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CONTENTS

SOURCE: KREMLIN.RU

5 November 2018

PUTIN VOICES SOLID SUPPORT FOR GRU MILITARY INTELLIGENCE

Vladimir Putin's presence in a ceremony marking the 100th anniversary of Russia's military intelligence services – as well as his speech – clearly indicate that the GRU should not be afraid of any purges, even in the face of a series of mishaps that have occurred over the past few months. The state's military intelligence services obediently follow the Kremlin's instructions, thus gaining Putin's trust. Moreover, the President's announcement to restore the GRU to its original name constitutes a symbolic part of the Kremlin's aggressive policy.

Following the nerve-agent poisoning of **Sergei Skripal**, a series of cyberattacks and an unsuccessful attempt to hack the global chemical weapons watchdog in the Netherlands, the unit was widely expected to fall into the Kremlin's disgrace. In addition, Russian public opinion even speculated about a major conflict between the country's various special services. Yet it turned out that the service may enjoy Putin's full trust and support. Naturally, it is not known if such approval stems from the President's personal assessment of the GRU's hitherto activities or from a very strong position of the army and Defense Minister **Sergei Shoigu**. In fact, Putin has no possibility to antagonize and weaken the unit while Russia continues war activities on several fronts and is already involved in an arms race with Western countries.

Over the last few weeks, there emerged many speculations about possible repercussions that may be felt by the GRU after some facts that had been revealed by independent media or accusations made by Western states. Nevertheless, none of them seemed to exert any negative impact on the military intelligence units; on the contrary, it was the time to take advantage of the "besieged fortress" mechanism. On November 2, President **Vladimir Putin** took part in a ceremony marking the centenary of Russia's military intelligence agency. While addressing both current and former intelligence officers, he expressed his wishes on the occasion on the "centenary of the legendary GRU". Furthermore, Russian President called the GRU to be restored to its former name; it is noteworthy that since 2010, the unit is officially called the **Main Directorate of the General Staff of the Armed Forces of Russia** (GU) but the GRU abbreviation is still quoted by politicians and experts. Applauded by the gathered audience, Putin urged that the word "intelligence" be brought back to the original name.

In addition, the Russian leader expressed his utter conviction that the service performed its duties in a professional and effective manner. In particular, he seemed most enthusiastic about the GRU's huge role in the civil war in Syria. Such state of matters seems to corroborate that in the context of Russia's current "war" policy, military intelligence is likely to remain a vital tool to achieve all Kremlin's goals. The Russian President reiterated that the officers of the Imperial Russian Army, who were incorporated into the new structure after the 1917 revolution, ensured the continuation of the service. In his opinion, they realized that "there is no greater shame than to betray the Fatherland and their comrades." In such a manner, the President sought to refer to the case of former Russian spy Sergei Skripal, called by Putin "a traitor to the motherland", at the same time sending a clear warning to all officers of Russia's special forces.

5 November 2018

RUSSIA'S NEW WEAPON: PUTIN DID NOT KEEP HIS WORD

According to Russian information agencies, quoting sources in the country's armaments industry, the new generation inter-continental ballistic missile Sarmat is scheduled to enter duty no sooner than in 2021. Back in May this year, President Vladimir Putin announced that the Russian army was expected to receive a weapon in 2020. Such was the initial schedule, yet it is not known whether it would be possible to enter the system into service by 2021 as the missiles do not appear to have started testing yet.

Cited by official news agencies, some officials in the Russian armaments industry have claimed that the **Sarmat missile** development plan is being implemented with no major impediments while the two first missiles will enter duty in 2021. The missile's serial production is also scheduled for the same year. The weapon will be first provided for a missile regiment stationed in the city of Uzhur in Krasnoyarsk Krai (eastern Russia). Later, four more Sarmat missiles will be deployed to the same military regiment.

So all media leaks and information that the program is being implemented according to the schedule constitute a kind of "propaganda of success". According to the original plan, the test flight would start in 2017 while only three years later, the weapon will be deployed to Russian units. On May 18, such goal was announced by President **Vladimir Putin** during a meeting with leading officials of the Russian defense industry held in the Black Sea resort of Sochi. Nevertheless, the ballistic program has already encountered some difficulties; although the tests began in 2017, these were merely tested launches and not flights. Following three attempts of that kind,

SOURCE: STRUCTURE.MIL.RU

it seems that the Sarmat missile is finally ready to phase out its first test flight that would probably take place in early 2019.

The RS-2 Sarmat is a Russian superheavy intercontinental ballistic missile (ICBM) of a practically global range of 10,900 kilometers. In addition, it can pack as much as eight megatons of energy. It is to replace the hitherto R-36M2 Voevoda ICBM (NATO: SS-18 Satan). The Command of Russia's Strategic Rocket Forces declared that the first Sarmat regiments (with a total of 46 missiles) would be provided for missiles divisions in Uzhur and Dombaravoy (Orenburg Oblast). The latter is also to be equipped with the Avangard hypersonic missile systems.

Russia is currently modernizing its nuclear arsenal of the intercontinental range while making an attempt to diminish it, according to the provisions of the NEW START deal. Nonetheless, the treaty is bound to expire in 2021 while the Trump administration does not seem willing to extend its duration. According to the latest data, exchanged in September 2018, Russia has deployed 1,420 nuclear warheads and 517 strategic delivery systems (with a total of 775 launchers). In February 2018, these numbers amounted to 1,444, 527 and 779 respectively.

6 November 2018

TALIBAN DELEGATION TO VISIT MOSCOW

Taliban delegation will attend peace talks scheduled to take place in Moscow on November 9. Yet it seems that this time, the Russian initiative will bring about better results than the two previous ones. Moscow's diplomatic efforts, combined with Russia's support for the Talikhs, clearly depicts that the Kremlin may play an increasingly important role in Afghanistan.

On November 6, a spokesperson for the Taliban's Qatar-based political office confirmed that the delegation agreed to take part in the Moscow peace talks on

SOURCE: WIKIPEDIA.ORG

November 9. A day earlier, officials from **Afghanistan's High Peace Council** (HPC) also declared their readiness to pay a visit to Moscow. The organization operates within the governmental program whose main task is to support peace processes and reintegration of former militants into Afghani society. Thus, Russia's Foreign Ministry could consider that the statement of Afghan President **Ashraf Ghani** was, in fact, a green light for sending a delegation of high-level politicians to the Moscow peace talks. Nonetheless, the HPC cannot be referred to as an official governmental body. In addition, no representative of the Afghan government has confirmed participation in the Moscow conference. On November 3, a spokesperson for Afghanistan's Foreign Ministry declared that the state authorities had not made any official decision.

Speaking of Kabul, it once refused to participate in such negotiations. In August Russia submitted its proposal to host a conference on Afghanistan's political and military future. At that time, the Afghan presidential administration turned down the invitation to attend as it expressed its utter conviction that peace talks with the Taliban, which constitute an "internal affair of the Afghans", should be held under the leadership of the government in Kabul. Thus, much more will depend on the U.S. standpoint; so far, Washington has been very critical of Russian involvement in Afghan affairs. In April 2017, Russia hosted a global conference on Afghanistan; the United States was invited to participate but they did not send any official delegation. **The Defense Intelligence Agency** (DIA) reported that Russia might have provided Afghan Taliban with financial aid and weapons. Earlier, the same accusations had been made by U.S. Defense Secretary **James Mattis**. Back in February, U.S. Department of State reiterated that Russia's activities in Afghanistan posed a threat to the legitimate authorities in Kabul.

Over the past few months, the Taliban held at least two meetings with the Americans; on October 12, U.S. Special Representative for Afghanistan Reconciliation **Zalmay Khalilzad** paid a visit to the country. Nonetheless, it would be a mistake to believe that the Taliban changed their mind as a result of American efforts, especially that they had hitherto rejected to participate in talks. The presence of the Taliban aims first and foremost to authenticate all Russian undertakings as well as to constitute the very first step towards Moscow's position as the leading mediator in the Afghan war. Russia considers the Taliban as a mere tool to rebuild its former zone of influence in Afghanistan.

