

RUSSIA MONITOR

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SOURCE: KREMLIN.RU

14 January 2019

PUTIN-CONNECTED OLIGARCH WINS STATE ANTICORRUPTION TENDER

A recent decision to award a state grant to a company held by Russian oligarch Arkady Rotenberg revealed corruption and insolence of Putin's Russia, not to mention its dramatic lack of self-preservation instinct. Rotenberg, who is Putin's childhood friend, was offered lucrative contracts, including those to build gas pipelines to China and Germany, construct a bridge to Crimea and to prepare infrastructure for Winter Olympic Games in Sochi.

His firm won a state grant to conduct training on developing civil society and fighting against corruption; it was given 46 million roubles (688,000 dollars) to hold roundtables, public discussions, and conferences devoted to such issues as civil society and combatting corruption. Interestingly, such a decision dramatically hit his reputation while not at all being profitable. The aforementioned training is to be carried out by a firm that belongs to a billionaire who made billions off bid-rigged contracts including those to deliver pipes to the Nord Stream 2 construction site.

Arkady Rotenberg is Putin's childhood friend

and his former judo partner. After Putin became president in 2000, he was made head of Russia's state-run vodka distillery Rosspirtprom. He could later increase his fortune by taking control over firms that sold pipes to Russia's gas giant Gazprom. Further, the billionaire has controlled lucrative contracts to build federal highways and to print school textbooks. The Rotenberg brothers have long participated in various sports associations while providing their support to small consulting companies. In 2008, they unexpectedly became owners of an engineering company, Gazprom's large subcontractor whose revenue was estimated at 54 billion roubles. The explanation for that

seems simple. The gas company sold at the auction five construction and maintenance companies as “non-profit assets”, an initial price of which amounted to 8.4 billion roubles. They were later purchased by Rotenberg’s small bank, which turned out to be worth less and the companies bought. He merged them into Stroygazmontazh construction group whose reported value is estimated at 1 billion dollars. As subcontractors, they participated in the construction of the Sakhalin-Khabarovsk-

Vladivostok pipeline of a total value of 210 billion roubles. Moreover, they were hired to construct an Olympic gas pipeline, worth a total of 22 billion roubles, and to build a bridge to Crimea. Arkady Rotenberg was targeted by the U.S. sanctions list after his alleged participation in Russia’s annexation of Crimea. His personal fortune is estimated at 3.1 billion dollars. His brother, Boris, and his son, Igor, are also billionaires.

15 January 2019

NORD STREAM 2: US WARNS GERMANY OF POTENTIAL RESTRICTIONS

The United States may impose further sanctions on Western companies that finance the Nord Stream 2 gas pipeline and those that are in charge of carrying out pipe-laying operations on the seabed. Both media reports and an open letter sent by the U.S. Ambassador to Germany caused some nervous reactions amid Germany’s decision-makers. German Foreign Ministry is currently doing its best to lobby directly in Washington while Brussels seems to stay away, refraining from commenting on the U.S.-German political dispute. It appears that all defenders of the Nord Stream 2 pipeline were given a cause for concern less than a year ahead of its scheduled completion.

On January 13, a spokesperson for the U.S. Embassy in Berlin confirmed media reports saying that Ambassador Richard Grenell sent a letter to several Western companies working on the pipeline. He warned German firms involved in the Nord Stream 2 gas pipeline that they might possibly face sanctions if they do not pull out of the project. The embassy spokesperson said that the letter was “not meant to be a threat but a clear message of U.S. policy” recalling that any operating in the Russian energy export pipeline sector is in danger under CAATSA of U.S. sanctions, adopted back in 2017.

Germany’s Foreign Ministry refused to provide its comment on the letter. This was referred to as an uncommon diplomatic practice while Berlin would address the issue

in direct talks with officials in Washington, an anonymous German diplomat said. Neither company’s representatives nor the European Commission presented their official standpoint. Grenell’s letter is perceived as yet another provocation and an attempt to interfere in German and, more broadly, also EU energy policies. German Foreign Minister Heiko Maas said a few days earlier that any U.S. sanctions against Nord Stream 2 would be the wrong way to solve the dispute. At a meeting of the German Committee on Eastern European Economic Relations (an influential joint organization of the leading associations representing German business in Russia and other Eastern European countries), he stressed that Washington should not meddle in Europe’s energy policy. Members of the German government seem



SOURCE: NORD-STREAM2.COM

nervous about unofficial reports on a plan of the U.S. Department of State to introduce a new sanctions package on companies involved in the construction of the Nord Stream 2 pipeline. If the Americans decided to pull out of the venture Allseas Group

(Switzerland) and Saipem (Italy) as two firms tasked with laying pipes on the Baltic Sea bed, it would be bogged down. The Russian side would not find any companies that would be eager to replace its hitherto partners.

15 January 2019

RUSSIA LOSES INFLUENCE IN THE BALKANS

Macedonian parliament's recent decision to change the country's name sparked outrage in Moscow while a statement issued by Russian Foreign Ministry is considered as meddling in other country's domestic affairs. According to Moscow, Macedonia's name was changed against the will of its citizens while violating Macedonian law. Once ratified by the Greek parliament, the agreement will pave Macedonia's way for its membership in NATO and the European Union. Facing their recent political defeat in Skopje Russia may implement a set of measures to influence Athens's final decision.

Macedonia's parliament passed an amendment to the constitution, under which the country's name was changed to North Macedonia. This was in line with an agreement with neighboring Greece. The new name will enter into force only after the parliament in Athens also ratifies the deal. If signed, this will put an end to a 27-year-old dispute over the name and right to the legacy

of ancient Macedonia. Moreover, it will open the doors to Macedonia for EU and NATO membership as the country has long been landlocked by Greece.

It was not until the changes within the Skopje government that an agreement was eventually reached. Following a long political crisis – which was additionally fuelled by Russian



SOURCE: WIKIPEDIA.ORG

services, backed by Serbian intelligence – Moscow-endorsed center-right ruling party lost power over the country. In order to be fully valid, the agreement still needs to be ratified by Greece while the ruling coalition has a minimal majority in the parliament, which does not mean that its fate is already sealed. To make matters worse, Defense Ministry Panos Kammenos announced his resignation, pulled his ANEL party from the coalition. At the same time, Moscow's pressure is likely to intensify. Last year, Greece expelled a group of Russian envoys, who were accused of trying to influence the Greek Orthodox Church, for activities against the Greek-Macedonian deal. Moscow in this turn expressed harsh criticism over the parliament's decision. In its statement, Russian Foreign

Ministry claimed that the name change process imposed from the outside (implicitly by Western countries) in order to force Skopje to join NATO. The Kremlin backs Macedonia's opposition party and president as both are hostile towards the deal. Macedonia is yet another Balkan country where Russian policy appeared to be highly unsuccessful. Earlier Montenegro had joined NATO structures after the coup trial, in which Russia's GRU was involved. Among Russia's last foothold in the region are Serbia and Republika Srpska, the latter being the Serbian part of Bosnia and Herzegovina. The rivalry for influence in the Balkans was thoroughly described in a special report by The Warsaw Institute "Western Balkans between China, Russia, EU and Turkey".



SOURCE: GAZPROM.COM

16 January 2019

GAZPROM DIVERSIFIES GAS SALES ON EU MARKET

In mid-January, Russia's state-owned company Gazprom announced the beginning of gas sales to Europe's biggest gas hub in the Netherlands. Since last autumn Russia's gas giant has been gradually changing its sales strategy on the EU market and it began to sell its raw material making spot transactions through the electronic trading platform. In such a way, Gazprom will have a chance to sell gas volumes to smaller recipients while such a solution may possibly weaken the firm's position when negotiations long-term agreements as its potential customers will expect to be offered low gas prices.

