened observation points in the provinces of Aleppo, Hama and Idlib; all of them have been installed in accordance with the agreement on the establishment of a de-escalation zone in this part of the country concluded between Turkey, Syria, Iran and Russia.

17 August 2018

RUSSIAN TREASON IN SYRIA. A BLOODY EPILOGUE IN IDLIB?

The conquest of the Idlib province is expected to put an end to the war between Syrian President Bashar al-Assad and the anti-regime rebellion. After the battle, there will be only some remnants of the Islamic State as well as the Kurdish-controlled zone. The military offensive against the last rebel-held enclave may take place quite soon; nonetheless, the diplomatic games around the Idlib province have come to the fore only recently. Russian diplomats are currently using their best efforts to prevent any potential conflict between Ankara and Damascus.

SOURCE: SYRIA.MIL.RU

According to Syrian military sources, some groups of Russian spetsnaz as well as technical personnel in charge of combat aircraft have already arrived to the Abu Duhur airport. The base, located in the south of the Idlib province, has already been entered by the Syrian government army. The military barracks are to be used during the offensive against the region. The operation is expected to take place with participation of the Russians as well as the al-Assad army. Interestingly, Iran and Hezbollah will be excluded from the undertaking. Syrian President **Bashar al-Assad** is currently forming the main stake group in northwestern Hama, a province located just next to Idlib. It was possible to deploy almost all military units that had previously participated in battles in southern Syria. Rebel commanders are afraid that the offensive might start in mid-September – by this time, the agreement on the de-escalation zones will have already expired.

On August 9, Syria's government army conducted a missile attack on the city of Jish ash-Shugur, controlled by the Hay'at Tahrir al-Sham (HTS) jihadist group. Also the air raids over the city have recently intensified. Thus, al-Assad has been pursuing the same strategy he had previously used in the provinces of Homs, Aleppo, Deraa or in Eastern Ghouta. First, his forces held a long-term campaign with the aim of terrorising civilians with potential raids being carried out on school and hospitals so as to weaken public support for rebel forces. Then, supported by the Russian air force, they conducted a mass-scale land offensive. As a result, the government army would force the rebels to surrender as well as to sign a coerced agreement of the evacuation of militants and part of civilians. A great majority of displaced people arrived to Idlib much earlier. To make matters worse, they have nowhere to flee, unless they cross the border and escape to neighboring Turkey. In case of any attack on Idlib, it is very likely that huge masses of the inhabitants would leave their hitherto place of residence. Turkey is already home to 3.5 millions Syrians; thus, it does not come as surprise that the country's authorities hope to make them return to their homeland as such a large number of refugees seems to be a burden, also from financial point of view as well as due to the current recession caused by the U.S. economic restrictions.

And the crisis in relations with Washington weakens Ankara's position in talks with Moscow. Turkey claims that Idlib constitutes a key province for its security interest and at the same time it warns Russia to negotiate with al-Assad in order to avoid direct confrontation. During peace talks held in Astana, Russia, Turkey and Iran became guarantors of the "de-escalation zones in northwest Syria". Any potential attack by the forces of President al-Assad would mean violating the agreement. It would also weaken

Turkish positions in the Afrin province that remains in the Kurdish zone of influence. Ankara fears that Damascus and the Kurdish-majority SDF would possibly join forces during the Idlib offensive.

Currently, representatives of both al-Assad regime as well as the SDF, who control a large part of northern Syria, are actively involved in talks. However, the Syrian Democratic Forces (SDF) has denied any reports that it had been preparing to take part in the planned offensive. And Al-Assad is not likely to seek any help from the Kurds; such step would additionally deteriorate diplomatic relations between Syria and Turkey. The Russians perceived a potential attack on the Idlib province in terms of the increased risk of an armed conflict between Turkey and Syria. Thus, Moscow hopes to persuade Ankara to agree to a limited Syrian offensive and to occupy only the southern part of the region. Any confrontation in Idlib would constitute a threat to Russia's policy of manoeuvring between the contradictory interests of Damascus and Ankara.

Such state of matters seems to explain boosted activity of Russian diplomats in recent weeks. However, it seems that Moscow seeks to convince the Turks to make some concessions; moreover, nothing indicates that there is any pressure exerted on al-Assad to make him not attack the Idlib province. The Russians have to act cautiously towards its ally and remember that Iran constitutes another important player in the game. Syrian dictator is additionally backed by an unofficial rivalry between Moscow and Tehran to get the strongest possible position in Damascus. To sum up, sides to the conflict may conclude a deal while Turkey will give the southern part of Idlib back in order to avoid the massacre of civilians as well as a direct clash with al-Assad.

18 August 2018

RUSSIA DEPLOYED ITS NUCLEAR WEAPONS NEAR ALASKA

A flight carried out by a pair of Russian strategic bombers from central Russia to the Chukotka Peninsula proved that Moscow is able to deploy its long-range aviation very close to the U.S. territory. There is no doubt that the Russians aimed to send a clear signal to the Americans as well as to depict yet another manifestation of their provocative policy towards the West.

In the evening of Thursday, August 16, Russia's Defense Ministry issued a statement on the recent long-range aviation exercises; for the first time in history, its main element consisted of transferring Russian strategic bombers to the immediate vicinity of the U.S. territory. It is said that ten aircraft took part in the military drills, including strategic bombers: Tupolev Tu-160 ("Blackjack") and Tupolev Tu-95MS ("Bear") as well an Ilyushin Il-78 ("Midas") aerial refuelling tanker. It is known that a pair of Tu-160 bombers took off from Russia's main long-aviation base in Engels (near Saratov in central Russia) and flew about 7,000 kilometres to Anadyr Ugolny Airport on the Chukotka Peninsula. Two supersonic long-range bombers later took off from Anadyr; after having been refuelled in the air, they could fly over the Arctic Ocean, the Eastern Siberian Sea and the Kara Sea. Before returning to their airbase in Engels, they flew over the Russian land and performed a simulation of launching missiles at ground targets in the Komi Republic.