SOURCE: KREMLIN.RU

6 November 2018

THE KREMLIN TO STRENGTHEN RUSSIA'S FAR EAST

On November 3, Russia's Vladimir Putin signed a presidential decree on adding the Republic of Buryatia and Zabaykalsky Krai to the Far Eastern Federal District. The President's decision came amid poor results of the recent regional elections held in this part of the country. At the same time, Putin sought to stress out that the region is a top priority for the Kremlin.

Interestingly enough, it is the first change of the border between the two aforementioned regions since the establishment of federal districts in 2000. The Russian Federation consists of eight federal districts, which comprise the subjects of the Russian Federation: republics, oblasts, krais, and cities of federal importance. Until recently, the Siberian Federal District encompassed twelve entities while the Far Eastern Federal District consisted of eight subjects. Following the latest change, both of them will consist of ten of them.

The Far East is of great importance to Moscow; due to its favorable geographical location, the region represents both military (closeness to the United States, Japan, and China) and economic values (neighborhood of Chinese, Korean and Japanese markets). At the same time, **Vladimir Putin** seems to attach great importance to the region that can be observed since 2012, that is the beginning of this previous presidential term. After calling on Russia to "catch the Chinese wind in our sails", the President ordered to set up a state-owned corporation whose main aim would be to speed up the region's further development, establish tax-free zones and free ports as well as he forced state-owned firms to take more of an interest in the Far East. Nonetheless, the results of the recent regional polls have clearly depicted that such a policy does not bring the expected political profits. For instance, in Khabarovsk Krai, the Kremlin-endorsed candidate lost a gubernatorial election. Additionally, he would also suffer a severe defeat in Primorsky

Krai, even in spite of blatant electoral frauds. But for the extraordinary intervention of the Russian Central Election Commission and its decision to annul the results, the regime would have probably lost this influential region.

On October 25, Vladimir Putin appointed **Alexander Osipov** as Acting Governor of Zabaykalysky Krai; previously, the politician held a post of the first deputy minister of Russia for the development of the Far East. During his meeting with President, Osipov asked the region to provide him with necessary support while introducing there some substantial aid measures that had been earlier deployed to the Far Eastern District. It is first and foremost about setting up so-called advanced development territories, understood in terms of infrastructure subsidies for investments projects that would grant each citizen the right to receive a free land plot of up to 1 hectare in the Far East. In addition, Zabaykalsky Krai seeks to tighten its ties with the East. The days are over when the region constituted a kind of borderland between Siberia and the Far East. Back in 2016, **Nikolai Govorin**, member of the Russian State Duma, said that the presidential administration had envisaged the plan to incorporate Zabaykalsky Krai into the Far Eastern Federal District. Thus, it seems that Osipov's nomination, followed by transferring two federal subjects from one district to another, is tightly linked to the on-going discussion on Russia's new administrative structure that envisaged the creation of so-called macro-regions. Speaking of the Far Eastern Federal District, one may distinguish three such entities: Sakhalin Oblast, Primorsky Krai (1), Yakutia and Magadan Oblasts (2), Zabaykalsky Krai, Republic of Buryatia, Khabarovsk Krai, Amur Oblast and Jewish Autonomous Oblast (3). There may be some changes within the district; following his nomination in September, Acting Primorye governor Oleg Kozhemyako began the lobbying for transferring the center of the Far Eastern Federal District from Khabarovsk to Vladivostok. Kozhemyako has claimed that such an idea was widely advocated by Prime Minister **Dmitry Medvedev** and Chief of Staff of the Presidential Executive Office **Anton Vaino**.

7 November 2018

SPY HUNTING IN RUSSIA

Russian special services have recently detained another person convicted of high treason. It is about a young expert of a private military think tank whose interests included the activities of Russian mercenaries. Interestingly enough, over the past few months, there emerged a couple of similar cases that had at least three aspects in common. Firstly, most defendants specialize in the domain of security and armaments. Secondly, their cases are being classified as strictly confidential. Thirdly, all top-secret information transferred abroad by the alleged detainees is generally available and can be accessed even in some scientific publications. Such a "spy hunting" seems to place into a context of an atmosphere of suspicion and danger as well as the "besieged fortress" syndrome as developed by the state authorities.

Vladimir Neelov, 28, is an expert of the **Center for Strategic Trend Studies**. Since 2012, the commercial entity has been specializing in military and political matters as well as international security. Neelov was detained on October 25 in his hometown of St. Petersburg, from where he was transported first to the local FSB headquarters and then

SOURCE: KREMLIN.RU

to Moscow. He was taken into temporary custody in Moscow's infamous Lefortovo prison while his case was referred to as a "top secret". In the light of the information published by the court, the man will be tried under Article 275 of the Russian Criminal Code, thus facing up to 20 years in jail. According to investigators, Neelov is suspected of passing information constituting state secrets to a foreign country. Nonetheless, the analyst has already disputed all charges. It has been known that he was interested in modern wars, military doctrines and strategies, and private mercenary companies. Speaking of the last of them, some of his publications tackled the issue of the so-called Wagner Group. Invited by multiple non-governmental organizations, Neelov paid visits to Austria and Sweden where he delivered a number of speeches on private military firms. In addition, he often commented on various issues in the Kremlin-backed media.

Neelov is yet another defensive specialist that has recently been arrested on suspicion of numerous criminal offenses. Back in June, special services detained a former military **Andrei Zhukov** as well as an inhabitant of Sevastopol, **Evgeny Yanko**, who had been previously convicted of pedophilia. The former has been accused of high treason while the latter – of spying against Russia. Both men were active users of numerous Internet forums where they wrote about the history and present of various military units. Nevertheless, Russian special services aim first and foremost to hit scientists specializing in the armaments industry. For example, **Viktor Kudryavtsev**, 74, has also been accused of high treason. According to investigators, he leaked secrets on military technologies deployed in Russian Kinhzal and Avangard missiles to some NATO countries. Aleksey Temirev, 64, a scientist from the southern city of Novocherkassk, was convicted of high treason and passing secret information on an electric power supply in Russian submarines to the Vietnamese authorities.

Only in June and July this year, Russian courts have launched six espionage and high treason cases. All of them were classified as top secret, which seems perfectly convenient for the services; such a solution limits the ability to assess whether suspicion could be justified and based on solid evidence. Nonetheless, according to the statements issued by defendants of all the accused men, such alleged secret data, which they had been supposed to pass to foreign countries, can be easily found in publicly available scientific publications in both Russian and foreign periodicals.

SOURCE: KREMLIN.RU

8 November 2018

RUSSIA AND CUBA: UNITED IN THE FACE OF A COMMON ENEMY

Cuba's new President recently paid a visit to Moscow, giving the green light to the further advancement of Russian-Cuban cooperation. Over the past few years, Moscow and Havana sought to enhance their economic and energy ties while they now draw attention to developing military ties. The more so that the ongoing crisis in relations with the United States may tempt some Kremlin officials to restore Russia's military presence in Cuba.

On November 1st, U.S. National Security Advisor **John Bolton** informed about new sanctions to be imposed on Venezuela, Nicaragua, and Cuba while accusing the last one of supporting the **Maduro government in Venezuela**. The U.S. Department of State introduced restrictions against more than 20 Cuban institutions and companies controlled by the army or local security services. Such decision was announced a day before the meeting between Cuban leader and Russian President **Vladimir Putin**. **Miguel Diaz-Canel** began on November 2 a three-day trip to Russia. In April this year, the politician was appointed by his predecessor, **Raul Castro**, as the President of the Council of State.