Gazprom Export, a subsidiary of Russia's state-run gas firm that is tasked with selling raw materials to foreign entities, announced the launch of gas sales through the electronic trading platform with a delivery point at the TTF gas hub in the Netherlands. The first trading session, during which a delivery plan for February 2019 was announced, took place on January 15. Netherlands-based TTF became Europe's largest gas hub in 2016, overtaking its British peer, the NBP. TTF sells both pipeline and liquefied natural gas. Back in 2018, as many as 40 bcm of gas were sold through the Dutch hub.

Such steps as entering the TTF hub seems

to exemplify Gazprom's attempts to adapt to volatile conditions of the EU gas market. Gazprom Export started sales through the ETP last September, selling nearly 2 bcm of gas to European customers by the end of the previous year. Yet it cannot be referred to as a large amount, given the fact that the company's exports to the far abroad, mainly EU countries, reached 202 bcm of gas. Initially, Gazprom Export offered several gas delivery points to its recipients: three of them (Gaspool VP, NetConnect Germany and Waidhaus) are located in Germany, two in Austria (Baumgarten and Oberkappel) and one in Slovakia ((VTP Slovakia). Back in December, the Russian company extended its range of products, offering "day-ahead" sales

while on January 10, it concluded the first ever “month-ahead” transaction. Thanks to incorporating TTF into Gazprom’s delivery points, the firm will be able to balance the market in the event of a significant decrease in spot prices. On January 14, Gazprom launched gas for day-ahead delivery to the Austrian virtual trading point (VTP) for the first time. In January 2019, Gazprom sold most of its February gas volumes through the electronic trading platform while some of them were contracted for March delivery to Gaspool and for February delivery to the German NCG hub, the Arnoldstein interconnection point and the Slovakian VTP.

Nonetheless, tariffs included in Gazprom’s contracts may amount to 40 dollars per 1,000 cubic meters higher than in case of spot

gas sales. while TTF prices have recently dropped by 30 dollars. Europe’s mild winter weather and the lack of problems with filling underground gas storage facilities resulted with a drop in demand. Also, gas hubs seem more reactive to a decrease in oil prices if to take into account long-term deals, in case of which Gazprom links oil prices with gas prices. It needs therefore to be mentioned that any fluctuations in gas prices tend to occur even a few months after changes in changes in oil tariffs. Thus, there emerges a question why Gazprom insists on selling its raw material through hubs, basing on spot contracts. While in 2008-2011, Russia’s strategic choice was maintaining prices to the detriment of sales volumes, it now hopes to introduce a much more flexible strategy. The firm’s high turnover is likely to compensate for low spot prices.

17 January 2019

RUSSIA’S NOVATEK SIGNS DEAL WITH JAPAN’S GAS COMPANY

Both Novatek’s development and its income from Arctic LNG projects seem to depend on its regular, rapid and increasing supplies to Asian-Pacific markets. Russia’s largest private-owned gas firm aims at expanding its transport infrastructure on the Northern Sea Route, which explains the company’s plans to build a trans-shipment terminal in the Kamchatka Peninsula and a recent Russian-Japanese deal, under which Novatek will be able to benefit from Japan’s storage facilities.

The Russian firm is currently looking at storing liquefied natural gas produced in the Arctic on Japan’s southern island of Kyushu, a solution that would offer Novatek a possibility to meet Chinese demand and cut freight costs. Back in December 2018, Japan-based Saibu Gas Co. signed a preliminary agreement to allow the Russian firm to use its storage facilities. The Japanese firm has now informed about its readiness to build two additional LNG tanks, thus boosting its exports capabilities. Such infrastructure would provide Novatek with greater flexibility to meet Chinese and South Korean demand and cut freight costs. The latter has remained at an

elevated level due to LNG shipment through the Northern Sea Route from Novatek’s Yamal project. Though, it is difficult for a significant part of the year due to the thick ice cover. It takes on average 15 days to LNG to the Asian market through the Northern Sea Route compared to about 30 days by a southern path traveling through the Suez Canal. The long-term success of Arctic LNG projects depends on shortening and facilitating supplies through the Northern Sea Route to reach key Asian markets. In August 2018, Novatek announced its intention to complete a feasibility study of Kamchatka’s terminal. This is where LNG would be reloaded from



SOURCE: NOVATEK.RU

special ice-class tankers to more conventional vessels.

The Novatek-Saibu deal clearly depicts that Russia's largest LNG producer tends to prioritize the Asian-Pacific market. The firm is already getting ready for upcoming changes in Asian markets, according to which countries such as China committed themselves to try their best efforts to use gas in place of coal to clean up polluted urban skies. Moreover, China's increase in LNG imports in 2017-

2020 is likely to increase by over 20 percent. Beijing in its turn intends to import more liquefied gas in order to reduce dependence on gas transport problems related to Central Asian pipelines. A year ago, due to harsh winter weather, China had to jump its LNG imports from Qatar. Speaking of the Russian firm, it should have enough resources to meet demand in East Asia as it is already involved in constructing export terminal and gas condensing facilities.

18 January 2019

RUSSIA'S WAGNER GROUP HELPS PUT DOWN SUDAN'S ANTI-GOVERNMENT PROTESTS

Both Russian Embassy in Khartoum and Sudan's Interior Ministry denied reports that Russian mercenaries are aiding in quashing anti-government protests. However, they admitted that "Russian advisors" help to train Sudanese special forces. The country has shaken by mass protests against President Omar al-Bashir, which caused the Kremlin's serious concern. It was only recently that Sudan became one of Russia's key allies in Africa, mainly due to access to gold deposits and the possibility of setting military facilities on the Red Sea coast.

A wave of anti-austerity demonstrations was sparked by the country's poor economic situation that had been triggered

by a government decision to triple bread and fuel prices. They were later followed by political slogans calling for al-Bashir, who has



SOURCE: KREMLIN.RU

ruled the country for 30 years, to step down. Dozens of people were killed in clashes with police forces since mid-December. And yet the dictator declared that he has no intention to resign while his defeat would be considered by a considerable blow to Moscow's African policy. Russia has been intensifying its military cooperation with Sudan as evidenced by last year's decision to send advisers and mercenaries from Wagner Company. Moscow provides its aid to al-Bashir as it had obtained necessary concessions that allowed the Kremlin to exploit gold deposits. In addition, Russia was promised to build a military base on the Red Sea coast.

Western media quoted the Sudanese opposition party as saying that Russian mercenaries are operating in the country, offering their help to quash anti-government protests. Both Russian Embassy in Khartoum and Sudanese Interior Ministry denied such reports yet they confirmed that military personnel from Russia's Wagner military company are now working in the East African country. The country's government admitted that the Russians are now in charge of training local special forces, which seems to corroborate hitherto rumors on Moscow's aid in putting down violent protests. They were also seen operating in Darfur and on the border with the neighboring Central African Republic, where numerous gold mines are located. Interestingly, they are exploited by

a company belonging to Yevgeny Prigozhin, a Russian oligarch with close ties to the Kremlin. Nonetheless, profits from gold mining are not the only reason for Russia's help for al-Bashir. According to Sudanese MPs, a draft military agreement signed between Sudan and Russia would pave the way for the latter to build a military base on the Red Sea coast. Al-Bashir also actively joined the Kremlin's Middle East policy. Back in December, he paid an unexpected visit to Syria where he met his Syrian counterpart, Bashar al-Assad.

Omar al-Bashir is already one of the region's longest serving leaders. He participated in the Yom Kippur War in 1973 against Israel, commanding the Sudanese infantry brigade at Sinai, while in 1989, he assumed power after the military coup. After two years, he introduced Sharia-based criminal law in the country, which provoked a rebellion in the south of Sudan, a region inhabited mainly by the Christian population. Al-Bashir is to be blamed for the bloody civil war that resulted in the declaration of independence of South Sudan as well as armed conflicts in South Kordofan and Darfur where some 300,000 people were killed while over 2 million were forced to leave the country. In 2009, Omar al-Bashir became the first incumbent president indicted for war crimes and crimes against humanity in Darfur by the International Criminal Court.