Thus, Russian bombers, armed with nuclear weapons, can be deployed close to the U.S. borders. Separated from Alaska only by the

SOURCE: WIKIPEDIA.ORG

Bering Strait, the Chukotka Autonomous Okrug is located closest to the United States out of all Russian federations. The Tu-160 strategic bomber constitutes currently the major aircraft of Russia's Long Range Aviation. Also referred to as the "White Swan", the aircraft is capable of flying at a speed of 2000 km/h and it can carry twelve long-range cruise missiles. The event constituted yet another demonstration of the strength of Russian strategic air forces that have only intensified their activity in the vicinity of NATO borders over last four years. It has mainly concerned the Baltic Sea and the North Sea; nonetheless, there have already been some incidents near the U.S. borders. In May, two Russian Tu-95 bombers flew about 90 kilometres off the coast of Alaska before being intercepted by two American fighters. In April 2017, another pair of Tu-95 aircraft was intercepted by American F-22 Raptor tactical fighters.

19 August 2018

NEW U.S. SANCTIONS AGAINST RUSSIA'S ENERGY SECTOR

New sanctions against Russia, announced by the United States on August 8, may indirectly hit the state's energy sector while the results may be visible in a long-term outlook. And the bill, which is currently being proceeded in the U.S. Congress, might appear even more dangerous. The restrictions are directly related to Russian oil and gas; in addition, due to their broad spectrum, they may affect any aspect of Russian energy sector.

Restrictions announced on August 8 by the U.S. Department of State result from the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991. According to the Americans, Russia had violated the act by organising the attempt murder of a British citizen **Sergei Skripal** and his daughter **Yulia** with the use of the novichok nerve agent. Both of them survived; nonetheless, only a few months later, two other British citizens were exposed to the deadly substance; a woman died while her

SOURCE: NORD-STREAM2.COM

partner was seriously injured.

Earlier, the United States had expelled 60 Russian diplomats from its territory in response to the attempt assassination of the Skripals. Now the country decided to impose further sanctions; they will be introduced in two steps. The ban on exporting products and technologies related to the U.S. national security (including advanced dual-use equipment) is expected to come into force on August 22. The second sanctions package will be implemented 90 days after they had been announced – at the beginning of November. For example, they envisage actual suspension of trade exchange with Russia. New U.S. sanctions may have negative impact on Russia's oil industry as it heavily depends on technical equipment imported to Russia from the West.

More energy issues have been mentioned in the draft law on protecting the U.S. security against the potential Kremlin aggression (Defending American Security from the Kremlin Aggression Act of 2018). A group of both Republican and Democratic senators has prepared a bill targeted at Russia; they had intention to punish the Kremlin for its "on-going and constant meddling in the 2016 U.S. presidential elections, disastrous influence in Syria, aggressive activities in the Crimea as well as some other issues."

Moreover, the extensive document contains the president's commitment to introduce restrictions – provided by the CAATSA Act of July 2017 – on individuals investing over 250 million dollars in Russian energy projects on entities delivering goods, services, capital or technologies with the aim of supporting Russian oil projects worth at the least 1 million dollars. The penalties would become applicable within 180 days since the Act comes into force. In addition, the paper obliges the president to report on individuals and institutions involved in investing in the Russian oil sector; in addition, the draft provides for the introduction of penalties for entities that would violate the sanctions as well as it calls for coordinating U.S. sanctions with restrictions imposed by the European Union.

According to the draft, sanctions will be applied to all oil and gas projects whose value – also the estimated one – exceeds 250 million dollars. And even if the value of a project is below this amount when the law enters into force, investors, who exceed the sum, will be later considered the violators of the law. However, the document has not specified the notion of "energy project"; as a result, it will be possible to consider them in a much broader way as well as it enables to impose restrictions on such investments as the production of solar panels or geological exploration of hydrocarbons.

SOURCE: KREMLIN.RU

20 August 2018

SANCTIONS, OIL AND GAS: RUSSIA'S STRENGTHS AND WEAKNESSES

Introduced at the beginning of the year, new sanctions constitute yet another package of economic restrictions against Russia. First economic limitations were imposed in 2014. Over the last four years, the Russians have somewhat learned to cope with such unfavorable conditions in the oil and gas industry. However, Moscow seems particularly prone to other activities of its Western partners, especially in the case of such project as exploiting deposits under the sea bottom in the Arctic or constructing large gas pipelines to Europe.

Russia remains highly dependent on profits from the sale of its oil and gas; it is estimated that they have accounted for 34 – 50 percent of the state's budget revenues over a few last years. Any possible decrease will severely affect Russia's economy – for instance, by limiting state government expenditures. The U.S. sanctions against Russia, imposed by the **Trump** administration on August 8, along with some other restrictions prepared by the Congress, can be effective only if they affect the Russian activity in the domain of hydrocarbons – their production, processing and export. Both sanction packages may have a negative impact on Russia's energy sector – even more if Europe introduces similar measures against Moscow. Russia's Finance Minister **Anton Siluanov** described new U.S. restrictions as "unpleasant but not fatal" for the state's economy. So what is the reason? In recent years, the Russian economy has skilfully adapted to possible consequences of the sanctions. How does it look in the oil and gas sector?

Interestingly, after introducing new restrictions, shares of such Russian companies as Lukoil, Rosneft or Gazprom have slightly gone up. Such state of affairs results from the fact that Russia's weak currency – the rouble had noted a heavy loss after the announcement of a new sanction package – means high profits of oil giants. Nonetheless, there is also another reason. Since 2014, the Russians have been gradually reducing their dependence on Western technologies and financing as well as they have significantly limited their cooperation with foreign entities in the oil and gas sector. The restrictions imposed by the United States in 2014 prevented a number of oil project from being implemented; nonetheless, they did not impede the growth of oil production – in July 2018, it reached a record result of 11.2 million barrels per day. Russia's oil giant Rosneft, which accounts for produces 40 percent of Russian gas, has recently tested its own hydraulic fracturing technology. For a long time, the Russian company has been trying to replace Western solutions with other alternatives; nevertheless, the strategy concerned only some individual cases while the Russians had previously planned to adopt such methods on mass scale. Russia may search for an alternative during the next 5-7 years. **Nikolai Patrushev**, the head of Russia's Security Council, has recently called foreign dependency on technologies "a serious problem".

Further sanctions constitute a threat to new LNG projects as well as processing of crude oil and petrochemicals, where both U.S. and European equipment or technologies are used by the Russians on a large scale. And neither Russia nor China can be treated as potential alternatives. In the case of more complex projects – such as the marine ones – the state's oil production may be significantly hampered. Nonetheless, these are huge international projects, including Nord Stream 2, that are most exposed to potential threats. One of its European investor, Germany energy company Uniper, has already announced that it might not get any necessary financing due to possible U.S. sanctions.