During the meeting in the Kremlin, Russian and Cuban leaders expressed their criticism towards latest restrictions as well as voiced concern over the U.S. withdrawal from the Intermediate Nuclear Forces **(INF)** Treaty. The latter seems particularly vital in the context of a potential return of Russian troops to Cuba. Due to the U.S. pulling out of subsequent treaties aiming to limit the armaments, Moscow may therefore be interested in further deepening its military partnership with Cuba. Nonetheless, it is doubtful whether Russian generals have ever taken into account to deploy military forces in the vicinity of any large bases, not to mention ballistic missiles targeted in the United States. Instead, one may expect that the Russian army will utilize reconnaissance units and radio-electronic weapons. It is noteworthy that back in June, Russia's Roscosmos space agency signed a contract that allowed to set up in Cuba communications facilities linked to Russia's artificial Earth satellites. These can also be used for military purposes. In addition, Russia may intend to build in Cuba a logistics and supply base for its submarines.

Another important element of Diaz-Canel's visit to Moscow was armament cooperation between the two countries. Russia's Deputy Finance Minister **Sergei Storchak** said the state might grant Cuba a loan of 50 million dollars to allow it to purchase Russian aircraft, helicopters, and armored vehicles. Prior to this declaration, an intergovernmental committee on economic cooperation held a meeting in the Cuban capital. Russian standpoint was represented by Deputy Prime Minister **Yuri Borisov** responsible for overseeing the state's defense industry. In 2017, the trade exchange between Russia and Cuba increased by as much as 17 percent while the current figures are likely to improve in the foreseeable future. Furthermore, Putin announced that Russia's state-owned oil producer Rosneft had already started to search for hydrocarbon deposits on the Cuban shelf. The Russians also plan to modernize three power units of Cuba's power plant as well as to provide Havana with new railway wagons.

SOURCE: KREMLIN.RU

9 November 2018

RUSSIA'S FSB SHAKEN BY REGIONAL RESHUFFLES

Recent personnel reshuffles took place at three FSB regional offices while two of them, Kaliningrad and Crimea, seemed extremely important from the point of view of intelligence and counterintelligence security. The Kremlin's latest decision aims to put an end to local criminal and political ties as well as to deploy experienced officers tasked with restoring order in the regions.

On November 6, the FSB announced the name of a new chief of the Irkutsk branch, considered as one of the most important regions in the Asian part of Russia. The position of the head of FSB Board (UFSB) was assumed by Colonel **Andrei Patrakov**, who has been in service since 1994. He replaced the former chief, Major General **Mikhail Kozubov**. The latter was in charge of the FSB unit in Irkutsk since May 2013, succeeding Major General **Igor Akhrimeev**.

Major changes are also expected to occur in the FSB in Kaliningrad. The position of the head of the FSB regional board was assumed by Major General **Valery Belitsky**. After starting his career in the KGB structures in 1988, he was gradually promoted to the post of deputy head of the FSB in Krasnoyarsk Krai. He was then transferred to the city of Kemerovo where became the chief of the regional FSB unit, replacing Major General **Vladimir Panov**.

Until now, the FSB branch in Kaliningrad was governed by General-Lieutenant **Leonid Mikhailuk**. In 2016, he took over the position of **Yevgeny Zinichev** who had been in charge of the service since June 2015. Initially, the latter shortly served as the Acting Governor of Kaliningrad Oblast and then he was nominated to be the deputy head of the FSB. Mikhailuk arrived in Kaliningrad in 2016 from Vologda where he carried out duties of the chief of the local FSB structures. Until 2012, he worked in Perm Krai.

Mikhailuk has a storied career in the Russian special services. It is known that he had previously served in multiple "hot spots", including the Abkhaz-Georgian conflict in the early 1990s as well as the Chechen war. Then he served in the Republic of Adygea, where he headed the local counterterrorism department. He was convicted of official misconduct and organizing contract killings. Following his detainment, he spent a month in a detention facility. Nonetheless, the prosecutor's office made a decision to withdraw all charges against Mikhailuk. Before being transferred to Perm Krai, he was promoted to the rank of colonel. In 2002-2011, as a deputy head of the UFSB, he supervised such issues as the fight against corruption, counterintelligence services, and organized crime. Now he may be likely to become the chief of the FSB in Crimea. The current head of the Crimean FSB Directorate, **Viktor Palagin**, might govern the Belgorod region. He took the position of Yevgeny Savchenko who had headed the region for almost 25 years. Now Palagin will need to face the problem of rising local crime, the issue that may be tackled with the use of the so-called "Dagestani scenario" (including purges in administration and corruption affairs).

SOURCE: KREMLIN.RU

9 November 2018

A NEW REVOLUTIONARY TERRORISM: RUSSIA'S FSB HEAD IDENTIFIES THE ENEMY

A suicide bombing in the Russian city of Arkhangelsk symbolically marked the beginning of a new era in terms of Russian terrorism. Though, due to propaganda reasons, it appears much more dangerous for the regime than all hitherto attacks carried out by Islamists. The emerging risk has been also distinguished by the Director of the FSB who may probably take advantage of the situation in order to intensify repressive measures against the opposition. Such a solution will not eradicate the problem of the ever-increasing youth radicalization.

Russia's FSB Director, **Alexander Bortnikov**, believes that the activity of radical youth groups, whose members call for forceful actions towards migrants, has significantly increased over the past few years. During the 17th meeting of heads of special services, security agencies, and law-enforcement organizations held on November 7, Bortnikov stated that such extremism had both left and right-wing foundations. The head of Russia's FSB said that some Internet users are spreading an extremist ideology based on the ideas of neo-Nazism and radical Islam. Similarly, he compared attacks carried out by jihadists to those conducted by young political radicals. In this way, the FSB seemed to announce more restrictive actions against the opposition, which will only result with the further radicalization of the latter and such acts of violence as the Arkhangelsk suicide bombing.

On October 31, a 17-year-old student of a local vocational school set off an explosive in the FSB (the Federal Security Service) office in Arkhangelsk in northern Russia. The blast killed the man on the spot and injured three FSB officers. Investigators have already classified the incident as an act of terror. The bomber had previously announced his intention to perform a suicide attack in a message posted on an online forum for anarchist groups. His message was accompanied by the symbol of the Red Army Faction, a German terrorist organization. Following the suicide bombing, the Governor of the Arkhangelsk Oblast accused the opposition of exerting a negative influence on the youth. In his comment, Igor Orlov claimed that young people in Russia have recently been drawn into protest actions whose main aim was to – as he stated – "deform awareness" and cause damages to immature minds.

On November 2, Moscow's law enforcement agents detained a **16-year-old who was to prepare the explosive charge**. During an apartment search, investigators discovered elements of an improvised explosive device. The teenager had previously maintained contacts with the 17-year-old Arkhangelsk bomber. Everything seems to indicate that it is about the symbolic beginning of Russian political terrorism, which is to replace its Islamic counterpart. The attack is thus targeted at the state and not the civilians. Characteristically, the Arkhangelsk bomber did not submit any specific demands while his suicide attack constituted a response to the FSB's oppressive measures, including repression, detention, and tortures. According to some specialists, such incidents may constitute the return of terrorist attacks similar to those carried out by members of the Narodniks movement or activists of the Socialist Revolutionary Part in the late 19th and early 20th century.

11 November 2018

RUSSIAN-AUSTRIAN PROBLEM WITH THE GRU IN THE BACKGROUND

The latest espionage scandal may bring about more serious consequences to Moscow than all earlier similar instances, perceived as much more controversial ones. This time, the incident took place in Austria, a state that was to play a key role in the Kremlin's strategy, aiming to change the EU policy towards Russia. As in the case of Greece, the country, traditionally considered as Russia's close ally, will be forced to sever the bilateral diplomatic relations with Moscow following the disclosure of a spying scandal.

On November 9, Austrian Foreign Minister **Karin Kneissl** canceled her visit to Moscow planned for early December. Her decision came amid the recently disclosed espionage incident as it turned out that a high-ranking Austrian officer has spied for Russia for decades. The colonel, who has recently retired from work, was said to have started his activity in the 1990s and continued passing on secret information to Russia until the end of military service. Austrian media reported that he had received a total of 300,000 euros. The state authorities already demanded explanations from the Russian side while Chancellor **Sebastian Kurz** announced that he would discuss possible retorsions with Austria's European partners. Russian Foreign Minister **Sergey Lavrov** said he was "unpleasantly surprised" by this move. Russia's Foreign Ministry summoned the Ambassador of Austria in Moscow; previously, the Russian chargé d'affaires in Vienna was called in by the Ministry of Foreign Affairs.