SOURCE: KREMLIN.RU

21 January 2019

RUSSIA SEEKS TO OFFER HELP HOPING TO GET ZIMBABWE'S DIAMONDS

Given the dramatically poor economic situation in many African countries and relatively low financial costs needed to provide some political regimes with essential aid, it does not come as a surprise that Moscow keeps getting involved in backing more and more states of the Dark Continent. In addition, African leaders are aware that they may ask Russia for help as its authorities will not require them to respect democracy and human rights. In order to obtain Moscow's financial and military aid, most African countries should allow Russian companies free access to their mineral resources.

In recent years, Russia has seemingly intensified its activities in the region. Most often, the Kremlin is eager to provide local regimes with financial and military assistance, hoping to deploy its troops to the country's territory obtain some concessions for minerals in return. Such was the case of Sudan, where Russian mercenaries continue to back special forces of the incumbent president Omar al-Bashir. In the region, there is one more country which is going through social unrest and seeks help from the Kremlin.

In mid-January, Zimbabwe's President

Emmerson Mnangagwa paid a visit to Moscow, hoping to secure some loans from Russia. Interestingly, his meeting with Vladimir Putin in the Kremlin coincided with the second day of a three-day general strike organized by the country's largest trade union federation. Last weekend, the president decided to introduce a 150 percent hike in the price of diesel and gasoline. After he had left the country, at least eight people were killed during the anti-government protests. This is the country's most severe social unrest since August 2018. Zimbabwe has experienced serious economic stagnation for some twenty

years. However, the situation dramatically deteriorated over the past few months. Due to drastic fuel scarcity, many people form long queues in front of gas stations.

Yet his trip to Moscow had been planned in advance, some time before protests in the country sparked. Mnangagwa told the state-owned RIA Novosti news agency before meeting Putin that he will ask for financial support. And yet, in an official communiqué released shortly thereafter, the Kremlin did not mention the possibility of providing Zimbabwe with long-term loans. At the beginning of talks, Russian President Vladimir Putin said his country was “ready to do its best” while boosting cooperation with Zimbabwe. Still in the interview, Mnangagwa invited Russian companies to discuss potential investments in the country’s oil and gas projects as well as its energy sector. His visit to Moscow bore fruits, though, as exemplified by a recent decision of Alrosa, Russia’s leading diamond company, to come and mine in Zimbabwe while being granted government’s

full support. Following bilateral talks in the Kremlin, both countries sealed some deals, including the one on a joint platinum project. Thus, more reports on Russian aid for the Zimbabwean government may soon be announced.

Back in December 2018, Alrosa opened an office in Zimbabwe while both geologists and mining engineers are expected to come to the country in February. Although the country is highly rich in diamonds, it suffered a major decline in interest from large investors under Mugabe’s regime. For instance, Rio Tinto Group sold its stakes in a project in 2015 while De Beers quit the country more than a decade ago. Russia’s Alrosa stopped working in the nation in 2016. Zimbabwe’s current government is currently considering repealing a law passed under Mugabe that prevented foreign investors from holding controlling stakes in local diamond mines. The government plans to target production of 12 million carats by 2023, up from 3.5 million carats in 2018.

22 January 2019

CHECHNYA’S KADYROV GETS OIL AND GAS PRIVILEGES

Chechnya and its leader Ramzan Kadyrov has long been aroused envy of both other regions’ governors and Moscow’s ruling elites. Kadyrov’s great personal relations with Vladimir Putin seem to prevail over complaints and intrigues. This also applies to the energy industry. After having taken over oil assets and exacerbated hitherto conflict with Rosneft’s CEO Igor Sechin, Chechnya’s leader decided to go to war with Gazprom.

On January 16, a court in Grozny found Russia’s Gazprom Mezhdregiongaz guilty of unlawful proceedings, as a result of which the republic’s population was indebted for the total of 9 billion roubles. According to the court, debt repayment processes may potentially trigger social unrest, thus ruling to release the liability. Russia’s gas giant Gazprom intends to appeal against the decision, yet the Chechnya’s court’s sentence already sparked

outrage in other regions of the country. The effects came quickly: communist deputies of the Smolensk Region Duma submitted a proposal to address local prosecutor’s office requesting to write off the debt.

With Kadyrov’s impressive omnipotence in Chechnya, the court’s ruling does not come as a surprise. Back in October 2018, he informed via his social media sites that the issue of gas



SOURCE: KREMLIN.RU

and electricity debts should be tackled as soon as possible. The leader of the Chechen Republic is bolder and bolder; not only does he arouse envy of other regions' heads but he is also in conflict with Russia's most influential politicians and businessmen, including Gazprom's CEO Alexei Miller and Rosneft's chief Igor Sechin.

In autumn 2018, the Grozny government was finally given oil assets in Chechnya. The takeover took place officially; and yet, there is still no clear indication that the deal was eventually consummated. The handover of the republic's oil resources may in the long term reduce Chechnya's dependence on federal subventions, without which it would no longer be 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 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.



SOURCE: KREMLIN.RU

22 January 2019

RUSSIA'S POOR PUBLIC MOOD

According to polls published in late 2018 and early 2019, Russian society's opinion on the Russian authorities has never been worse. Citizens are increasingly critical towards both the government – an institution that tends to be accounted for all state's problems – and the president. Interestingly, the latter until now played the role of a “monarch” who seemed to rule over troublesome issues of the Russians.

Formally, according to a December survey by the Centre pollster, Russia is not plunged in a crisis, being in a phase of stagnation instead. Even though the state's economy is currently not going through a recession, research has shown that most Russians believe the country to do badly, a situation that could be observed after a drop in oil prices (2014) and the introduction of Western sanctions. This seems to be best seen in regular household expenses, as exemplified by a poll published in October 2018 on long-term plans that found that 46 percent of Russians “do not even know what may happen to them in the next few months”. This shows a 10-percentage drop compared to May 2016. The number of Russians, according to whom 2019 will be worse than the previous year, has doubled from 16 to 33 percent compared to the turn of 2017 and 2018. Yet such a situation

can hardly be referred to as surprising. The current year will mark Putin's two most unpopular bills: a VAT rise from 18 percent to 20 percent and an increase in the retirement age.

The gradually worsening assessment of the country's both economic and social situation finds its reflection in the government's popularity ranking. A poll released in January 2019 by the state-owned pollster, the Russian Public Opinion Research Centre (VTsIOM) found that only 33.4 percent of people trusted President Vladimir Putin, which marked his lowest popularity level in history. Russian leader so far managed to avoid responsibility for both unpopular decisions of the country's authorities and problems of Russia and its citizens, usually pointing the guilt to the West, the government and corrupt officials.

A late November poll by Levada Center might have worried the Kremlin even more than previous results that suggested that fewer and fewer Russians would declare their eagerness to vote for Putin (56 percent compared to 66 percent a year earlier). The latter result could be easily reversed by various political tricks, though. Yet the situation seemed to dramatically worsen when 61 percent of Russians said Putin is fully responsible for the nation's problems while 22 percent partially blamed the president for them. Never before has there been such a large group of Russians (82 percent) who do not consider Putin as a good tsar, but rather as a president being responsible for both what is good and bad for the nation. This should be underpinned by low popularity of the government that is

still backed by President Putin. A December survey showed that 53 percent of Russians wanted Medvedev's government to resign, a result that any Russian government has not obtained for the past seventeen years. Back in November 2018, some 33 percent supported the removal of the cabinet, claiming that both political and social policies could be referred to as the main source of public dissatisfaction. The poll found that 57 percent of Russians blamed the government for its ineffective fight against rising prices and a sharp decline in the population's income. Nonetheless, no one may expect that the government's ever-growing unpopularity will result in its dismissal. Medvedev's team has long acted as a "bumper" which is meant to assume most criticism for controversial social and economic decisions.