And the Russian oil sector would be seriously impeded if the United States introduced the same measures against Moscow as they had in the case of Iran and it imposed a ban on the purchase of Russian oil. However, such situation is very unlikely to take place. Considering the fact that Russia accounts for over 11 percent of global oil production, any blockage of selling the product would mean a sharp rise in both oil and fuel prices worldwide. In any case, it should be noted that under the Article 307 (b) of the Act of August 8, the United States is not obliged to abandon any exports of petroleum and its products. And Russia's oil sector would be most threatened if European and Asian recipients of Russian oil, exposed to potential secondary sanctions, would refuse to cooperate with Moscow – every day Russia exports over 5 million barrels of oil and condensate. Despite Western sanctions, Russia is still achieving good results in the key oil and gas sector. However, currently exploited deposits will be slowly depleted while it will be difficult to reach any new ones – even on the self – as such a procedure requires the use of much more complicated technologies. It is not possible to replace all of them so Russia will have to face a considerable drop in hydrocarbon protection in a long-term perspective.

SOURCE: SYRIA.MIL.RU

23 August 2018

FUNDRAISING FOR AL-ASSAD: RUSSIA SHOWS ITS "HUMANITARIAN" FACE

To reconstruct Syria so as to make thousands of refugees come back to their homeland – judging by recent statements from prominent Russian politicians, the issue seems extremely bothersome for Moscow. During his visit to Berlin, President Vladimir Putin called Western countries to rebuild the country – destroyed to a great extent by the bombs – while Russia's Foreign Minister, Sergei Lavrov, referred to the Americans as ungenerous. In addition, Russia has suggested Europe that rebuilding Syria constitutes the best way to get rid of a part of refugees from the Old Continent. However, it is only a pretext to get from other countries – as Russia certainly cannot afford it – some money that would be subsequently spent on stabilizing the situation in the war-tormented Syria. Needless to say that such state of matters would result with strengthening the regime of President al-Assad. First, Russia gained some political capital on the refugee issue; now, it seeks to get as many profits as possible from their return to Syria.

The United States does not participate in Syria's reconstruction with the aim of preventing many refugees from returning to their homeland, Russia's Foreign Minister said. During a meeting with Lebanon's Foreign Minister, **Sergei Lavrov** announced that the U.S. authorities were interested in rebuilding only rebel-held provinces of Syria. And the Russian official has already spread some conspiracy theories.

Moscow has sent an official query to the UN Secretary General, asking why the organization did not take part in reconstructing the crisis-torn Syria. Moreover, the Russians claim that the UN has disseminated a secret directive prohibiting organizations to take part in any project to restore Syria's infrastructure and to focus on nothing more but humanitarian assistance. Two days before, during a meeting with **Angela Merkel**, President **Vladimir Putin** urged Europe to finance infrastructure renovation in Syria.

Practically speaking, it means direct support for President **al-Assad** – as Damascus is still home to Syria's official government. So how to explain nervous reactions of Russian officials – who keep complaining about the lack of international involvement in Syria's reconstruction? Russia has never struggled with the issue of Syrian refugees who would possibly be expatriated to their native country. The situation seems very simple, though. The civil war comes to its end while, thanks to military support from both Russia and Syria, President al-Assad is likely to win; nonetheless, the country is completely ravaged while its authorities do not dispose of any reconstruction funds.

Neither Moscow nor Tehran – as both of them indirectly contributed to material losses and death of thousands of civilians (as evidenced by airstrikes carried out by Russian aircraft in the city of Aleppo)– can afford to provide any financial support to Damascus. The lack of funding will be the most serious problem of the Syrian regime. So its representatives have decided to accuse the Americans of not subsidizing the country. And even the U.S. Pentagon fell into a Russian trap as the state authorities have been eager to declare the necessity to tighten the U.S.-Russian military cooperation in Syria.

The "humanitarian" nature of Moscow's calls to rebuild Syria and make the refugees return to their country seems also evidenced by the fact that in after the July summit in Helsinki, both Lavrov and General **Valery Gerasimov** (Chief of the General Staff) paid unprecedented visits to Israel, France, and Germany; during their trip, they advocated the new recovery plans for Syria as well as mass return of the refugees. Surprisingly enough, Gerasimov has been included on an European sanctions list and he is not allowed to enter the EU territory.

Nonetheless, the Kremlin still hopes to get some funds from Europe to sponsor the al-Assad regime. In addition, Moscow implies a new wave of refugees from the Idlib province, threatened by a Russian-Syrian military offensive. It is likely that Russia will be backed by Turkey; the country, which is currently conflicted with its European partners, would probably make it possible for many refugees to enter Europe through its borders.

SOURCE: KREMLIN.RU

25 August 2018

MORE TENSIONS BETWEEN MOSCOW AND WASHINGTON

Does anyone still remember the Helsinki summit? On August 23 in Geneva, Russia and the United States have participated in the first top-level meeting since the July summit in the Finnish capital. Following the talks held between U.S. national security adviser John Bolton and his Russian counterpart Nikolai Patrushev, it may be said that the Helsinki summit has not changed anything in U.S.-Russian bilateral relations. Interestingly, they have significantly deteriorated in recent weeks. It seems that Moscow has already understood that the Helsinki summit had considered only apparent victory of the Putin's regime. Such state of affairs may explain Russia's harsh rhetorics against the United States; at the same time, the Kremlin has been preparing for a potential economic war with America. And, on the other hand, both the Trump administration and the U.S. Congress have recently undertaken further anti-Russian steps while Donald Trump is yet expected to prove that he has never acted as a Russian agent.

Another stage of the crisis in U.S.-Russian relations has been marked by new American restrictions against Russia imposed after several incidents related to the use of chemical weapons in the United Kingdom (the attempt murder of the Skripal family). In the following months, further sanctions will enter into force. Prior to new limitations to be introduced, Russia has started purchasing gold; in July 2018, the Russian authorities decided to buy 26 tons of the bullion. It has also sold 85 percent of U.S. bonds as well as it got rid of dollars. In addition, Russian and American politicians have seemingly introduced pretty tough rhetorics. On August 23, both sides put forwards several declarations, which may speak to further conflict escalation.