SOURCE: KREMLIN.RU

The espionage scandal may seriously impede the almost cordial diplomatic ties between Austria and Russia. Austrian Chancellor Sebastian Kurz and the management of the oil and gas firm ÖMV, a firm being involved in the construction of the Nord Stream 2 gas pipeline, have recently paid a visit to Russia. In addition, the Austrian authorities often stress out that it would be worthwhile assessing mitigating or lifting sanctions that the European Union imposed on Russia. Austria was the first country to be visited by **Vladimir Putin** following his re-election in March this year. He arrived in the country only a few months later; in August, he attended the wedding ceremony of Austria's Foreign Minister. The scandal may be a major setback in the bilateral relations between Russia and Austria, making it difficult for the authorities in Vienna to pursue their hitherto pro-Russian policy.

In addition, Austria, unlike many other Western states, did not expel Russian diplomats-spies in response to the attempt assassination of Sergei Skripal, which adds spice to the whole affair. Everything seems thus to indicate that Russia's military intelligence services (GRU) suffered yet another failure. In fact, it is almost certain that the Austrian colonel carried out its duties for Russia's military intelligence services. Interestingly enough, the Austrian counterintelligence officers did not manage to track down the spy; instead, such information was delivered to them by the services of another state. On one hand, such move clearly depicts either the incompetence or unwillingness of the Austrian services to fight Russian agent influences while, on the other, means that Western countries dispose of departments that are eager to share similar information with the authorities of any country in which a Russian spy conduct his or her activities. To make matters worse, Austria, which is currently holding the rotative presidency of the Council of the European Union, has so far been a major supporter, alongside Germany, of the Nord Stream 2 gas pipeline project.

SOURCE: PGNIG.PL

11 November 2018

U.S. ENERGY SECRETARY RICK PERRY VISITS POLAND: BAD NEWS FOR RUSSIA'S GAZPROM

The latest visit of the U.S. Secretary of Energy Rick Perry to Poland – along with all his declarations and newly signed deals – shows that Poland is expected to be an important partner of the United States in terms of energy cooperation. So far, the ever-increasing alliance concerns primarily gas issues, as exemplified by LNG contracts and the two countries' joint standpoint on the Nord Stream 2 gas pipeline, while Perry's trip to Poland opens the way for further cooperation in other energy areas, also including nuclear power. It could transform exclusively commercial relations into a strategic partnership in terms of energy security. Nonetheless, the U.S.-Polish partnership does not seem favorable for Russia's state-owned gas giant Gazprom, as the company is getting ready for bilateral talks with Poland regarding the extension of the current gas supply deal set to expire in 2022.

During his visit to Warsaw, **Rick Perry** held a series of meetings with Polish top-level officials, including President **Andrzej Duda**, Prime Minister **Mateusz Morawiecki**, Energy Minister **Krzysztof Tchórzewski**, and Government Plenipotentiary for Strategic Energy Infrastructure **Piotr Naimski**. On November 8, U.S. Secretary of Energy and his Polish counterpart signed a declaration calling for enhanced cooperation on energy security. The document will concern such issues as security of gas supplies and nuclear power. On November 9, Perry and Naimski inked a Polish-U.S. agreement on strategic dialogue in the field of energy. During the signing ceremony, the two officials could implement the previous statements by U.S. and Polish leaders, as agreed upon on the occasion of their last summit. Under the deal, both parties remain committed to establishing a regular dialogue with the Polish and American administrations and experts.

"**Nord Stream 2** is not a commercial project as its proponents proclaim, but rather a political gambit", U.S. Secretary of Energy said. He also added that "driving a single-source gas artery deep into Europe will give the Russian Federation further leverage over Europe." He also stated that the United States would encourage Europeans to reject the project. Most importantly, Perry stressed out that the presidential administration might still impose further sanction over the Nord Stream 2 gas project, as such option is currently being envisaged by President **Donald Trump**. Poland may wean itself off Russian gas only by diversifying gas supplies, thus bolstering the state's energy security. Perry depicted American LNG supplies as an additional option that would make it easier to achieve "EU's goals to diversify supplies" while the example of Poland may be followed by the other Member States. In the presence of the U.S. Secretary of Energy, Poland's state-run gas firm PGNiG and American Cheniere Marketing International company sealed a long-term (2019-2042) gas deal for delivery of U.S. liquefied natural gas to Poland. During the first four years, the latter is expected to deliver a total of 0.7 billion cubic meters of natural gas after regasification while in 2023-2042 the total import volume will reach as much as 39 billion cubic meters (after regasification). Back in October, **PGNiG** entered into an agreement with Venture Global LNG; previously, the Polish firm had concluded binding contracts for supplies of liquefied gas with Qatar-based Qatargas and U.S. Centrica. Interestingly, even Russian gas experts seem to admit that the amount of gas contracted so far (it is noteworthy that Polish authorities intend to seal yet another deal with Sempra Energy), the state's own extraction and gas deliveries through the Baltic Pipe may altogether allow Poland to quit Russian gas. The current deal with Gazprom is bound to expire in 2022 while such Poland's recent activities in this respect seem particularly worrying for the Russians.

13 November 2018

DRY-DOCK BREAKDOWN COMPLICATES KREMLIN'S NAVAL PLANS

A floating dry deck has recently sunk in the Russian city of Murmansk while holding Russia's sole aircraft carrier aboard. The incident is thus likely to complicate the Fleet's plans to refurbish its largest naval vessels and impede Russia's program for a potential war with the United States, thus preventing the fleet from achieving its previously scheduled maximum combat readiness.

The **PD-50 floating dry dock recently sunk** after an electrical malfunction while Russia's aircraft carrier **Admiral Kuznetsov** was aboard, yet the latter managed to remain afloat. An investigation is being carried out into the causes of the accident that seriously hindered plans to modernize both the warship and the entire Northern Fleet. Firstly, the Russian army does not seem to know what will happen to Admiral Kuznetsov; the vessel was towed away to another shipyard, yet it has no technical possibilities to perform maintenance works on a vessel with a displacement of around 60,000 tonnes. Theoretically speaking, such venture could be tackled by a military factory in the Russian city of Severodvinsk,

SOURCE: STRUCTURE.MIL.RU

though it is impossible as it is already servicing the nuclear battle cruiser Admiral Nakhimov. Thus Russian military officers can choose between two plausible solutions to the problem: they will either wait for the PD-50 to be elevated – the entire operation is said to be both costly and time-consuming – or continue refurbishment works of an aircraft carrier in the PD-14 dock located in the Far East. Nonetheless, the latter alternative would require the warship to be dispatched to the place directly from Murmansk whereas such an operation may appear problematic due to the vessel's considerable sizes and the unclear condition of the bottom part of its hull, especially in winter.

The loss of the PD-50 huge floating dry dock poses a threat to further continuation of the large ship repair program, including such vessels as submarines, as the dock constitutes the sole structure of a capacity of 80,000 tonnes in the European part of Russia. Thus if the Fleet eventually fails to raise the wreck, it will face a serious problem. The dock makes it possible to hold Russia's largest warships, including the nuclear battle cruiser Pyotr Velikiy and the aircraft carrier Admiral Kuznetsov. It may take up to a year to elevate the flooded dock. Russia's Northern Fleet currently disposes of some smaller docks able to carry the total of 30,000 tonnes and thus being suitable for Kirov- and Slava-class cruisers as well as Oscar II-class submarines. Nonetheless, it is noteworthy that PD-50 could simultaneously handle two large vessels. Naturally, this will result with slowing down the pace of modernization of the Russian fleet. As previously announced by the state's army command, Russia's three largest warships – Admiral Kuznetsov, Admiral Nakhimov, and Pyotr Velikiy – would be scheduled to return to service in 2021-2022, thus following their refurbishment and modernization. It was only then that the Fleet had initially planned to attain the maximum level of battle readiness. Any delays in maintenance will therefore force Russian strategists to review their hitherto war plans prepared in the event of a potential armed conflict with the United States and NATO.