23 January 2019

RUSSIA'S IN NO RUSH TO REDUCE OIL OUTPUT

Moscow is doing its utmost to take advantage of the current status in the OPEC+ while hoping to gain maximum profits from selling crude oil. When other countries rush to reduce their oil output, aiming to raise global prices, Russian firms have no intention to cut production rapidly, thus earning money at the expense of their partners. Such a state of affairs was not warmly welcomed by the organization's members, as evidenced by a recent statement of Energy Minister of Saudi Arabia, Russia's key partner in OPEC+.

Russia seeks to cut its oil output as part of a new OPEC+ deal while making an attempt to slow it down. By the end of January, it is expected to achieve one-fifth of the decrease in overall oil production. Russian Energy Minister Alexander Novak informed that the state's oil production had fallen by more than 30,000 bpd compared to October's level. Russia-based oil companies promised to cut production by 50,000 bpd by the end of January. Russia undertook to reduce its production by 228,000 barrels per day (bpd) until the end of the first quarter of 2019. Russian output baseline figures of 11,418,000 bpd date back to October 2018 while two months later, state oil companies

managed to break another post-Soviet record of 11,450,000 bpd before they made a final decision to lower oil output at the beginning of this year. Russia's slow pace in cutting production was sharply criticized by its main OPEC+ allies. According to Saudi Energy Minister Khalid al-Falih, Russia was cutting its oil production more slowly than expected.

Under the OPEC+ deal, Russia was allowed to make the cuts gradually since the harsh climate and complex geology of Siberia, which are to prevent oil production from being rapidly reduced. In its turn, Saudi Arabia has announced that it had already implemented all obligations to limit oil extraction. Compared



SOURCE: LUKOIL.COM

to cuts introduced by some of its partners, Russia's reduction commitments seem rather modest. Back in December, which is before restrictions formally came into force, oil output in OPEC countries dropped by 530,000 bpd. OPEC and their non-OPEC allies determined to slash production by a combined of 1,200,000 bpd by the end of June. Even though Brent hit more than 60 dollars per barrel following the decision to curb output, the result was still some 30 percent less compared to the four-year record that was broken in early October 2018.

At the end of 2016, Russia entered into cooperation with Saudi Arabia, hoping to stabilize the level of oil prices at that time. In addition, Moscow tends to signal its satisfaction with the total price of 60 dollars per barrel. On January 18, OPEC published a list of OPEC+ countries that had jointly agreed to cut oil output, informing how many barrels they intend to reduce. In a line with the document, 21 countries,

including 11 OPEC members and 10 their non-OPEC allies, are committed to lowering oil production by 1,195,000 bpd in the first six months of 2019, maintaining extraction level at some 43,874,000 bpd. OPEC member states are jointly to reduce output by 812,000 bpd to 25,937,000 bpd while non-OPEC oil producers – by 383,000 bpd to 17,937,000 bpd. Saudi Arabia, OPEC's leading state, will curb production by 322,000 barrels, from 10,633,000 bpd in October 2018 to 10,311,000 bpd in late June 2019. Among all non-OPEC states, Russia is to significantly reduce output by 230,000 bpd – to 11,191,000 barrels. Only Iran, Venezuela and Libya were given exemption from the agreement. Among OPEC's partners are such countries as Russia, Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, Sudan, and South Sudan. The next meeting of the Joint Committee of Ministers on monitoring the implementation of the transaction within OPEC+ is scheduled to be held on March 18 in the Azeri capital of Baku.



SOURCE: KREMLIN.RU

24 January 2019

KALININGRAD LNG TERMINAL: RUSSIA'S COSTLY SHOW

Russian President Vladimir Putin recently boasted about Kaliningrad's gas independence, a solution that comes as politically effective yet economically profitable. A floating vessel had been built in the Far East, from where it was later shipped to Kaliningrad. Nonetheless, Russian infrastructure for LNG production and transport needs to be dramatically improved.

On January 8, Russian President Vladimir Putin visited Kaliningrad to take part in the launch of the “Marshal Vasilevsky” tanker that had come to Russia from Singapore in mid-December. Its total construction cost exceeded 300 million dollars. While visiting the Baltic exclave, Putin announced that gas supplies to the region could no longer be blocked by neighboring Lithuania. In addition, the terminal's overall capacity is expected to fully satisfy local demand. In 2017, Kaliningrad consumed 2.4 bcm of gas while the tanker's annual regasification capacity is estimated at some 3.1 bcm. Yet blue fuel producers need to face yet another challenge which is providing the terminal with gas supplies.

In fact, Russia disposes of its own LNG

export facilities, all of which are located in the Russian Far North. Due to its geographic location, the maritime shipment from the region is both costly and time-consuming. As a result, the price of LNG imported to Kaliningrad is currently 4.5 times more expensive than that of raw material pumped through Belarus and Lithuania. Nevertheless, according to Putin, an average Russian consumer will not feel the difference. The state's financial aid means in fact money from all Russian taxpayers. Russia's Kommersant newspaper estimated that the full use of the terminal may cause losses of 27 billion roubles a year, mainly due to the difference in LNG costs and the state-regulated price gas in the Kaliningrad region. Furthermore, Gazprom is not able to pump blue fuel through the terminal as gas facilities located in Russia's Far

North are owned by Novatek, the country's biggest liquefied natural gas producer. Even though natural gas liquefaction installation in the Leningrad Oblast is set to be completed sooner than in a year, it will surely not have the capacity of fully satisfying the region's gas needs. Interestingly, such a new plant would be capable of sending all LNG reserves to Kaliningrad, yet a similar decision is unlikely to be made as Gazprom hopes to get some profits from the newly-constructed installation.

Last but not least, Russia has a contract with Lithuania on gas transit to Kaliningrad in the amount of up to 2.5 billion cubic meters per year. The deal is bound to expire in 2025. If Russia's Gazprom breaches the deal or decides to reduce gas volumes, Lithuania will file a lawsuit to an international arbitration court. Facing such a threat Vilnius will not give up because transit fees translate into a considerable money boost for the state budget.

27 January 2019

RUSSIAN OIL TO DOMINATE CHINESE MARKET

The current situation on global oil market is conducive to Russia's growing exports to the Chinese market. Russian exporters have seemed to take advantage of favorable circumstances, including recent crisis in Venezuela, anti-Iranian sanctions, U.S.-China trade war and attempt to influence the market by OPEC+ member states, which enabled them to become a key player in the Middle Kingdom. For the past several years, Russia's oil firms have been doing increasingly well, although these are still U.S. companies that gain much more profits from such operations. In this case, the Kremlin's hostility towards Washington will not translate into a direct oil war: Moscow is so attached to its considerable profits from selling "black gold" than it will not risk any actions aimed at damaging the U.S. shale oil industry.

China's administration recently announced trade data for 2018, according to which Russia had seemingly secured as a top crude oil supplier to the local market. In December 2018, imports from Russia reached 7.04 million tonnes, or 1.658 million barrels per day, up 40 percent from 5.03 million tonnes a year earlier. In 2018, Russian imports rose to 71.49 million tonnes, or 1.43 million bpd, up 19.7 percent from 59.7 million tonnes in 2017. Also, Saudi Arabia, which comes as Russia's key ally in the global oil policy, increased oil supplies to China last year; nonetheless, Moscow's lead over Riyadh in supplying China almost doubled to 295,000 bpd. In 2018, OPEC's leader boosted shipments to China by 8.7 percent to 56.73 million tonnes, or 1.135 million bpd, compared to 2017.

