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4 June 2019

## KREMLIN DENIES TRUMP TWEET ON PULLING RUSSIAN TROOPS OUT OF VENEZUELA

**A failed attempt to topple the Maduro regime in late April and early May brought Venezuela to a standstill. The Venezuelan opposition is too weak to take power in the country with no support from its allies, with the United States at the forefront. Russia has consequently backed the Chavist regime yet time does not seem to play on Maduro's favor. The government in Caracas is becoming weaker and weaker due to U.S. harsh economic restrictions, Moscow's own problems and intensifying international condemnation for what Maduro has done. Two rounds of explanatory talks have been hosted by Norway, both of which yet remained fruitless. But what was a concession made by Maduro was the fact that such negotiations could actually take place. And Washington has recently informed about Moscow's plan to reduce its military presence on Venezuelan soil, with the Kremlin having dismissed such allegations.**

**O**n June 4, Russia has denied Donald Trump's claim that Moscow is reducing the number of its servicemen in Venezuela. Trump tweeted a day before that Russia had informed him about removing most of its troops from the country. Moscow declined having contacted Trump about military activity in Venezuela. Kremlin spokesman Dmitry Peskov told journalists

that in Venezuela "there are specialists who service hardware that has been previously delivered and that process is going according to plan." A group of 100 Russian troops, led by chief of staff of the ground forces Vasily Tonkoshkurov, arrived in Venezuela in late March this year. The Kremlin said that military experts were deployed to Venezuela to provide servicing for armaments supply

contracts. For their part, Caracas claimed that a group of military specialists is in Venezuela as part of Russian–Venezuelan military and technological cooperation agreements and contracts. Russia’s military presence in Venezuela caused a stir in the United States, with President Donald Trump, National Security Advisor John Bolton and Secretary of State Mike Pompeo warning Russia over potential consequences of this step.

Moscow suggested that Trump’s tweet on the alleged pullout of Russian servicemen from Venezuela derives from an article by Wall Street Journal. But the American daily did not mention military experts who

landed in Caracas in late March, triggering off Washington’s sharp reaction, but Russian specialists, hundreds of whom had been deployed to Venezuela many years before. Citing an unnamed source close to the Russian Defense Ministry, the Wall Street Journal reported that Moscow had made a decision to withdraw from Venezuela its key defense advisors, all of whom were a staff of Russian state defense contractor Rostec. Russian military experts remain committed to training Venezuelan servicemen and providing advice on armaments contracts. Russian Ambassador to Venezuela Vladimir Zaemsky denied the Wall Street Journal report as false.

5 June 2019

## **TAINTED OIL IN THE DRUZHBA PIPELINE: ROSNEFT’S SECHIN SEEKS PROMPT DEAL WITH POLAND**

**Polluted oil flows in the Druzhba pipeline have undermined export ambitions of many Russian firms, with state-run oil giant Rosneft having been especially hit by the export constraints. The company’s CEO Igor Sechin publicly admitted that halting oil flows through Poland was detrimental to Rosneft’s interest and expressed hopes for resuming exports via the pipeline.**

**O**n April 19, chlorides-contaminated Urals crude flows were discovered in the Belarusian oil refinery in Mozyr. Five days later, several countries, including Poland, tapped off the Druzhba pipeline. Belarus and Russia agreed that they will make a full cleanup of the pipeline system by June 10. It was promised to supply clean Urals crude to the Polish-Belarusian border on June 9. No major decisions have yet been made to compensate for the losses incurred by Poland, Belarus, and other countries affected by the Druzhba pipeline failure.