SOURCE: KREMLIN.RU

14 November 2018

PUTIN PLEASED WITH MACRON'S IDEA OF FORMING A EUROPEAN ARMY

Even if Russian President Vladimir Putin did not manage to hold any longer talks with his American counterpart Donald Trump during World War I centenary events in Paris, he might still consider his trip to the French capital as highly succesful. To Putin's great satisfaction, Macron's idea provoked a conflict within the Euro-Atlantic community whilst the notion of a unified "European army", considered as offensive to the United States, seems like a perfect gift for Moscow as it has long sought to break the unity between Europe and its transatlantic partner, mainly in the area of defense. It is therefore to be expected that the Russians will try their utmost to feed the dispute while encouraging Paris and its European allies to push through a concept that may put an end to the existing Euro-Atlantic defense system.

On November 11, sixty world leaders gathered in Paris to attend the **ceremony commemorating 100 years since the end of World War I**. Nonetheless, a few weeks ahead of the meeting, it seemed to have been dominated by formal bilateral talks between U.S. and Russian presidents, as scheduled before. Nevertheless, there was no opportunity to hold such negotiations while both leaders got involved in a discussion about defense matters, which must have definitely pleased **Vladimir Putin**. Russian President almost immediately took advantage of the whole situation. Having arrived in Paris on November 11, he found it natural that such a powerful alliance as the European Union sought to declare its independence in the field of defense. In an interview with the Kremlin-backed RT France television, Putin added that he had been told about the idea of forming a united European army by one of the ex-presidents of France, **Jacques Chirac**. Russian President approved the concept of establishing a European defense, separate from any U.S. influences, while its implementation would foster the world's multi-polarity. Interestingly, the latter notion constitutes nothing more than just a convenient slogan under which the Kremlin has long performed any actions aiming to weaken U.S. global leadership.

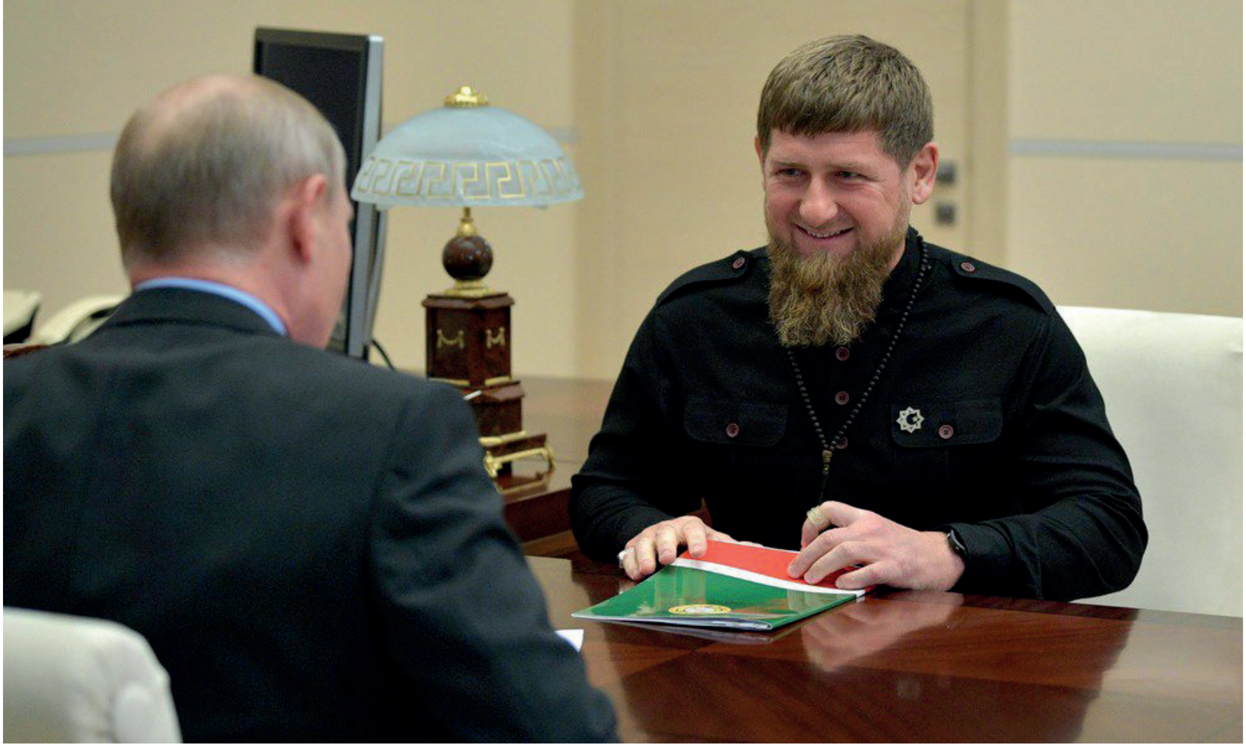
Putin eventually decided to speak on the matter after U.S. President **Donald Trump** condemned Macron's statement, considering it as "very insulting". In a radio interview on November 6, Macron called for the creation of a "real army" to reduce Europe's military independence on the United States and to protect the Old Continent against "China, Russia, and even the United States". Immediately after arriving in France, Trump met with his French counterpart, thus allegedly convincing most observers worldwide that both leaders managed to alleviate their hitherto dispute. However, on November 11, the CNN television aired an exclusive interview with the French president whose statements certainly did not appear satisfying for Donald Trump. **Emmanuel Macron** said he did not want the EU's defense potential to be strengthened while increasing budgets with the aim of purchasing weapons from the United States or other countries. Such exacerbating dispute may exert a negative influence on the functioning of the North Atlantic Alliance. In response to the words of Macron, Trump again reminded that many European allies do not remain committed to spending as much on defense as they are supposed to. It does not come as a surprise that all conflicts within NATO are good news for Russia.

20 November 2018

KADYROV'S OIL ASSETS: END OF THE WAR FOR CHECHEN RESOURCES

Great personal relations between Ramzan Kadyrov and Vladimir Putin seem to triumph also in business matters. The President of Chechnya announced that his government is taking over 100 percent of ownership in the company Chechenneftekhimprom, enabling the Chechens to develop independent processes of handling, extracting and selling crude oil. The decision has directly hit Russia's state-owned oil giant Rosneft and its CEO Igor Sechin. While the loss of Chechen assets does not seem to affect the firm to a greater extent, such a political defeat in the battle against Kadyrov will be a bitter pill for Sechin to swallow.

The handover of the republic's oil resources may in the long term reduce Chechnya's dependence on federal subventions, without which it would be no longer financially sustainable. In fact, **Kadyrov** safeguards peace in a large part of the North Caucasus while taking responsibility for most of Moscow's political killings (including those of Putin's enemies), thanks to which he is granted some money from the Kremlin. On one hand, the opportunity to profit from both oil and fuels output and their sales boost Chechnya's independence while, on the other, providing Kadyrov's enemies with an argument not to pump such big money into the republic. Still, this leads to increased independence of the authorities in Grozny, being at the same time a potential threat to Moscow. The



SOURCE: KREMILN.RU

Chechen takeover of the oil firm will reverse the situation, with Kadyrov being able to finance his rules to a large extent, which will somewhat make him financially independent from the Kremlin's money.

Ramzan Kadyrov has wrangled for greater control of the area's oil assets at least since 2015. This was when he first requested from Putin the handover of Chechenneftekhimprom to Chechnya. The Russian leader agreed to transfer property belonging, though the case got stuck in government offices for quite a long time. It should not come as a surprise, especially bearing in mind that Kadyrov was not the only one to desire such a titbit. The company manages 1,100 oil wells and 2,000 plots of a total area of 7,740 hectares. Admittedly, due to their technical condition, most of them need to be completely reorganized.