U.S. national security adviser **John Bolton** met in Geneva with Secretary of the Security Council of Russia **Nikolai Patrushev**. Following the conversation, Bolton stated that he had warned Russia's envoy against meddling into this year's elections in the United States. Thus, it appears that the five-hour meeting made both parties sure about their current standpoint as well as such issues as meddling in the U.S. presidential election or Iran's military presence in Syria. On August 23, Russia's Foreign Minister, in a phone call with the U.S. Secretary of State, assessed that the U.S. "destructive" approach to its relations with Russia had a negative impact on cooperation between the two countries. Moreover, **Lavrov** demanded that the United States end the prosecution of **Mariia Butina**, a Russian citizen who is being held on charges of acting as an agent for the Kremlin.

U.S. Special Representative for Ukraine Negotiations **Kurt Volker** is clearly acting for the benefit of Ukraine, Russian Deputy Foreign Minister **Sergey Ryabkov** said in a press interview published on August 23. Two days earlier, **Sergei Lavrov** had announced that a new meeting between Volker and Russian presidential aide **Vladislav Surkov** would take place after a long break; both officials have recently met in January 2018. Prior to the meeting, the Russians are using their best efforts to discredit the American diplomat. Meanwhile, Washington has strongly sided with Kiev, as evidenced by a statement by President **Donald Trump**, issued on the occasion of the 27th anniversary of the Independence of Ukraine (August 24). The U.S. President has assured that his state would continue to support the country that "has bravely opposed the Russian military aggression over past four years." It was no coincidence that President Trump mentioned in his statement that Ukraine had been defending its "territorial integrity within internationally recognised borders."

27 August 2018

CASPIAN CONVENTION OR RUSSIAN CONCESSION?

The signing of the Convention on the legal status of the Caspian Sea officially ended a long-time dispute between its coastal states over the reservoir and its formal division. Interestingly, the problem has been solved in a quite original way: the parties to the agreement have recognized the Caspian neither as the sea nor the lake. The Aktau deal has opened the way for the construction of some trans-Caspian pipelines that can be used to transport hydrocarbons from Central Asia to Europe while bypassing Russia's territory. So why did Moscow agree to sign the treaty?

On August 12, five Caspian states – Russia, Iran, Azerbaijan, Kazakhstan, and Turkmenistan – met in the Kazakh city of Aktau to adopt the Convention on the legal status of the Caspian Sea. The reservoir has been granted a special legal status and it is now perceived in terms of an "intra-continental body of water." Thus, no provisions of international law – neither regarding the sea nor the transboundary lake – may be applied. More detailed delimitation is yet to be specified; nonetheless, it is already known that the seabed will be divided according to different rules than the body of water. In accordance with the Convention, Caspian littoral states will be granted full jurisdiction over the raw materials; however, it will not be the case of the legal status of its waters.

SOURCE: KREMLIN.RU

Formally, works on the treaty has been in progress since 1996. So why have all five states managed to reach a consensus only recently? Moscow and Tehran has mostly disputed over how the reservoir and its energy resources would be divided between coastal states. And it was quite recently that security issues have brought the energy issues to a halt, both for Moscow and Tehran. Both Russia and Iran used their best efforts to prevent any military forces from being deployed to the reservoir. The two countries do not approve the fact that the Americans are using Kazakh and Azerbaijani ports as transit points for shipping arms to Afghanistan. During the summit in Aktau, Iran's President Hassan Rouhani said that the convention bans the presence of foreign armed forces in the Caspian Sea.

The Caspian Sea is rich in hydrocarbons; in addition, it constitutes a natural barrier between Europe and huge deposits of Turkmen natural gas. In 2012, Caspian reserves were estimated at 48 billion barrels of oil and 292 trillion cubic feet of natural gas. The deal will make it easier to develop mining operations as well as exports of the raw material. For instance, according to the convention, Russia cannot interfere in the implementation of the Trans-Caspian Gas Pipeline Project (TCP) that would connect Turkmenistan with Azerbaijan. The TCP would provide the Turkmen with a direct access point to the transport infrastructure to Europe, commonly known as the Southern Gas Corridor. And the example of the Trans-Caspian Gas Pipeline would possibly be followed by other states. For instance, the majority of oil exports from Kazakhstan is transported via land connections – either by Russian pipelines or tankers through the Caspian Sea. And the emergence of the Trans-Caspian Gas Pipeline would open the possibility to build another pipeline along the same route.

So why did the Russian decide to unblock the prospect for building the TCP, the more so that the pipeline would bypass its territory? It is possible that Moscow seeks to gain yet another argument to be used during the Brussels talks and to prove that Russia has no intention to compete with the Nord Stream 2 pipeline. However, it seems that Europe does not need Turkmen gas. On one hand, European gas consumption, which is currently satisfied by Russian supplies, is unlikely to increase in a significant way in the near future while, on the other hand, there emerged some other competitors, such as Egypt. Also the situation has changed: In the past, Moscow could be afraid that the Caspian resource would constitute a major competitor for Gazprom; however, nowadays, Turkmen supplies would sooner or later challenge the American LNG deposits. But the Russian could have a completely different motivation. The Trans-Caspian Gas Pipeline would translate into the diversification of Turkmen gas exports. The fourth-largest natural gas holder in the world, Turkmenistan sells the great majority of its gas deposits to China. Such large amounts of Turkmen gas exported to the Chinese market will have a negative impact both on the price and the volume of Russian supplies to China transferred through the Power of Siberia pipeline whose construction is currently being in progress. So Moscow can easily halt the idea of TCP, for example by resuming its gas imports from Turkmenistan, suspended in January 2016. Such ideas have already been mentioned by Russia's Ministry of Energy. Thus, the Russians can either buy Turkmen raw material or offer to transit it to Europe via their gas pipelines.

27 August 2018

BRITISH TYPHOONS' MISSION: RUSSIA TO TEST NATO'S BLACK SEA FLANK

Both Russian and NATO air forces have been recently involved in a number of air incidents over the Black Sea. Thanks to their military facilities on the Crimean Peninsula, the Russians managed to increase their aviation activity in the vicinity of the Romanian border. The country, due to the presence of some U.S. military amenities located on its territory, has become the main target of Russia's hostile behavior. Both recent incidents as well as Moscow's provocative attitude seem to confirm that Bucharest has been right: while strengthening NATO's eastern flank in the Baltic region, the Alliance has somewhat neglected its Black Sea section – the region that has a strategic importance because it provides Russia with a sea connection with both the Mediterranean Sea and the Middle East.