Speaking at Rosneft’s annual general shareholders’ meeting in St. Petersburg,

Igor Sechin said that the incident with contaminated Russian oil getting into the Druzhba pipeline harmed deliveries of raw materials to Western Europe. He was quoted as saying that oil shipments need to be delivered by sea to Gdansk from where it is pumped to Germany through the Polish transmission system. Sechin expressed hope and Transneft, and the Russian Energy Ministry will promptly conclude their talks with Poland. “Our priority is to resume oil flows,” Rosneft’s chief executive said. This is problematic for Russia as the company sends oil supplies to power its own refineries in Germany. Sechin’s address at the annual shareholders’ meeting may prompt



SOURCE: ROSNEFT.RU

Rosneft's pushes for Transneft and the state administration to discuss with Poland the issue of compensation of the losses incurred by the contamination of oil via the Druzhba pipeline.

The Druzhba shutdown has negative influenced Russia's oil output and exports. Russia's oil exports to Europe dwindled by 592,550 tons, or 3.22 percent, in May as compared to April. Due to limited exports capabilities, Russia was forced to reduce its oil output in May by 112,254 tons, or 1.1 percent more than it had been expected to under its OPEC+ obligations. Export via pipelines decreased by 37 percent, a result that has not been compensated for 15-percent growth in maritime shipping. Up to 47 percent of all Russian crude output is exported. Up to 90 percent of crude flows go through a system controlled by Russia's oil pipeline monopoly

Transneft. In 2018, its annual shipment volumes amounted to 230 million tons, half of which is sent to seaports from where it is then exported via tankers. Off all these volumes, 20 percent of oil is pumped through the Druzhba pipeline. Prompt redirection of export supplies is difficult due to inadequate infrastructure, and tankers need to be booked a month in advance. Also, companies have long struggled with the lack of oil tanker trucks. May this year saw exports decline in Russian oil majors Rosneft, Tatneft, and Gazprom Neft by 10, 69, and 24 percent respectively. Meanwhile, Lukoil and Surgutneftegaz increased exports by 21 and 14 percent respectively, with the latter completely halting pipeline exports and boosting sea exports by a third. Pipeline exports of oil to Poland and Germany were zero and oil flows to the Czech Republic, Slovakia and Hungary fell by 443,000 tons, or 60 percent, compared to April.



SOURCE: KREMLIN.RU

10 June 2019

## ROSNEFT'S SECHIN CRITICIZES WASHINGTON, PUTIN OUTLINES PREFERABLE CRUDE PRICE

The situation on the global oil market was one of the topics in the agenda of this year's edition of an economic forum in St Petersburg. The head of the largest Russian state-run oil company considered U.S.-led policy as the main nuisance to the global energy market while the CEO of the country's most prominent private-held firm said what could become an optimal crude oil for Russia. It overlaps with the price earlier suggested by Russian President Vladimir Putin yet is much lower than that anticipated by Saudi Arabia, Moscow's principal oil partner. Three weeks ahead of the OPEC+ summit it is yet still unclear whether current output cuts will be maintained in force.

St Petersburg International Economic Forum, which was held on June 6–8, gathered top Russian businessmen and politicians with their foreign partners. This year's edition was attended by 3,500 foreign guests from over 140 countries. Also taking part in the plenary session were Putin's most distinguished guests: U.N. Secretary General Antonio Guterres and Chinese leader Xi Jinping. Naturally, the event brought together Russian finance and economy ministers as well as the head of the Russian central bank, not to forget managing directors of the

country's largest banks and corporations, including Rosneft's CEO Igor Sechin. Speaking during the first day of the forum, he accused the United States of using policy, to which he referred to as "being the main troublemaker for the global energy market." He added that Washington intends to shift the world's political and economic spheres by thwarting decades-long market links and that the United States uses sanctions against energy producers to make their domestic companies increasing oil production in Texas expand on global markets. U.S. crude output has rocketed this

year to 12 million barrels a day in a move that surpassed Russia's oil production. Addressing the audience, Sechin said that Texas production alone will reach 5 million barrels a day this year, a volume that exceeds the combined oil production of Iran, Venezuela, and Libya. Rosneft's chief executive said that Washington's sanctions on Iran and Venezuela, OPEC member states and the world's leading oil producers, were not incidental.