To Kadyrov's great luck, Moscow is not particularly eager to seek foreign investors to revive the Chechen oil industry. Speaking of the rivalry, the republic's local authorities were most threatened by Rosneft – its main domestic competitor. Eventually, Kadyrov, and not Sechin, won the battle over Chechen oil. The leader of Chechnya announced the company's acquisition on October 25. It was then all formal issues were eventually approved as – if Chechen statements are to be believed – **Putin** signed a decree handing 100 percent of the company's assets much earlier, on September 18.

SOURCE: GAZPROM.COM

22 November 2018

GAZPROM'S LAVISH SPENDING ON NORD STREAM 2 AND TURKISH STREAM

Russia's state-run gas giant Gazprom has recently increased spending on the implementation of its key projects, including Nord Stream 2 and Turkish Stream. This will eventually mean that the company's debt is likely to deepen as the firm is no longer able to cover all investment expenditures from its own pocket, despite record gas sale revenues in Europe. The market has negatively assessed a policy, which seemed yet again to corroborate the fact that Gazprom is not a typical profit-oriented enterprise. Instead, it serves for the Kremlin's purposes, also in order to subsidize the companies belonging to Putin's friends with public money.

Gazprom is currently cut off from international capital markets. The issue of Eurobonds, planned for June, was canceled as the company's authorities feared that all funds collected in this way could eventually be arrested. Even though, the firm is neither eager to save money nor to optimize losses. Quite the opposite, the group's board of directors adopted amendments to the company's budget and financial plans, according to which the total capital investment will rise above the initial assumptions by as much as 3.2 billion dollars. Gazprom is unable to cover all expenses from its own pocket, though. Although gas prices in Europe achieved the highest level in the last four years, which exceeds twice the already-planned standings (310 dollars per 1 thousand cubic meters, instead of 184 dollars as arranged before). Gazprom is increasing its already-record-breaking external debts. According to its investment program for 2018, the gas giant intends to get as much as 518 billion roubles (7.7 billion dollars) from external sources, thus amounting to 101 billion roubles (1.5 billion dollars) than initially planned at the beginning of the year. The money is needed first and foremost for the "Power of Siberia" pipeline (from Russia to China), the expansion of **"Nord Stream 2"** and **"Turkish stream"** gas supply network and, last but not least, the construction of an LNG receiving terminal in the Kaliningrad region.

Gazprom made the fact of increasing the investment program's value its end-of-the-year tradition: in 2017, the company was said to spend 911 billion roubles while in September the amount raised to 1.128 trillion roubles. Such growth in investments is not due to inflation or any other serious circumstances nor will it dramatically accelerate the commissioning of the export pipelines. Most investors are thus reluctant to observe such a policy. In the first half of the year, Gazprom worked "zero". Its operating activities brought the company to 947 billion rubles of cash flow, of this amount, 791 billion rubles were spent on capital construction, while another 135 billion amounted to an outflow of financial liabilities. The gas giant is very likely to close the year with negative results. The concern's subcontractors, including Putin's close friends, Gennady Timchenko and Arkady Rotenberg, seem in turn to benefit from the debt increase as well as from the fact of allocating billions for the construction of gas pipelines. Gazprom has therefore become a very effective tool for transferring public funds to private companies. Naturally, great financial rewards are given to the company's management personnel. In the first half of 2018, the revenues of the company's sixteen top managers increased by 24.4 percent compared to the same period of 2017. The members of Gazprom's Management Committee were awarded a total of 1.67 billion roubles, of which 1.58 billion roubles in the form of bonuses and other financial prizes.

23 November 2018

OIL COMPANIES KEEP PAYING OFF THEIR DEBTS TO THE KREMLIN

Russian state authorities need to tackle an uneasy challenge of cooling down public discontent, which forces them to prevent from any further increases in prices of basic services and commodities, including gas and fuels. Prior to the beginning of his new term of office, Vladimir Putin was assured by representatives of oil companies that they would hinder further growth in fuel prices during the pre-election period. Putin's victory was then followed by the plan to raise the retirement age, which yet again resulted in anti-government moods. The thorny issue translated into the Russians' drop in support for the Prime Minister, President, and the government. Facing such a delicate situation, the state authorities should do their utmost to prevent any further social and economic phenomena that could additionally aggravate the already tense situation. Hence the unanimous consent of Russia's oil giants to refrain themselves from raising fuel prices – at least until the end of the year.

All oil companies have signed an agreement on freezing gasoline and diesel prices, Russia's Deputy Prime Minister **Dmitry Kozak** informed at the government meeting, attended by President **Vladimir Putin**. The contracts were concluded

SOURCE: WIKIPEDIA.ORG

between November 7 and 10. On November 8, representatives of Russia's ten largest oil companies sealed a special fuel deal with the state's Energy Ministry and the **Federal Antimonopoly Service** (FAS) on the stabilization of diesel and gasoline prices, at both retail (gas stations) and wholesale levels. Under the deals, the firms are obliged to freeze fuel prices by the end of 2018, remaining them at the same level as in early June this year. Furthermore, the enterprises shall increase their diesel and petroleum supplies to the market by a minimum of 3 percent compared to the previous year as well as safeguard the necessary amount of fuel for independent networks. In January, oil companies will be able to boost prices by up to 1.7 percent – due to an increase in the standard VAT rate from 18 to 20 percent – while any subsequent hikes shall not exceed the inflation level (estimated at 4 – 4.6 percent). Provided that even one oil firm breaches the concluded deals, the government will be able to drastically raise export duties for petroleum products, thus making considerable losses.

Regardless of the above-mentioned contracts, independent fuel network keep complaining about the fuel shortage. In many Russian regions, it is impossible to purchase diesel and wholesale gasoline in oil depots. Even though many firms have already lowered wholesale prices, there still remains a problem with the commodity's availability, as evidenced by the statement of the Russia Petroleum Company's management, according to whom the gasoline output had been reduced. As reported earlier, large oil companies had secretly begun to lift retail fuel prices at gas stations, explaining such an unexpected boost with the handling costs of prepaid fuel cards for corporate clients. **Gazprom Neft**, Gazprom's subsidiary, was the first company to raise the prices, thus canceling discounts for corporate clients.

SOURCE: KREMLIN.RU

24 November 2018

CASPIAN OPPORTUNITY FOR THE WEST

The hydrocarbon-rich Caspian Sea region may constitute a real chance for global oil markets, which are currently looking solutions to increase their output. Though rich in resources and easily accessible, the Caspian Sea deposits were prevented from being extracted due to the unregulated status of the coastal sea of Russia, Kazakhstan, Turkmenistan, Iran, and Azerbaijan. The August convention on the Caspian Sea's legal status finally paves the way for the development of Trans-Caspian oil and gas transport. The development of Caspian hydrocarbon exports, with the current output of 2 million barrels per day, would improve the situation on the world oil market, for example by increasing the amount of raw material, reduced as a result of the civil war in Libya and U.S. sanctions against Iran. This may also provide an opportunity for the region's political stabilization as well as eventually result in a more effective rivalry between the West and both Russia and Iran.

Since the 1990s, the **Caspian Sea region** has attracted Western energy investors. Both Azerbaijani and Kazakh gas and oil were to play a key role in the diversification of hydrocarbon supplies to Europe while the U.S. administration and the European Union strongly advocated the idea of the so-called Southern Corridor – a huge set of oil and gas pipeline as well as terminals to handle energy resources. The region's largest international investment is a joint venture company tasked with handling **Kazakhstan's Kashagan oil field**, with the total output of 300,000 barrels per day.

The consortium includes numerous global firms, such as **ExxonMobil, Shell, Total, ENI, China National Petroleum Corporation, KazMunayGas**, and **Inpex**. In turn, the Chevron-lead holding keeps developing its oil production in the Kazakh field of Tengiz, aiming to boost the output to the level of 260,000 barrels per day. In addition, the Western firms have already pumped about 40 billion dollars into the Southern Gas Corridor that brings gas from Azerbaijan's field of Shah Deniz to Italy. Theoretically, the Caspian Convention enables Western companies to reach gas fields in Turkmenistan, located more to the east.