U.S. shipments to China came in at zero in December while they are expected to be resumed in March 2019. Still, U.S. crude oil imports by China were up almost 25 percent, compared to 2017. Venezuelan oil supplies dropped by 24 percent in 2018 to 16.63 million tonnes, or 332,600 bpd. It was mostly due to a deep inflation crisis in the country, as a result of which production hit a record low amid a lack of investment, mismanagement and fleeing workers. Full year Iranian imports dropped to 29.274 million tonnes, or 585,475 bpd, down 20 percent from 2017. This primarily came as an aftermath of U.S. sanctions. Nevertheless, Russia's strong position in the Chinese oil market does not result exclusively from geopolitical reasons, under which Beijing was forced to limit



SOURCE: GAZPROM-NEFT.COM

imports from Iran and Venezuela. Also, they are attributed to high turnovers noted by China's private-owned refineries that are more likely to import Russian ESPO crude. Another reason is Rosneft's expansive policy in the Middle Kingdom. Russia's largest oil company secured new long-term supply deals with China's state-run oil firms such as ChemChina and PetroChina.

Russia's export development to China is generally in line with the bull market on the domestic oil market. The current situation is favorable for Russian exporters. In 2017, Russia and OPEC jointly agreed to cut oil output in order to boost its prices. As a result, an average Brent barrel price went up, from 30 to 60-85 dollars. Rocketing oil prices may

appear profitable for the United States as it does not belong to a group of countries that intend to cut oil output. Quite the contrary, the U.S. oil production has sharply risen, overtaking Russia and Saudi Arabia and making the United States the world's top crude producer. In addition, the country is likely to bet yet another record this year. With the shale oil production referred to as no longer profitable in the United States, an average oil barrel price should not exceed 40 dollars. Nevertheless, such a low price will not favor the Russian economy, either. Moscow is thus unlikely to start a price war with the United States. The price increase, which is due to the OPEC+ plans to cut oil output, will provide Russia's state budget will some additional billions of dollars.



SOURCE: KREMLIN.RU

28 January 2019

ERDOGAN-PUTIN MEETING: HOPE FOR TIE-IN TRANSACTION IN SYRIA

U.S. President Donald Trump's decision to pull out American troops from Syria may change the strategic situation in the country, with the particular regard to its northeastern regions. This event is likely to be used by Turkey to destroy the Syrian Kurdish YPG militia. And yet such a new position paves the way for new opportunities for Russia as evidenced by the fact that Moscow became a key mediator in talks between Kurds and the Damascus government. The Kremlin would like the YPG-controlled areas to be taken over by al-Assad's regime. Nonetheless, it seems that Moscow will strive for linking the issue of northeastern Syria with the question of the Idlib province, a region located in the northwestern part of the country. This is the very last bastion of rebel forces, the Syrian occupation of which, backed by Russian and Iranian troops, has hitherto been blocked by Turkey. Both these issues were the main discussion topics during the recent Erdogan-Putin meeting.

On January 23, Russian and Turkish leaders held a bilateral meeting in the Kremlin. When launching talks with his Turkish counterpart, Vladimir Putin said that the two countries are involved in active cooperation on Syria. Earlier, Erdogan had expressed his eagerness to mention the topic of the creation of a security belt on the

Turkish-Syrian border, a topic that is also being discussed with Washington. This zone is to prevent the Kurdish militants from further infiltration into Turkey's territory. Turkish leader was accompanied by Foreign Minister Mevlut Cavusoglu, National Defense Minister Hulusi Akar and National Intelligence Organization head Hakan Fidan.

Such a close partnership between Putin and Erdogan is expressed by the fact that last year both politicians held as many as seven face-to-face meetings, not to mention eighteen officials phone calls. Nonetheless, the U.S. withdrawal from Syria will result in the creation of a vacuum in that strategic part of the country while complicating Russian-Turkish bilateral relations. Therefore it is in Russia's interest to hand over all areas from where the United States intends to pull out its contingent to the Syrian government forces. Russian Foreign Minister Sergey Lavrov said on January 16 that "the best and only solution is the transfer of these territories under the control of the Syrian government, and of Syrian security forces and administrative structures." Following his meeting with Putin, Erdogan assured that the two countries share the same standpoint on the security zone in northern Syria. Putin, however, said Russia supports "a dialogue between Damascus and representatives of the Kurds." In such a manner, Russian President may take advantage of Ankara's war threats posed to YPG-led forces to persuade the Syrian Kurds to seal a deal with Damascus. This seems to indicate that Moscow and Ankara have not managed to reach a final agreement on this issue. Facing such a situation Turkey keeps pushing its negotiations with the United States, a step which is also considered a tool for exerting pressure on its Russian ally. A day after the Moscow summit Turkey's Foreign Minister Mevlut Cavusoglu stated that his country "has the capacity to create a "safe zone" in Syria on its own but will not exclude the United States, Russia or others if they want to cooperate." He also mentioned that negotiations with the United States are currently underway on the strategic city of Manbij in northern Syria. Erdogan pledged a 32-kilometer-wide and 250-kilometer-long "safe zone" in northeastern Syria. Two days

ahead of his trip to Moscow, Turkish President held a telephone call with his U.S. counterpart Donald Trump.

In turn, the situation in the Idlib province is used by Russia to exert pressure on Turkey. Last September, Ankara managed to stop a joint Moscow-Damascus offensive against the last major rebel-held bastion. Finally, it was possible to establish a demilitarised zone to be jointly controlled by Russian and Turkish troops. According to Lavrov, "70 percent of this territory is already occupied by terrorists who are trying to attack the Syrian army's positions, settlements and are trying to threaten our [Russian] military air base in Hmeymim." On the day of Putin's meeting with Erdogan, a spokeswoman for Russian Foreign Ministry Maria Zakharova announced that the situation in the Idlib province is rapidly deteriorating. These areas are mostly controlled by Hayat Tahrir Ash-Sham, an Al Qaeda-linked jihadist group. During a summit held in September 2018 in the Black Sea resort of Sochi, the leaders of Russia and Turkey agreed to establish a demilitarized buffer zone in the rebel-held Idlib region. This was to prevent the joint offensive of the Syrian army as well Russian and Iranian forces against the Idlib province. Meanwhile, HTS managed to expand its influence in the province, mostly by smashing moderate and pro-Turkish groups. This may be due to the fact that Ankara keeps deploying loyal Syrian militants from Idlib towards the Kurd-controlled territories.

Russia is thus likely to succeed in at least one of these two areas. If Ankara decides to attack the YPG forces, al-Assad's forces will treat it as a pretext for attacking the Idlib province while Turkey's striving for maintaining the status quo in the region will result in Moscow's urge to incorporate the rebel bastion into the Damascus's protectorate.



SOURCE: KREMLIN.RU

28 January 2019

RUSSIA SUPPORTS MADURO REGIME: DID MOSCOW SEND PRIVATE MERCENARIES?

It is no secret that Russia and Venezuela have been tied by a strategic alliance. Moscow actively backed subsequent regimes of Chavez and Maduro, considering the latter its top ally against the United States in the western hemisphere. Caracas has been granted billions of dollars for making further concessions for Russia's state-run oil giant Rosneft, providing support for such regimes like Cuba and promises to develop military cooperation. Nonetheless, the deep crisis in Venezuela may now pose a serious threat to the Maduro regime, which would be a geopolitical disaster for Russia, not to mention Moscow's financial losses. This seems to explain the Kremlin's recent diplomatic activity, aimed essentially at supporting Maduro. Yet there emerges a question whether Russia has actually deployed several hundred of private contractors to defend the regime. This is a questionable issue while there is no evidence for their presence on Venezuelan soil.

Russia, which has provided Venezuela with a dozen loans worth a total of several billion dollars, recently expressed its strong support for Nicolas Maduro, unequivocally considering him the state's only legal leader. In addition, the Kremlin warned Western countries, including the United States, against an attempted "coup" in the Venezuelan capital

city. It is mostly Washington that backs Juan Guaido, urging other states to throw their support behind Venezuelan opposition leader as the country's head. It is yet not known whether Moscow provides Maduro with any other forms of support, in addition to political and economic activity.