On June 5, Brent crude fell below \$60 a barrel (\$59.45) after it was revealed that U.S. crude supplies had grown even though U.S.-based oil companies had hit a record 12.4 million barrels per day. Lukoil's CEO Vagit Alekperov said that for Russia it will be most satisfied with \$60–70 per barrel, admitting that Russia can rapidly boost its output capacity yet this should be tackled cautiously while taking into account the current downward price tendency. "There is no point increasing oil output," Alekperov told the audience. Putin

has, however, refused to take his stance on the issue. Speaking to journalists on June 6, the president said Russia does not need too high crude prices, adding that a price of \$60–\$65 a barrel suits Moscow best. And the Russian budget implies an oil price of \$40 per barrel. But pricing an oil barrel at \$60 is not at all satisfactory for OPEC and Saudi Arabia, with the latter hoping a crude barrel to trade at \$85 to balance its budget. For its part, Moscow has not yet specified a stance it would adopt during the OPEC+ summit scheduled to take place on June 25–26. Sechin earlier said that Rosneft had held talks with the Russian government to compensate for all losses if OPEC+ remained committed to extending the oil output restriction until the end of the year. Lower oil output and exports exerted an impact on Russia's 2019 economic growth forecast by the World Bank, according to which it would drop to 1.2 from 1.5 percent of the country's GDP.

11 June 2019

## SUDAN CRACKDOWN: CHINA AND RUSSIA BACK RULING MILITARY JUNTA

**Russian and Chinese leaders' verbal declarations on their shared approach to vital international issues have recently been put into action, as exemplified by a stance adopted jointly by Beijing and Moscow toward the Sudan crackdown. This is where Russia and China earlier had backed the regime of Omar al-Bashir. After he was overthrown in the aftermath of massive demonstrations, the power in the country was seized by a military junta whose members refuse to accept civilian control over Sudan nor are they keen to introduce a rapid democratic transition in the country. Protestors are slaughtered in the streets of Khartoum while Moscow and Beijing are making joint attempts to block foreign interference, even at the diplomatic level.**

Chinese president paid a high-profile three-day state visit to Moscow in early June. Xi Jinping was also one of the top guests of an international economic forum in St Petersburg and a Chinese delegation was this year bigger than ever before. In remarks

after a meeting with his Chinese counterpart on June 5, Vladimir Putin said both leaders discussed current problems of international policy. As reported, they allegedly confirmed Russia and China's convergent views on vital global issues. Xi and Putin spoke about the



SOURCE: KREMLIN.RU

Venezuelan crisis and the denuclearisation of the Korean Peninsula. And Russia and China have set similar goals also in Iran and Sudan. On June 3, the Sudanese army and paramilitary forces violently dispersed a pro-democracy opposition protest camp in Khartoum. At least 108 people were killed. On June 5, China and Russia blocked the United Nations Security Council from passing a statement to condemn Sudanese military rulers for their massive killings of citizens. At a closed-door meeting of the U.N. Security Council, Germany and the United Kingdom presented a draft press statement calling on Sudan's military rulers and protesters to continue a dialogue. China firmly objected to the proposed text while Russia insisted that the council should await a response from the African Union.

Russian Deputy Foreign Minister said the next day that Moscow is against "any foreign intervention" in Sudan. The country is now ruled by a military junta that toppled the country's dictator Omar al-Bashir after months-long protests organized by the local population. Sudan's military junta overthrew the discredited dictator while the regime has not at all changed ever since, opposition members said. Bogdanov said that dialogue

and compromise are both needed to put an end to the Sudanese crisis. What is worse is that Sudan's ruling military refused to hold talks with the opposition in a move that ignited the situation in the country. The total death toll from the army's violent attacks against pro-democracy protesters surpassed the number of deaths resulting from al-Bashir's repression against demonstrators. At the same time, Bogdanov said it's necessary to wage a "fight against extremists and provocateurs."