The wars in the Caucasus and the aggressive Russian policy of blocking competitive Caspian exports have long prevented the region's hidden potential from being unveiled. The Caspian Sea Convention, ratified in August by all five Caspian coastal states, aimed to set issues regarding the division of the sea's waters and its huge natural resources, paving the way for the construction of new pipelines. Moscow agreed to put an end to the long-standing dispute, though it did not make such a decision due to the pressure from Western states; the Kremlin will not allow any hydrocarbon exports to Europe, either. It is rather a reaction to China's commercial expansion, exemplified by the One Belt, One Road concept, and an increasingly serious economic attitude towards China and Iran observed particularly in the Central Asian countries. Due to the problem with the hydrocarbon transport through the Caspian Sea in western direction (to Europe and Russia), the resources are now increasingly exported to the east (China) and south (Iran). The opening of the Caspian Sea region will make it possible to Moscow to bargain for the Nord Stream 2 project. It seems that also Berlin will now be able to admit that the gas pipeline through the Baltic Sea can hardly come as Russia-provoked EU dependence on the resources as the Russians are simultaneously seeking to pave the way for diversifying gas supplies with Caspian reserves. Not incidentally, Angela Merkel paid a visit to Azerbaijan only two weeks after sealing the convention.

24 November 2018

ROSNEFT AND LUKOIL IN A ROW OVER OIL SUPPLIES IN RUSSIA'S FAR NORTH

Russia's two largest oil firms have argued over the possibility of exporting resources from the Varandey oil terminal in the Arctic. The state-owned Rosneft and the private-held Lukoil are currently involved in a commercial partnership in the Trebs and Titov oil projects. Both firms extract oil in the fields that are among the biggest in the far northern Nenets tundra. Yet they have entered into a clash over the cost of delivering oil via seaways.

The **Varandey oil export terminal** was constructed by **Lukoil** in 2008; its annual out-shipment capacity is estimated at **12 million tons**. The terminal is located in shallow Arctic waters 21 kilometers from the coast. A fleet of ice-class tankers shuttles the oil to terminal facilities in Murmansk. The Varandey is connected by pipeline to several of Lukoil's fields. Russia's **Rosneft** is increasingly dissatisfied with its partner's recent actions. Sechin's firm filed a complaint with Russia's **Federal Antimonopoly Service** (FAS), claiming that Lukoil had charged excessively high price for handling oil at the Varandey terminal, located on the coast in Russia's Far North. Lukoil owns the handling terminal while oil from the Trebs and Titov fields is transported by oil pipelines to the

SOURCE: ROSNEFT.COM

terminal, from where it is exported to the world markets. **Lukoil currently charges $38 per ton** of oil handled at the Varandey terminal.

Nonetheless, Rosneft does not agree to accept such high fees, demanding **a reduction to only $18 per ton**. As for Lukoil, the company is ready to offer a $10 discount. Facing such a complex situation, Rosneft prefers to reduce production in the Trebs and Titov fields by more than half. Both oil deposits hold up to 140 million tons of oil. They were originally handled by Lukoil in partnership with Bashneft, yet in 2016, Bashneft was taken over by Rosneft. The latter holds 75.1 percent of the partnership while the remaining 24.9 percent is owned by Lukoil. The name of the joint venture is Bashneft-Polyus. The heated conflict between the two firms resulted in lower oil exports from the Varandey terminal. In the first eight months of this year, a total of 4.5 million tons of toil were handed in the terminal, which is a 22-percent decrease compared to the same period in 2017. The tundra Trebs and Titov oil fields are located too far from the oil pipeline network operated by state company Transneft. The only option is to handle the resource by the seaways, through the Varandey terminal. Bearing in mind current problems with export fees, Rosneft CEO **Igor Sechin** is currently considering the construction of a new pipeline that would connect both oil deposits with the external world.

SOURCE: KREMLIN.RU

25 November 2018

MORE RUSSIAN BASES IN CENTRAL ASIA?

Russia to a large extent provides military protection to Kyrgyzstan and Tajikistan. Both republics border Afghanistan, which makes them potentially vulnerable to Islamist aggression. Yet the threat can no longer be referred to as the one posed by the Taliban, with whom Moscow has only recently entered into cooperation. Instead, the countries may be at risk from the Islamic State in neighboring Afghanistan. Russia is not in a hurry to boost its military presence in the region, though. Yet the situation may dramatically change if Russian communications and radio-electronic intelligence facilities face potential danger. They seem important for the operation of Russia's fleet and its strategic missile forces while little attention is attracted to the conventional security of the countries where they are located.

Russia can both function and safeguard its interests in Central Asia without any need to intensify its military presence in the region. Instead, Kyrgyzstan and Tajikistan seem to care much about to welcome more Russian troops on their territories. In addition to bordering Afghanistan, the two countries have relatively weak armies. This in turn means that Moscow will be able to impose its own conditions in most military-related matters. Back in June 2017, **Almazbek Atambayev**, a former president of Kyrgyzstan, put forward an idea of deploying Russian soldiers in the southern province of Batken, bordering both Tajikistan and Uzbekistan. Such a move would come at the expense of providing military assistance to the Kant Air Base, acquired in 2003. In December, Russian Foreign Deputy Minister **Grigory Karasin** announced that there was no need to set up the country's second military base in Kyrgyzstan.

Russian units, which have been already deployed to Central Asia, are part of the

Central or Southern Military Districts. Since January 2017, Russian military facilities on the Kyrgyz territory have been granted a status of a combined base, with all of them being subject to the Central Military District. The two sites are closely linked to the fleet. The first one, located by Lake Issyk Kul, has been long committed to carrying out research and perform trial tests of torpedo weapons while the second is a communication node whose main task is to secure communications with naval vessels and submarines in the Indian and Pacific Oceans. Yet another facility, the 17th radio-seismic laboratory, is in charge of monitoring nuclear weapon tests. All Russian military facilities in Kyrgyzstan serve for exclusive purposes of the state army while Bishkek is granted some lease fee. Among them is the most famous Kant Air Base which accommodates 11 Russian Su-25 aircraft, 2 An-26 military transport aircraft, and 2 Mi-8 helicopters. In fact, the military facility serves as the base for the Kyrgyz air forces as the country does not dispose of even one combat aircraft. Russia established only one foreign military base that holds the status of a division (and not the brigade). The 201st military base is stationed in the Dushanbe and Kurgan-Tyube garrisons Similarly as the Kant Air Base in Kyrgyzstan, it performs in fact the function of the Tajik air forces. Yet it disposes of much more developed land forces, including 30 tanks, over 350 infantry fighting vehicles and armored personnel carriers and 150 artillery items. It is much more than the military potential of the entire Tajik army.

Moscow is in no rush to develop military forces stationed in Kyrgyzstan and Tajikistan. According to the state authorities in both Bishkek and Dushanbe, it may be enough to menace with the threat from Afghanistan to make Russians deploy more tanks, aircraft, and troops. Nonetheless, this strategy does not seem to work anymore as Moscow managed to reach an agreement with the Taliban, which primarily brought about two consequences. First, the Taliban will not carry out expansion towards Central Asia and, second, they are likely to become allies in the event of the war with the so-called Islamic State, referred to as an unpredictable enemy. As a result, Kyrgyz and Tajik governments agreed to assume the role of a customer who asks for Russia's strengthened military presence in their region. Yet Moscow, whose decision-makers do not seem to care so much about it, will thus play on time, seeking to obtain some major concessions in the foreseeable future.