Since May, RAF Eurofighter Typhoon fighters from the Scottish base of Lossiemouth have been deployed to Romania as part of NATO 'Enhanced Air Policing' mission. Its aim is to raise the security of Romania as the country may be threatened by Russia's policy. Over the past few weeks, British Typhoon aircraft were scrambled several times in connection to some provocative incidents of the Russian aviation. On July 26, the RAF announced that a pair of fighters was launched from the Mihail Kogalniceanu Air Base near the Romanian city of Constanta; their task was to deter a Russian bomber that was flying towards the NATO airspace. The British aircraft returned to their base after a short patrol. Typhoons were launched in a combat readiness also on August 13 after Russian fighters had approached the NATO airspace over the Black Sea. They have been carefully monitored by the British air forces; nonetheless, no official intervention was started. On August 21, two British Typhoon jets were scrambled to intercept Russian Sukhoi Su-30 fighters that approached the airspace of NATO member states in the Black Sea region. Two days later, on August 23, a pair of Eurofighter Typhoon aircraft intercepted a Russian Be-12 high-wing amphibian that was operating out of its Crimean base.

While commenting on recent activities, Britain's Defense Minister **Gavin Williamson** stated that recent situation has made it clear for the British authorities to use their best efforts to increase the security of NATO and Europe. "Whether in the skies over the

SOURCE: RAF.MOD.UK

Black Sea and the Baltic, or on the ground in Estonia, our actions send a clear message – we are collectively ready to respond to any act of aggression and will support our Eastern European allies to deter any threats faced", he said. In July this year, Britain's minister of state for the armed forces, **Mark Lancaster**, spoke about "an ever more assertive Russia." He reported that over the last decade, British fighters had to be launched more than 80 times to intercept Russian military aircraft. The issue was also commented on by the Russian Embassy in London. According to its spokesperson, British politicians can be referred to as irresponsible as they have depicted some "routine actions performed by the Russian side as provocative incidents." In addition, the idea of deploying NATO aircraft to Romania, Baltic States and Poland – instead of enhancing the security of European countries – has been "actually used" by London for carrying out "such provocative activities."

Russia's increased activities in the vicinity of the Romanian border may be associated with yet another breakdown in the country's diplomatic relations with the United States and the North Atlantic Alliance while targeting Romania can hardly come as a surprise, especially due to recent actions. Following the Russian annexation of Crimea, Romania has in fact become Russia's maritime neighbor.

Such increased activity of Russian aviation results with annexation of Ukraine's Crimean as well as expanding its military potential on the peninsula; in particular, the Russians seek to develop a dangerous A2/AD anti-access/area denial strategy); thus, it does not come as a surprise that Moscow has chosen Bucharest as its main target: the United States disposes of the Constanca Air Base as well an anti-missile shield located in the Deveselu Air Base. Russia is currently able to attack most of Romania's territory – both from land and sea.

Facing an increased threat, Romania has decided to review its defense policy and to introduce some major changes. On one hand, the state seeks to deploy the most significant number of allied forces to its territory; nevertheless, on the other hand, it has focused on expanding its territorial defense. And, of course, the country decided to increase its military expenditures. The authorities in Bucharest have recently urged that NATO's eastern flank had been strengthened in an uneven way. More incidents have recently taken place both in Poland and in Baltic states while the situation in Black Sea region seems quite stable. However, the current state of affairs appears all the more serious that Bulgaria – due to its internal political conditions – is not as determined to develop NATO's military potential on this territory while Turkey has clearly approached Russia over the past few years.

SOURCE: MIL.RU

28 August 2018

RUSSIA'S VOSTOK-2018 STRATEGIC DRILLS: TOP THREE FACTS

In fact, Russia's biggest war games since 1981 have turned out to be what is referred to as an announced test of combat readiness of most units of both the Central and Eastern Military Districts, held between August 20-24. Officially, the Vostok-2018 military drills are scheduled for September 11, 2018. So what is their most important aspect, apart from the propaganda one? Both the scope of the drills as well as their targets seem to indicate that the Russians are pursuing to exercise scenarios of a potential conflict – either continental or global one. This fact is additionally reinforced by significant military presence of Chinese units. Moreover, during the exercises, Russia's armed forces are likely to use tactical nuclear weapon.

The Vostok-2018 military maneuvres will be attended by nearly 300,000 servicemen, over 1,000 aircraft; in addition, all training ranges of the Pacific Fleet and North Fleet as well as Russia's Airborne Forces will be fully deployed to their respective positions. The drills will take place in the Central and Eastern Military Districts, on the territory of Southern Siberia and the Russian Far East. Several maritime exercises are to be held in Russia's Laptev Sea where the Northern Fleet redistributed at least eight of its units. The Vostok-2018 war games are officially scheduled for September 11 – they will begin at the Tsugol training ground – and will last until September 15. Such will be the main drills; similarly as during the Zapad-2017 exercises, all military tests and maneuvers seem longer as well as they cover larger territory and involve more resources.

Therefore, one may expect that Russia will increase combat readiness of its forces also on the territory of its European part.

The Russian strategic drills have shown that the country aims to carry out large-scale conflict exercises, NATO spokesman announced. Indeed, a number of 300,000 servicemen, who are supposed to take part in the drills, seem way too large as for practising a plain regional conflict. Instead, the Russians seek to prepare their armed forces for a war that might possibly involve either many regions or countries of more than one continent. Also high-readiness units – airborne troops as well as 15th Mechanized Infantry Brigade ("peacekeepers" on duty) – are also to play the key role during the drills. The main goal is to check both mobilisation mechanisms and logistic security so that even large units can be deployed in any direction over long distances. If Russia manages to master such ability, all the neighbouring states will not be certain any place that could be targeted by the country's armed forces. What is more, also relatively large involvement of Chinese units seem to constitute yet another important element of the war games. Previous editions of the Vostok war games essentially took into account a plausible conflict with this state; now, China is expected to send 3,200 troops, 900 pieces of military hardware and as much as 30 aircraft. For the first time in history, the military drills will be attended by Mongolian troops. And China's participation basically means that Russia has no intention of gearing up before any potential conflict against the Middle Kingdom; instead, the country may envisage a possible war with the United States and its Asian allies, including Japan. According to a Pentagon official, the drills scenario may also include the simulated use of nuclear weapons. The drills are likely to be conducted with the use of small artillery missiles. It is all about testing the key element of Russia's nuclear doctrine – "escalation leading to de-escalation" tactics – which provides for a symbolic use of nuclear weapons so as to force the enemy to recognise his conventional losses and to withdraw from any counterattack for fear of further conflict escalation and a potential nuclear war. However, Russia will resort to such measures only in the event of a serious conflict with the West. Thus, the Vostok-2018 war games should be considered as probable preparation for a dangerous U.S.-Russian war.