Up to 400 Russian mercenaries could have been deployed to Venezuela, Reuters agency informed on January 25. They were to join the first contingent, reportedly sent to Caracas in May 2018. Among them are allegedly private military contractors of the Russian private military company Wagner whose main aim is to beef up security of President Nicolas Maduro. A spokesperson for the Kremlin denied news reports that Russian private military contractors were in Venezuela to protect Maduro. So far, any reports on the Wagner Group's activity in a given country were closely linked to the wish for guaranteeing safety for Putin-allied local leaders as well as that for protecting Russia's business interests, including those of Yevgeny Prigozhin. Both of these factors occurred simultaneously in Syria, Sudan and the Central African Republic. Therefore it is essential to ask a question whether Maduro needs to be protected by the Russians or whether there are any Russian industrial facilities on Venezuelan soil that would require such protection.

Yet in both cases it is difficult to come up with any obvious justification for the decision to deploy Russian private contractors to Venezuela. First, Maduro does not seem to have any problems to take care of personal protection. In addition, he enjoys the support

from Venezuelan army, referred to as the third largest in the region, giving way only to the Brazilian and Colombian ones. Not to mention the Venezuelan National Guard, an elite military formation which consists of 23,000 well-equipped servicemen. It is mainly tasked with thwarting protests. Secondly, Russia does not dispose of any facilities on Venezuelan soil – unlike Syria or Sudan – where such a guard would be needed. All oil projects developed with the participation of Russia's Rosneft are managed by Venezuelan state-run firm PDVSA.

Naturally, it cannot be straightforwardly stated that such information was fake. It can, however, be assumed that Maduro is not quite sure about the loyalty of his army of praetorians. The report that had been officially denied by the Kremlin may appear to be true as Moscow, while sending its mercenaries to Caracas, may seek to symbolically emphasize its commitment to defend the Maduro regime. Over the past few weeks, Russian state aircraft increasingly traveled to South America, making flights between Venezuela and Cuba. Also, it cannot be ruled out that Russia is currently preparing a potential scenario that would take into account evacuating Maduro and other regime-related politicians – along with their fortunes – to Cuba.



SOURCE: ENG.MIL.RU

28 January 2019

RUSSIA DEPLOYS TANKS TO KALININGRAD EXCLAVE

After the recent meeting of the NATO-Russia Council, which turned out unsuccessful for Moscow, Russian media reported that several dozens of tanks had been deployed to the Baltic exclave of Kaliningrad in the vicinity of the Polish border. Militarily, this does not introduce many changes to existing the balance of power. More importantly, it is all about the political aspect as Moscow is trying its best to exert pressure on Western countries, preventing them from strengthening NATO's eastern flank. Naturally, the Kremlin maintains that Russian forces reacted to the West's armament developments.

Therefore Russia's intention to boost its military potential in the exclave does not come as a surprise as such undertakings have been on for quite a long time. Russia's westernmost exclave is of crucial strategic importance as it is tasked with increasing the range of Russian arms against NATO while serving as the first major defense barrier. Further, the region weakens the Alliance's position in the Baltic Sea and to a great extent isolates the three Baltic States from their allies. The core of Russian ground units deployed to the exclave is the 11th Army Corps, a military unit established back in 2016 as part of Russia's Baltic Fleet. Its composition includes the 152nd Guards Rocket Brigade, the 244th

Guards Artillery Brigade, the 22nd Anti-Aircraft Rocket Regiment, the 7th Guards Motor Rifle Regiment, and the 79th Guards Motor Rifle Brigade, the last of which was provided with a tank battalion consisting of around 40 fighting vehicles. According to a recent report from Russia, there have been deployed twice – or even three times – as many tanks.

Russian Defense Ministry informed on January 11 that Kaliningrad's 11th Army Corps received over 30 T-72B tanks. As announced, the Kaliningrad units are currently awaiting yet another a batch of 30 identical vehicles. This information passed

completely unnoticed, though. The NATO-Russia Council meeting was held on January 25 in Brussels, yet it failed to result with any agreement or political rapprochement, especially those related to the INF Treaty and further strengthening of NATO's eastern flank as the latter issue was raised mostly by the Russian side. The following day, the Interfax-AWN agency reported that the 11th Army Corps was provided with a tank regiment deployed to the Kaliningrad town of Gusev, quoting an anonymous source in the Russian army as saying. Such a unit may welcome between 70 and 100 tanks, depending on its overall structure. Such information was published on Saturday, thus forcing most mainstream media to publicize the topic only after the weekend. This was done by *Nezavisimaya Gazeta*, according to which up to 90 additional battle tanks might have been fielded to the exclave, though the Russian Defense Ministry had previously informed about 60 fighting vehicles. The article clearly emerged as a political order thus fitting into the Kremlin's narrative. Russia, which is threatened by Poland's deployed NATO armored forces, thus needs to expand its defense capabilities. Not only does the newspaper menace Russian readers with the

Fort Trump military facilities but also with intentions to form Poland's 18th Guards Mechanized Division. Generally, it depicts a threatening vision according to which NATO's "armored fist" consisting of 2,000 tanks may eventually be sent to the Polish territory. The newspaper reported also about tank exercises in the Kaliningrad Oblast; interestingly, such information was published on the same day as the previously mentioned press release.

This issue is first and foremost underpinned by both political and propaganda significance. Theoretically, a new armored unit in the Kaliningrad town of Gusev may pose a threat to the so-called "Suwalki Corridor", a narrow strip of territory linking Poland with Lithuania. Gusev is located approximately 30 kilometers far from the Polish and Lithuanian borders. That said, Russian combat forces deployed to the Russian exclave face primarily defensive tasks. The Kaliningrad Oblast is expected to play the role of the so-called air bubble in line with A2/AD strategy, with extremely important missile batteries and radio electronic warfare systems deployed therein.

29 January 2019

RUSSIAN TURMOIL OVER U.S. SANCTIONS AGAINST MADURO'S REGIME

U.S. restrictions against Venezuela's state-run oil company PDVSA are the worst-case scenario for Maduro's regime meaning at the same time no financial aid to be granted for the national authorities and a considerable blow to Russian interests in Venezuela. PDVSA and Russia's state-run oil giant Rosneft participate in a number of joint mining projects; in addition, the Venezuelan company owes Sechin's firm a total amount of 3 billion dollars. This is to indicate that Russia will not gain any shares in Citgo, PDVSA's U.S. refining subsidiary. Not surprisingly, Russia's top politicians took a stance on the issue.

On January 28, the Trump administration imposed sanctions against PDVSA,

Venezuela's state-owned oil company and the country's largest firm and primary source



SOURCE: PDVSA.COM

of its income. The U.S. restrictive measures may result in blocking PDVSA's assets, worth a total of 7 billion dollars. This decision is targeted against Citgo, PDVSA's U.S.-based refining subsidiary. As announced by the U.S. administration, the firm will be still able to operate in Venezuela though funds will be sent to PDVSA's blocked accounts, in fact controlled by the United States. Undoubtedly, Washington is currently pursuing a new strategy of redirecting petrodollars to the authorities in Caracas represented by Venezuelan opposition leader and interim president Juan Guaido. Immediately after the sanctions were announced, the President of the National Assembly of Venezuela said congress will name new boards of directors for PDVSA and Citgo. Given cutting the regime off a valuable source of money, both the United States and its allies in Venezuela are in hope for making the Venezuelan army no longer back Nicolas Maduro, which was part of the Trump administration's appeal to Venezuelan armed forces.