26 November 2018

RUSSIA HELPS VENEZUELA ALLEVIATE THE CRISIS

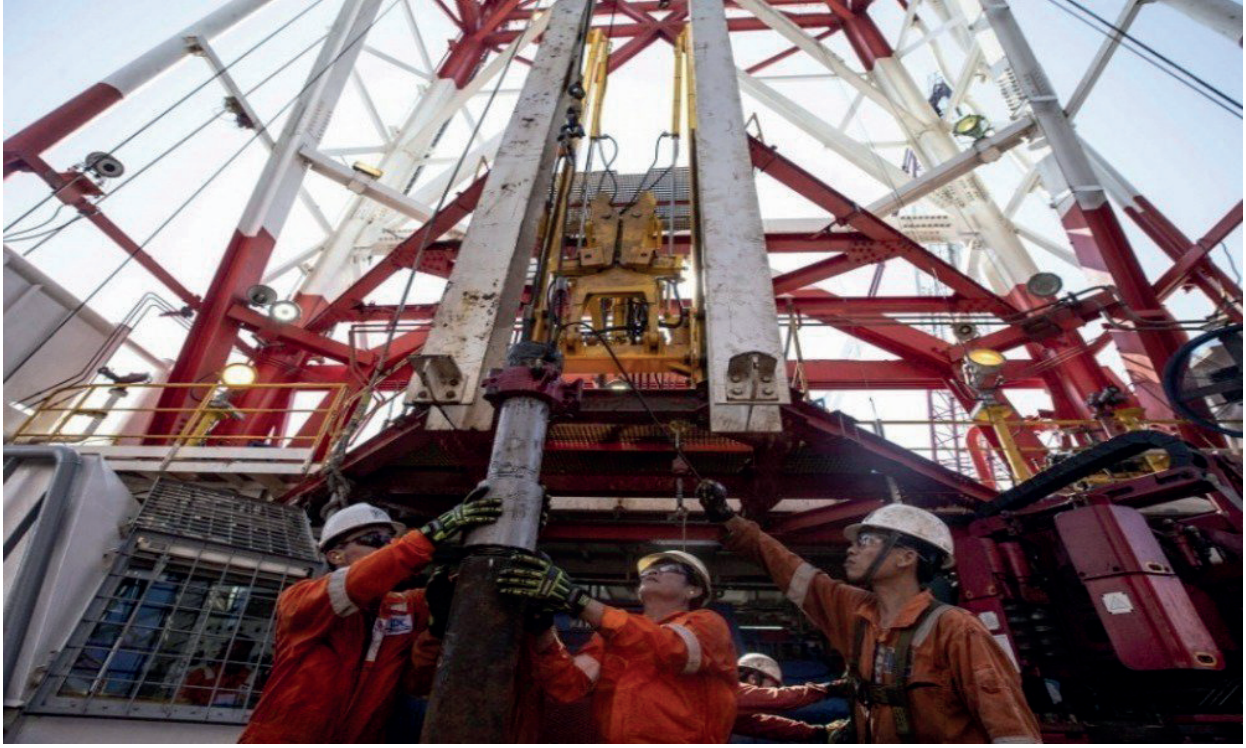
Moscow is currently doing its utmost to prevent the Venezuelan leftist regime from collapsing as such a situation would eventually deprive the Kremlin of its key ally in the confrontation with the United States in the western hemisphere. Russia has long subsidized poor Venezuela's declining economy, mostly by encouraging investments and granting oil-backed loans by the state-owned giant Rosneft. Russian economic entities are thus used to circumvent U.S. sanctions while carrying out financial operations.

In early November the United States imposed a new set of sanctions against Venezuela while U.S. National Security Advisor **John Bolton** announced that the Trump administration could "no longer appease dictators and despots near our shores in this hemisphere." The presidential administration decided to prohibit American citizens from

SOURCE: KREMLIN.RU

trading in Venezuelan gold. According to U.S. government representatives, **Nicolas Maduro** illegally exported 21 metric tons of gold to Turkey to work around previous restrictions and support the state's devastated economy. The U.S. decision has seriously hit the already crisis-plunged Venezuelan economy while Russia uses its best efforts to support the Maduro regime. Nonetheless, it has already pumped great amounts of money into the Venezuelan economic system. Rosneft announced in August this year that Venezuela owes the company a total of 3.6 billion dollars. And yet the Russians keep supporting the Venezuelans, mainly by restructuring and redeeming the existing debts and granting loans to subsidize the state's economy. Moscow's aid takes also other forms. This fall, Russian delegation, including Deputy Finance Minister Sergey Storchak, paid a visit to Caracas where it met with local officials to discuss strategies to manage the economy in the current financial crisis.

Evrofinance Mosnarbank, an almost anonymous Moscow-registered state-run bank, turned out to play a key role in Maduro's efforts to work around U.S. restrictions. The institution, jointly owned by Russia and Venezuela, has not been covered by American sanctions while the Maduro government pointed it out as an alternative to handling external payments. Venezuelan officials order local banks and firm to forward international transactions through Evrofinance Mosnarbank. The financial institution was founded at the end of Chavez's regime. Venezuela's central bank recommended local banks to open current accounts in Evrofinance so as to exchange Venezuelan bolivars into euro, Chinese yuan, and other currencies, except for U.S. dollars. In 2011, Chavez managed to take advantage of the bull market, induced by high oil prices and purchased a 49.9 percent of the Moscow bank's shares. Initially perceived as the major source of financing for joint oil and infrastructure projects, Evrofinance Mosnarbank was granted a local banking license in Venezuela, opened an office in Caracas and even advised on issuing bonds worth a total of over 3 billion dollars. The remaining 50.1 percent of the stakes are split between Russian state-owned banks Gazprombank and VTB Bank as well as some private entities controlled probably by members of Putin's inner circle, among which ITC Consultants of Cyprus and New Financial Technologies LLC can be distinguished respectively. Evrofinance Mosnarbank can hardly come as a key player in the Russian banking sector. As at September 1, 2018, its assets amounted to 57.8 billion roubles (881 million dollars) or less than 0.1 percent of all assets of the Russian banking sector.



SOURCE: ROSNEFT.COM

27 November 2018

ROSNEFT AFRAID OF SANCTIONS

Russia's largest oil firm is looking for solutions to minimize the potential impact of new sanctions. Starting from 2019, Rosneft would want its Western clients to accept new terms of cooperation as well as to pay penalties – if they appear to be unable to pay for Russian oil supplies due to new U.S. restrictions against Russia's energy sector.

Most entities that purchase oil and fuel from **Rosneft**, including such world giants as British Petroleum, Total, Vitol or Gunvor, oppose against such measure to be introduced in their trade exchange with the Russian corporation. Rosneft is thus likely to weaken its hitherto demands. When analyzing the situation, one could easily notice that the Russian company is startled by any further sanctions to be introduced while its managers are already trying their utmost to reduce all the potential risks. Apart from being one of the Kremlin-endorsed enterprises, Rosneft is also considered as one of the world's largest oil firms. It is headed by **Igor Sechin**, one of the most powerful political figures in Russia who is linked to the Kremlin's siloviki clan. In 2014, both he and his company could be found among blacklisted entities. Until now, they have not been covered by any restriction that would prevent them from entering into cooperation with large Western firms. Nonetheless, Russia's state-owned oil giant seems to be conscious of such a situation, especially when bearing in mind the fate of Russian aluminum giant RusAl. The U.S. decision to blacklist the company dramatically affected the export of Russia's RusAl corporation, thus limiting access to raw materials from world suppliers. It needs to be remembered, though, that RusAl was much more exposed on any negative impact of the restrictions as the company had been doing global interests in various countries and on distinct markets. Unlike the aluminum giant, Rosneft seems rather domestically oriented while all of its assets are allocated on the Russian market. The concern may at least diminish its export rates, yet Sechin's solid position can somewhat guarantee the concern's security. Russia's state authorities, including the government and the Kremlin, have already undertaken multiple actions that brought exclusive benefit to Sechin's firm.

Both the European Union and the United States began to impose sanctions against Russia after the Kremlin's annexation of Crimea in 2014. The sanctions, especially the U.S. ones, are gradually being expanded to other Russian enterprises and sectors. This has long caused multiple problems for Russian oil and gas companies to get loans abroad as well as to attract new capital and handle Arctic hydrocarbon resources whose exploration is challenging from the technological point of view. Some time ago, Russian companies tried their utmost to diminish the negative consequences of subsequent U.S. sanctions. For instance, many firms decided to abandon traditional dollar transactions while searching for loans and capital in Asia, mostly in China.

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