29 August 2018

AUSTRIAN WEDDING: RUSSIA'S TROJAN HORSE IN EUROPE

Inviting Russia's President Vladimir Putin to the wedding of Austrian Foreign Minister has been sparked a storm also outside Vienna. Putin's relations with the members of Austria's ruling elite have already gone beyond generally accepted diplomatic principles. Apart from participating in the Nord Stream 2 project, the Austrians decided in June to extend the contract for Russian gas supplies. Austria's partner services have recently been alarmed by the fact that a pro-Russian party forms a political coalition in the Austrian government while their politicians have considerable influence on the country's security structures. The Austrian press has quoted an anonymous employee of the Office for the Protection of the Constitution and Counterterrorism (BVT) who feared that any top-secret information from his office might be deliver to Putin's desk only a day later.

SOURCE: KREMLIN.RU

On August 18, Putin attended the wedding reception of Austrian Foreign Minister Karin Kneissl, appointed by the far-right Freedom Party (FPÖ). Initially, Putin's visit was referred to as "personal"; still, President later admitted that he had managed to find some time to off-record talks both with Austria's foreign minister (the bride) and Chancellor Sebastian Kurz, who were among other guests. In addition, the wedding was attended by Austria's Vice-Chancellor and FPÖ leader, Heinz-Christian Strache. Moscow's friendly relations with Vienna are additionally increased by the fact that Putin visited Austria in June in first trip after re-election. Since December 2017, Austria has been governed by a coalition of the centre-right Austrian People's Party (ÖVP) and the populist Austrian Freedom Party (FPÖ).

Chancellor Sebastian Kurz of the Austrian People's Party has repeatedly said that his country played the role of "a bridge between East and West"; however, the FPÖ party has gone further by signing in 2016 a formal cooperation agreement with Putin's United Russia party. Leaders of the FPÖ have repeatedly called for international sanctions against Russia to be lifted. Moreover, Austria did not decide to follow the example of other Western states and to expel Russian diplomats who might have had some connections with Russia's services after the attempt murder of Sergei Skripal. Even if Austria does not belong to NATO member states, it has been considered as an important partner of the Alliance in terms of intelligence and counterintelligence services: for instance, Vienna is home to numerous international organizations, including UN, OPEC, and OSCE.

According to the Austrian opposition parties as well as some of the country's media, Interior Minister Herbert Kickl – who serves as the FPÖ's party's general secretary – is trying to exert influence on the state's special services. The Freedom Party politicians were supposed to stand behind the police raid on the BVT's main offices, as reported by The Washington Post the same day as Putin's visit to the Austrian province of Styria. During the raid, the police was said to take away top-secret files. Formally, the police action in the BVT headquarters was conducted as part of a joint operation with South Korea to obtain North Korean passports that were being printed in Austria. Nonetheless, in could be all about discrediting chiefs of counterintelligence services in order to remove them and replace with loyalists. Thus, the interview of a former head of Germany's foreign intelligence service could be interpreted as the last warning for the Austrians. On August 23, August Hanning told Germany's Bild newspaper that the states should be extremely cautious when sharing information with Austria. A former head of German intelligence suggested that Austrians "cannot protect its own secrets or the sources and sensitive information of its partners." A few days earlier, The Washington Post had reported that some Western intelligent services "had frozen" the information sharing with Vienna. However, the head of Austria's BVT, Peter Gridling, denied that there has been any reduction in cooperation; even though, the opposition demanded the National Security Matter to be called within the next few days.

SOURCE: PDVSA.COM

30 August 2018

ROSNEFT SINKS MONEY INTO VENEZUELA'S COMPANIES

For many years, both the Russian authorities and the state's oil giant Rosneft have been providing their financial support to Venezuela as the country had plunged into a deep economic recession. However, it does not seem possible to recover loans amounting to at least 6 billion dollars. And Rosneft's assets in Venezuela are threatened by claims of other foreign companies against PDVSA's monopoly on the Venezuelan market.

The U.S. District Court of Delaware on August 23 issued an order to arrest the shares of a petroleum refinery Citgo. In 2016, the Venezuelan oil company PDVSA handed over about half of the company's stakes to Russia's oil giant Rosneft as collateral. And such state of affairs means that Russia will not get the money back as the firm's shares might be transferred to Canada's Crystallex. The verdict of the American court constitutes yet another stage of the dispute between Crystallex, its American subsidiary PDVH and Swiss-registered Rosneft Trading. PDVH currently controls 50.1 percent of Citgo shares while Rosneft Trading accounts for 49.9 percent of stakes. Canadians filed a lawsuit to secure Citgo's shares in 2017; the company believed that PDVSA had purposely moved its assets out of the reach of creditors, for example by pledging loans. Crystallex is currently demanding a $1.4 billion compensation following a dispute over Venezuela's 2011 nationalization of its gold mining.

Citgo is U.S. sixth largest refinery and Venezuela's most considerable asset in the country. In November 2016, Rosneft's daughter company received a pledge of 49.9 percent of Citgo shares, as a collateral of a $1.5 billion loan granted to Venezuela. The refinery's overall value is estimated at about 6.5-7.8 billion dollars; thus, Rosneft's shares in Citgo amount to approximately 3.2-3.9 billion dollars. In 2017, PDVSA and Rosneft held bilateral talks on exchanging pledge in Citgo for a contract for fuel supplies and shares in oil fields. Nonetheless, following the Delaware court ruling, the situation may develop in a twofold manner. The PDVSA-Rosneft deal may thus be validly declared null and void; the Russians will be no longer entitled to hold shares, Citgo will be rapidly sold while all the funds will be used to pay off debts to Crystallex. Moreover, Crystallex may possibly take over Citgo and then pay off all debts to Rosneft. And, theoretically speaking, it is still plausible to settle the issue in an amicable way. Crystallex is not the only company that decided to file a lawsuit against Rosneft Trading and PDVSA; such was also the case of U.S. oil firm ConocoPhillips. But both the company and PDVSA managed to conclude a deal, under which the Venezuelan company pledged to pay up 2 billion dollars.