An attempt to take over PDVSA resulted in Moscow's anger, which, however, was not due to the weakening popularity of Maduro's regime, given that as much as one-third of

Venezuela's oil output is imported to the United States. The recent U.S. decision hits Russia's interests on Venezuelan soil. PDVSA owes Rosneft a total of 3.1 billion dollars, an amount disclosed as an advance payment for crude oil supplies that are still yet to come. Rosneft received the minority stake in a number of mining ventures in Venezuela as well as it managed to secure 49.9 percent of shares in Citgo as collateral for loan financing. The situation seems to be at risk, which made Russian top officials react only a few hours after the U.S. restrictions were officially announced. Russian Foreign Minister Sergey Lavrov said that U.S. sanctions against PDVSA are illegal, by the means of which the United States intends to confiscate Venezuela's state assets. "Russia will take all necessary steps to support the administration of President Nicolas Maduro," Lavrov added. The Kremlin spokesman Dmitry Peskov said that U.S. sanctions amount to an attempt of blatant and illegal interference in Venezuela's domestic affairs. He declared that Russian authorities are analyzing the possible consequences of these restrictive measures, assuring that Moscow is ready to use all available mechanisms to protect its own interests on Venezuelan soil.



SOURCE: FLICKR.COM

30 January 2019

GAZPROM'S INVOLVEMENT IN ARASHUKOV CASE: PURGES IN KARACHAEVO-CHERKESSIYA

Russian federal authorities recently detained a number of people who were reportedly linked to Gazprom's regional subsidiaries, including leaders of an influential clan from Karachaevo-Cherkessiya. Russian Senator Rauf Arashukov was detained at a session of the Federation Council, the Russian parliament's upper chamber, on January 30 while his father, Raul Arashukov, was taken into custody in St. Petersburg. This is just the beginning of a political purge that may lead to serious turmoil both in the Karachaevo-Cherkessiya region as well as in Russia's state-run gas giant Gazprom.

The 32-year-old Rauf Arashukov has represented the Karachaevo-Cherkessiya region in the North Caucasus since 2016. Never before has Russian public opinion experienced such a show that included a lawmaker getting detained and handcuffed in front of members of the upper house. Interestingly, Attorney General Yuri Chaika and Federal Investigative Committee head Alexander Bastrykin addressed the senators to strip Arashukov of his immunity. It was only a few minutes before the detainment that the Federation Council closed the parliamentary session to the public while Federal Protective

Service officers sealed the building hall's entrances and exits. During a secret meeting, Russian senators voted to strip Arashukov of his legal immunity and agreed to detain him. The lawmaker was charged with orchestrating a criminal group while additionally being accused of killing two people.

Only an hour later, his father Raul Arashukov was detained at a meeting of Gazprom in St. Petersburg, accused of fraud amounting to 30 billion roubles. The illpractice was to last for many years while the younger Arashukov, who had previously worked in Gazprom's

structures in Stavropol and Karachaevo-Cherkessiya, was reportedly involved in such illegal practices. Rauf Arashukov has served as an adviser to the CEO of Gazprom Mezhrefiongaz and a deputy of the republican parliament of Karachaevo-Cherkessiya. Since the late 1990s, he has headed many branches of Gazprom Mezhrefiongaz, Gazprom's subsidiary tasked with selling gas to Russian regions. Interestingly enough, a department in Gazprom Mezhrefiongaz where the elder Arashukov worked as an adviser to the general direction should write off Chechnya's debts, worth a total of 9 billion roubles, according to a statement of a court in Grozny.

The Arashukov family is an influential clan in the Russian republic of Karachaevo-Cherkessiya. Arashukov's involvement in the contract killings has long been known for everyone yet both men managed to flee from responsibility due to their connections in regional security structures, including the republic's Investigative Committee. This is probably why investigation against them is being carried out by central structures of Russian Investigative Committee and the Federal Security Service (FSB). So far, a series of searches and other investigative activities have been conducted in Moscow,

St. Petersburg, Stavropol, Makhachkala, Astrakhan and other Russian cities. In an official statement issued on the evening of January 30, Russian Investigative Committee claimed that the elder Arashukov's associates may have been involved in the theft of Gazprom's resources, which is why they are also to be taken into custody. Raul Arashukov is also being investigated for the murder of Boris Khapsirokov, a businessman from the Donetsk region, which allegedly took place in the late 1990s. He may thus face up to 25 years in prison while his son – even life imprisonment.

How to interpret the intention to hit the Arashukov family then? According to one of many theories, Russian federal authorities sought to demonstrate their intention to fight against corrupt local elites. Such was the case of other Russian republics, including Tatarstan and Dagestan. Current detentions may indicate the beginning of a massive purge in the region. It is also said that recent events may fit into a struggle for taking over Gazprom's financial profits. Once disclosed, a long-term criminal scheme in Gazprom's regional subsidiaries may hit the company's CEO Alexei Miller.

30 January 2019

MORE RUSSIAN AIR PROVOCATIONS REPORTED

As many as ten air incidents, mostly related to intercepting enemy aircraft and violating the airspace of one of the countries over the Baltic Sea, were reported within less than two weeks. They all involved the use of fighter jets, bombers aircraft and reconnaissance planes affecting NATO, Russia and, importantly, neutral Sweden. According to the North Atlantic Alliance, Russian pilots tend to routinely turn off transponders while Moscow keeps accusing Washington of an increased espionage activity at Russia's western border. This has contributed to fiercer Russian-Western relations in the airspace, a phenomenon that has intensified over the past few months.

In January this year, Lithuanian Defense Ministry has informed about two instances

of intercepting NATO fighters by Russian jets, a situation that took place in international



SOURCE: WIKIPEDIA.ORG

airspace. Four incidents have been reported. On January 16, German fighters intercepted a Russian Il-20 reconnaissance aircraft while three days later Polish F-16 jets were scrambled to follow a Russian Su-24MR aircraft. In both cases, Russian jets flew to the Kaliningrad region while their transponders were not turned on. So did the Su-24MR reconnaissance aircraft that also ceased to maintain radio communication. Further interceptions took place on January 21 (Il-20) and January 24 (a pair of Su-27 fighters). In these cases too, Russian military planes flew to the Baltic exclave of Kaliningrad with their onboard transponders switched off and were later intercepted by NATO warplanes stationing in the Baltic States as part of an allied mission, with Polish F-16 fighters deployed to Siauliai (Lithuania) and German Eurofighter aircraft based in Ämari (Estonia).

A more serious Russian air provocation was reported over the Baltic Sea as it was targeted against a non-NATO country yet closely cooperating with the Alliance. On January 24, the Swedish Armed Forces said that an Il-20 plane and two Sukhoi Su-27 aircraft flew into Sweden's airspace south of the town of Karlshamn, some 135 kilometers northeast of Malmö. The incident was to take place on January 19, which was denied by Russian Defense Ministry whose spokesperson said that Russian jets intercepted a Swedish Gulfstream 24 reconnaissance plane while

the latter was flying towards the Russian border. Russian Defense Ministry informed on January 28 that a Sukhoi Su-27 fighter jet intercepted a U.S. P-8A Poseidon reconnaissance aircraft over the Baltic Sea. As reported by local media, two similar incidents occurred with the participation of U.S. air forces. A Boeing RC-135V reconnaissance plane allegedly appeared near the Kaliningrad Oblast, that is in Poland's airspace while an RQ-4B Global Hawk drone flew in Latvian airspace along the border in both Leningrad and Pskov Oblasts.

Russian provocation emerged on another front of aerial "cold war" with Western states, a situation that has happened for the first time in a few months. The North American Aerospace Defense Command (NORAD) said two Russian Tu-160 Blackjack strategic bombers were identified entering on January 25 an area patrolled by the Royal Canadian Air Force. Two American F-22 jets and two Canadian CF-18 planes were scrambled to intercept the intruders escorting them out of the Alaska Air Defense Identification Zone. Two Russian strategic bombers "made a scheduled flight over neutral waters of the Arctic Ocean while practicing refueling" during a 15-hour flight, Russia's Foreign Ministry was quoted as saying by the state-run TASS news agency on January 27. The January 25 incident is yet another one of such nature that occurred in this part of the world. Back in

September 2018, U.S. fighters intercepted two Russian bomber jets flying in international airspace west of Alaska. In April 2017, Russian

warplanes made several flights over Alaska and Canada for the first time since two years of inactivity.