Moscow has declared its support for the ruling junta in the hope of implementing its various projects earlier agreed with al-Bashir, including a Russian military base on the Red Sea. And the Kremlin's goal consists in safeguarding its interests on Sudanese soil where Russian private military contractors were deployed at least a few months ago. From the Kremlin's perspective, it seems most advantageous to stabilize the current situation in Sudan as, under the military junta's regime, the country will make no sudden shift towards the West. Possibly, the army will appear more open to cooperate with Moscow while receiving Russian arms supplies that al-Bashir's regime.



SOURCE: KREMLIN.RU

11 June 2019

## CHINESE DELEGATION VISITS MOSCOW: “BEST FRIENDS” UNITED BY COMMON ENEMY

**The motive of Xi Jinping’s visit to Russia and a leading role played by a Chinese delegation at the St. Petersburg International Economic Forum were the Russian-Chinese shared struggles against what was called Donald Trump’s aggressive economic policy. Beijing has made demonstrative efforts to cement its relations with Moscow to gain an argument in its trade war with the United States. And the Kremlin, for its part, has long striven for the closest possible alliance with China even if this could occur at the expense of Moscow’s economic interests. But Russian-Chinese cooperation cannot be viewed as a long-lasting relationship in the matter of security.**

**T**he China-Russia summit deepened both countries’ partnership in the energy, aviation and communications sectors while opening up new opportunities in areas such as agriculture, finance, technology and e-commerce. Russia and China have signed deals to boost economic cooperation while Putin and Xi spoke with once voice while addressing their global issues, with Washington’s policy at the forefront. Xi Jinping’s visit to Moscow, hailing Putin as his “best friend” and China’s active participation in the St. Petersburg International Economic

Forum 2019 have failed to bring a new quality to Russian-Chinese bilateral ties. This is by no means equivalent to launching a new stage of their mutual cooperation, mostly due to the lack of military or security components.

Both the nature of these deals, along with the overall scope they are expected to cover, will need to meet two key criteria, with all benefits will be reaped by state and private companies holding close ties to the Kremlin while showing that China and Russia are able to unite their forces when facing economic

conflicts with the United States (trade war and sanctions respectively) to narrow down all adverse effects of Washington's policy. The first category of Russian-Chinese deals seems best illustrated by Sinopec's participation in Sibur's construction project or an agreement concluded between Russia's Novatek and state-run lender Gazprombank, and their Chinese partners on sending LNG supplies to Beijing, whereas the latter category refers to joint telecommunications cooperation, as exemplified by China's Huawei plans to build 5G internet in Russia.

Either bilateral deals or what has been said about shared interests in different parts of the world or geopolitical issues do by no

mean change Russia's relations with China, with Moscow dubbed a younger and less significant partner, but the Kremlin seems to have used to this state of affairs. The size of the Chinese economy grew eightfold compared to the Russian one and is developing at a greater pace. A demonstrative rapprochement between China and Russia has yet a short lifespan and is owed to strains in both countries' relationship with the United States. The current state of their mutual cooperation, along with further prospects, will exert no impact on what is taking place now, with the United States being a key economic partner for China and the European Union for Russia.

12 June 2019

## LUKOIL ADDS OFFSHORE CONGO PROJECT TO ITS AFRICAN PORTFOLIO

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**Lukoil, known as one of Russia's largest oil firms, has invested in yet another African country, acquiring interests in the Marine XII licence offshore in the Republic of Congo for \$800 million. This is how much Lukoil paid for buying a 25-percent stake in the hydrocarbon project operated by Italian oil and gas company Eni. Lukoil's move has marked the beginning of its expansion in the Republic of Congo. During the visit of the Congolese president to Moscow in late May this year, Lukoil signed a letter of intent with Congo's state-run oil company SNPC.**

**T**he 25-percent stake in the licence was purchased from British explorer New Age on the continental shelf of the Republic of Congo. The daily oil output in the Marine XII project amounts to 140,000 barrels. The total worth of the transaction was estimated at \$800 million. The Russian oil giant entered the project as Italy's Eni, which operates the Marine XII venture, did not purchase stakes held by New Age though it had a preemptive right to do so. Lukoil purchased shares at an auction held by Citi Bank and the entire sum was transferred to accounts held by this bank, to which New Age owed large amounts

of money. It is noteworthy that New Age is controlled by China-based investment fund Noru. The Congolese oil investment could be eyed as yet another demonstration of ever-closer energy cooperation between Russia and China.