Rosneft's dispute with Crystallex may cost the latter even 1.4 billion dollars. Sechin's enterprise has been subsidizing Venezuela for quite a long time; Rosneft constitutes one of the largest foreign donors of the country's economy. In addition, it is the only Russian company that did not withdraw from the market while it disposes of shares in a number of Venezuela's hydrocarbon deposits. And Rosneft helped PDVSA by prepaying oil and fuel supplies; nonetheless, due to the company's debt amounting to 6 billion dollars, the Russians finally decided not to pay in advance. Bearing in mind dramatic state of both PDVSA and Venezuela's economy, it may be expected that either most of these funds, or even all of them, will ultimately prove to be a non-returnable and politically motivated subsidy, aiming to support the Maduro regime.

SOURCE: WIKIPEDIA.ORG

31 August 2018

FINAL COUNTDOWN IN IDLIB PROVINCE: MOSCOW DEPLOYS VESSELS AND AIRCRAFT

Recently, there have been many indications that an offensive against Syria's Idlib province, led by the military forces of President Bashar al-Assad and his allies, will take place in the early days of September. Such state of affairs is particularly evidenced by the attitudes represented by Russia's military and diplomatic authorities. In the first week of September, Russia's naval fleet is expected to carry out mass-scale drills that will be held in the vicinity of the Syrian coast. It is the first such large number of Russian vessels to be deployed to the region since the beginning of the Syrian military operation. Simultaneously Russia's top-level officials have recently talked much about the necessity of solving the "problem of Syrian rebellion bastion". In addition, the Russians have warned the Americans against the issue; moreover, they are already getting ready for potential chemical weapons attacks.

Located in northeastern Syria, Idlib province is the last important enclave of the rebellion forces. Military forces of President Bashar al-Assad are currently preparing an armed offensive against the region while Russia, Turkey and Iran are still conducting negotiations on the military attack. Ankara opposes the idea of the offensive but its resistance may be stiffened by Moscow as the Kremlin might take into account a wider geopolitical deal to be concluded with the Turkish authorities. On August 29, Iran's Foreign Minister, Mohammad Javad Zarif, paid a visit to the Turkish capital. Nonetheless, Russian diplomacy has been particularly active in this respect in recent days. On August 27, Russia's Defense Ministry accused the United States of preparing a missile attack on Syria's government forces "following al-Assad's planned provocation in Idlib province with the alleged use of chemical weapon." Two days later, Russia's Foreign Minister Sergei Lavrov described the Idlib militants as a "festering abscess" that "needs to be liquidated." On August 30, Russian Ambassador to the United States Anatoly Antonov announced that he had already informed the U.S. authorities about Moscow's concern over new attacks to strike Syria to be carried out by Washington. On the same day, Lavrov said that it was unacceptable to let the Idlib militants use the region to attack government position and make an attempt to strike Russia's Khmeimim Air Base with the use of unmanned aerial vehicle. He mentioned this issue at the meeting with Syria's Foreign Minister, during which Walid al-Moualem assured that government forces will "go all the way" in the rebel-held region. It was on the same day that Kremlin spokesman Dmitry Peskov called Syria's Idlib province a hotbed for terrorists and warned against consequences of inaction to deal with the problem. On August 30, Russia's Defense Ministry announced military drills to be held in the Mediterranean Sea on September 1-8. Over 25 warships and support vessels were deployed to Syria, as well as 30 aircraft, including the missile cruiser Marshal Ustinov and Tupolev Tu-160 strategic bombers.

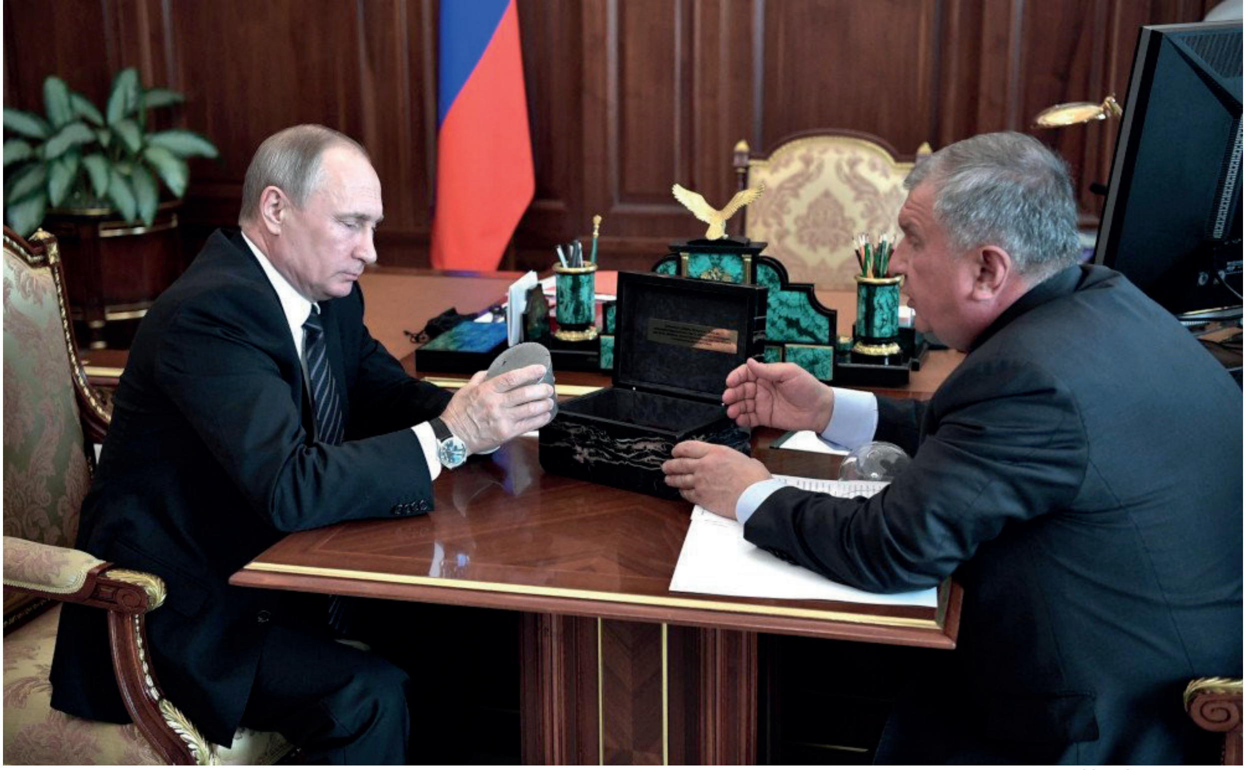
On August 30, UN Syria envoy Staffan de Mistura called on Russia, Iran and Turkey to prevent the offensive against the rebel-held Idlib province. In addition, the UN has already warned against a probable humanitarian crisis. The situation in Idlib will constitute a genuine test for Washington. The Kremlin will be monitoring the behaviour of the Americans whereas U.S. national security adviser John Bolton warned that the United States would respond "very strongly" if forces loyal to al-Assad used chemical weapons in an offensive to retake Idlib province.