SOURCE: KREMLIN.RU

31 January 2019

UKRAINE VS RUSSIA: RELIGION AS A WEAPON

The independence move of the Ukrainian Orthodox Church has been the most significant blow to the Russian Orthodox Church for decades as the latter institution remains a traditional tool in the Kremlin's hands. The decision of the Ukrainian Orthodox Church caused fury in Moscow but it was only recently that Russian President Vladimir Putin officially managed to combine hostility towards the Ukrainian church affairs with Russia's political doctrine.

Putin spoke at a ceremony on the occasion of the tenth anniversary of Patriarch Kirill's enthronement. The Patriarch of Moscow may eventually fight this battle while it is already said that his days are numbered and he is to be succeeded by Metropolitan Tikhon of Pskov, known also as Putin's spiritual father. The Kremlin needs to show as much support as possible to Patriarch Kirill as well as to the institution he is in charge of. In his speech delivered on January 31, President Vladimir Putin made it clear that

Russia has no intention to accept the defeat of the Russian Orthodox Church in Ukraine. "Moscow has respected and will respect the independence of church affairs, especially in a neighboring sovereign country. And yet we reserve the right to respond and do all we can to protect human rights, including the right to freedom of religion," he said. He added that "blatant interference in church affairs is taking place in Ukraine while its initiators were taught by last century's atheists, who banished believers from churches and ostracized and

persecuted clerics”, words that sounded somewhat bizarre, especially if uttered by a former officer in the KGB. Interestingly, Putin, as a politician who had grown out of anti-Christian atheistic tradition, seeks now to defend the Orthodox Church, claiming that “the kind of project, with no connection to faith and totally false, that is being implemented in Ukraine.” According to the Russian leader, the fact of granting autocephaly to the Ukrainian Orthodox Church is closely linked to a struggle for power, with a clear reference to the presidential campaign that is currently being held in Ukraine. Nonetheless, such claims sound strange out of the mouth of a top politician who had made the Moscow Church one of the pillars of the Russian state and its policy.

Putin’s sharp statement may thus come as a reaction to the situation in Ukraine, possible development of which might turn out worse than it had been expected in Moscow. In addition, more and more parishes of the Moscow-affiliated church are deciding to change their affiliation, thus joining the unified autocephalous Ukrainian Orthodox Church. Over 140 Orthodox parishes have opted for changing their religious jurisdiction over the last few weeks. Such a process seems particularly noticeable in the western and central regions located on right-bank Ukraine.

The Kiev authorities have actively backed the church’s independence from the Russian

jurisdiction. Participants of the unification council gathered on December 15, 2018, to establish the independent autocephalous local Ukrainian Orthodox Church. On January 6, 2019, Ecumenical Patriarch Bartholomew of Constantinople has handed over a “tomos” of autocephaly to Metropolitan Epifaniy of the new Orthodox Church in Ukraine. Yet the Russian Orthodox Church has no intention to recognize the independence of the Ukrainian institution as the former has its structures in Ukraine while considering the country as its canonical territory. Until recently, it was also the most influential Orthodox church out the three institutions operating on Ukrainian soil. There are only two left, out of which the Ukrainian Orthodox Church is recognized as canonical. Putin’s words sound like a direct threat to Ukraine, with Moscow claiming the right to interfere into its neighbor’s domestic affairs, also on the pretext of religious aspects. It is now difficult to interpret Putin’s speech in terms of a harbinger of an immediate military invasion yet the president’s words may prompt more instances of religious provocation. According to some previous warnings, granting an autocephalous status to the Ukrainian Orthodox Church would provoke Russian anger while the fact of changing religious affiliation by subsequent parishes, mainly in its financial and property aspects, may lead to riots, arson cases, assaults, and murders. This may appear dangerous in the following weeks, marked by a campaign ahead of a presidential election, planned for March 31, 2019.



SOURCE: ENG.MIL.RU

31 January 2019

U.S. WITHDRAWAL FROM THE INF TREATY IS RUSSIA'S DEFEAT

Last-ditch talks, which took place in Beijing to save the landmark INF Treaty, failed to bring any results just a few days ahead of the expiration of a U.S. deadline for Moscow to comply with the treaty. Russia still claims that it does not violate the provisions of The Treaty on the Elimination of The Intermediate-Range and Shorter-Range Missiles, commonly referred to as the INF. However, all evidence held by Washington and its allies seems to say otherwise. This means that the United States will withdraw from the deal while launching works on obtaining such a weapon. This may in the long run result with Russia's strategic defeat as the U.S. deployment of both medium and intermediate-range missiles change the existing balance of power in Europe. Moscow seems to dominate over the matter, though.

Russia and Washington have failed to make any progress since their Beijing talks that were held on January 31. The Russian delegation was headed by Russian Deputy Foreign Minister Sergei Ryabkov while the U.S. group was led by U.S. Under Secretary of State for Arms Control and International Security Andrea Thompson, both of whom admitted that the negotiations had failed to change the existing state of affairs as the two countries had not managed to bridge their differences.

The Intermediate-Range Nuclear Forces (INF) Treaty is a treaty signed by U.S. President Ronald Reagan and leader of the Soviet Union Mikhail Gorbachev in 1987, prohibiting all missiles with ranges between 500 and 5,500 kilometers. The agreement provides for liquidating intermediate-range ballistic missiles and medium-range missiles as well as it forbids to produce, possess and launch such rockets. In 2014, the U.S. Department of State raised for the first time an issue of breached obligations yet this question had

been also mentioned five years earlier. Back in December 2017, the U.S. Department of State put forward specific allegations, accusing Moscow of violating the landmark INF Treaty, believing the Kremlin to have deployed 9M729 cruise missiles. These are in fact a larger version of the Iskander-K short-range cruise missile. However, Russia rejects these claims, saying the United States disobeyed the deal by deploying a component of a missile defense system—the Mark 41 Vertical Launch System (VLS), capable of launching offensive missiles. According to the U.S. administration, VLS is to be placed onboard while the INF Treaty provides for ground-based systems.

Last year, Washington offered Russia an ultimatum to return to compliance with the treaty whose deadline was set for February 2. The U.S. termination of the arrangement will take effect six months after the formal notification of such intent. Suspending its obligations resulting from the deal would allow the U.S. military to immediately begin developing its own missiles. Following its withdrawal from the INF Treaty, the United States will be able to develop a missile whose range may face Russian threats. This is likely to restore part of mutual deterrence strategies in Europe. In October 2018, Russian President Vladimir Putin said Russia would immediately

target any European nation that agreed to deploy U.S. medium-range missiles on their soil, warning that European states would expose themselves to a possible counterstrike.

Washington's decision to pull out of the deal will trigger an immediate response from Moscow, also ready to quit the agreement. Yet this seems of little significance for the West, given the fact that the deal has long been referred to as fiction, with only one part being committed to its provisions. From the U.S. point of view, the bilateral agreement became unnecessary while preventing Washington from taking actions. And yet the world is no longer of bipolar character whilst new players have appeared on the international arena. Already in April 2017, the former commander of U.S. Pacific Command Harry Harris recommended that the United States renegotiate the INF Treaty due to its limited capabilities to counter "Chinese and other countries' cruise and land-based missiles." A threat posed by China, a country that is not covered by the INF Treaty and keeps developing its medium-range missile arsenal, might in fact have been the main reason for Washington's current stance on the deal. Russia gave only a pretext, which is still good news for Europe's future security.

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The Warsaw Institute Foundation
Wilcza 9 St., 00-538 Warsaw, Poland
+48 22 417 63 15
office@warsawinstitute.org