31 August 2018

PUTIN AIDS SECHIN AS RUSSIA'S ROUBLE DROPS

Vladimir Putin's recent decision constitutes yet another example of special treatment given to a state-owned oil giant Rosneft. The President has signed a bill that will make it possible to Sechin's company to handle its dollar profits and invest money outside the country. Of course, the legal act did not specify the firm's name; nonetheless, the regulations were adopted in such a way that would concern exclusively one entity. And any steps that act to the benefit of Sechin's enterprise may appear unfavorable to Russia's economy as well as the country's citizens.

President Vladimir Putin signed a law that could seriously affect the economic situation in Russia. It is all about the legislation which favors considerable hydrocarbons exports while jeopardizing the stability of Russia's rouble exchange rate. The Russian leader abolished the requirement for Western-sanctioned entities to transfer their foreign currency profits to the country; the provision had been introduced a few years earlier due to a rapid decline in rouble's value. At the end of 2014, the Russian government obliged exporters to put any foreign sales revenues on Russian banks' accounts. The



SOURCE: KREMLIN.RU

main aim was to stop the sharp fall in rouble's value by saturating the domestic market with hard currency. President Putin urged large companies to sell their dollars in the country. At that time, a decree to "repatriate currency" affected Russia's five big companies: Rosneft, Gazprom, Zarubezhneft, Alrosa and Kristall. Today, only Rosneft faces some economic restrictions, which clearly means that the new legislation has been introduced exclusively for this corporation.

The recent change in regulations may help Sechin's company; due to sanctions, the concern is neither able to take out long-term loans in Western financial institutions not purchase foreign equipment. Still, the decision has some serious negative consequences: if Rosneft has intention of making some profits abroad, such state of matters may lead to an increase in foreign currency deficit in the domestic market. According to various estimations, the total amount may vary from 26 billion dollars to even 64 billion dollars. Most of Rosneft's profits – as the company is Russia's largest oil firm to exports huge quantities of the resource – are counted in U.S. dollars. So if the concern makes a decision to no longer invest its foreign currency incomes in Russian banks, the rouble to dollar exchange rate will only strengthen. In the view of some analysts, the dollar may be worth up to even 70 roubles in the course of a year. There is no doubt that such dramatic change will affect personal finances of many Russia's citizens.

SOURCE: GAZPROM.COM

31 August 2018

GAZPROM-NAFTOGAZ CONFLICT

Russia's concern confirmed in its latest quarterly reported that the court had imposed arrest on its shares in yet another company in a further European country. It is all about the Netherlands-based operator of the Blue Stream gas pipeline. Such is the result of legal actions undertaken by Ukraine's Naftogaz as the company seeks to seize a debt from the Russian company, according to the Stockholm ruling.

According to Gazprom's quarterly report, published on August 29, in May this year, Amsterdam District Court ordered to arrest the shares of the Blue Stream Pipeline Company B.V. that belong to Gazprom. The takeover occurred on the suit of Naftogaz. Founded in 1999, Blue Stream Pipeline Company B.V. is a joint-venture company of Russia's Gazprom and Italy's Eni. The firm manages the Blue Stream pipeline, used by the Russians to transmit gas to Turkey on the Black Sea bottom.

The court's ruling is connected with Naftogaz's effort to enforce some of the amount from Gazprom, according to the February ruling of the Stockholm arbitration tribunal. It is about a Gazprom-Naftogaz dispute over the conditions and implementation of two agreements, concluded by these entities: on the supply of Russian gas to Naftohaz and the transit of Russian gas to Europe via the Ukrainian gas pipeline network. First, the Stockholm tribunal ruled than Naftogaz would pay off its gas for all gas that had been earlier supplied to Ukraine. Later, the arbitration decided that Gazprom should pay Naftogaz 4.64 billion dollars as a compensation for the shortage of gas under the transit agreement; such Gazprom's step meant specific financial losses for the Ukrainian concern as it is provided by the Russians with a fee for the possibility of transporting gas to European consumers via Ukraine's territory. So Naftogaz announced that, having deducted the amount owned by Gazprom, the Russian concern should ultimately pay the award of 2.56 billion dollars. However, Gazprom has no intention of paying anything as it strongly opposes the Stockholm ruling. The Russians first asked the decision to be partially abrogated; later, they claimed the ruling to be completely repealed. They also applied to a Swedish regional court to cease the implementation of the arbitration decision while the appeal was still in progress.

Naftogaz has already attempted debt enforcement procedures by filing lawsuits in Dutch, British, and Swiss courts. On May 30, Swiss court bailiffs began a census of assets in the offices of Gazprom's subsidiaries: Nord Stream AG and Nord Stream 2 AG. A week later, Gazprom confirmed that its assets had been arrested in the Netherlands. In June, a court in London froze Gazprom's assets in Great Britain at the request of Naftogaz. The Russian company appealed against all decisions; as a result, several court disputes are currently in progress. After the Ukrainian company has successfully managed to freeze Gazprom's assets in several Western countries (including the United Kingdom), foreign banks seems still afraid of both lending and servicing the firm's securities.

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