The Marine XII licence is located on the Congolese continental shelf 20 kilometers offshore and covers 571 square kilometers in water depths of 20–90 meters. The licence comprises five discovered fields to contain resources of 1.3 billion barrels of oil equivalent. Two fields, Nene and Litchendjili,



SOURCE: KREMLIN.RU

were launched in 2015 and are currently capable of producing 28,000 barrels of oil and gas condensate per day along with 1.7 million cubic meters of gas. The project is operated by Italian oil and gas company Eni, with a 65-percent interest while 25 percent was acquired by Lukoil and the remaining 10 percent is held by Congo's state-owned Société Nationale des Pétroles du Congo (SNPC).

Lukoil is interested in entering into cooperation with Eni to build LNG plants in the Republic of Congo to use gas from Marine XII. The Russian oil firm intends to develop its activity across the country, as exemplified by the letter of intent signed with Congo's SNPC in late May this year. The document provides for evaluating the possibility of joint participation in all projects related to geological research, exploration and hydrocarbon extraction in the Republic of Congo. The letter of intent was signed during the visit of the Congolese president Denis Sassou Nguesso to Moscow on May 23–24. Back then, both leaders inked eight deals and other bilateral documents, some of which refers to cooperation in such sector as mass communication or nuclear

energy.

Speaking about Lukoil in an official statement, Sassou Nguesso said that “Congolese senior officials are interested in the development of cooperation with Lukoil and will render all-round assistance to the company in its effort to evolve projects in the country.” As informed, Alekperov had met with Denis Sassou Nguesso, the president of the Republic of the Congo. This is Lukoil's first energy project in the Republic of Congo yet another on African soil; The oil company so far has left its footprint in Cameroon, Nigeria, Ghana, and Egypt. The last of the four countries hosts onshore projects while the three remaining ones are where Russia develops its offshore ventures. Lukoil's expansion in Africa is in line with the Kremlin's active policy pursued on the continent. In addition to armaments deal, Russia is investing in the economies of other African countries, mainly through extracting minerals, or is tightening security cooperation. Moscow's growing appetite for Africa has manifested itself by Vladimir Putin's meetings with local leaders and will be soon confirmed by the Russia-Africa summit planned for October 2019.



SOURCE: WIKIPEDIA.ORG

13 June 2019

## **RUSSIA RESPONDS TO TRUMP-DUDA SUMMIT FEARING U.S.-MADE REAPER DRONES**

**As expected, what was concluded at the U.S.-Poland meeting has received an immediate reaction from Moscow, whose political elites lambasted Poland for mounting tensions in the region while accusing Warsaw of implementing Washington's aggressive policy. The Kremlin's rhetoric is nothing new, given Russia's stance towards cementing strategic cooperation between Poland and the United States. Interestingly, representatives of the Russian political elite have this time focused on the issue of armaments. Russian propaganda outlets denounced Poland's intention to purchase U.S.-made F-35 fighters while a plan to send to Poland a squadron of flying unmanned MQ-9 Reaper drones sparked outcry in Moscow. What was said by Russian politicians shows that how Poland and the United States tighten their military alliance may seriously affect the balance of power on NATO's eastern flank, mainly on its northern section. This should consist of bolstering the security of Poland and its neighboring countries that are viewed as hostile by the Kremlin.**

**F**ollowing the visit of the Polish President Andrzej Duda in the White House on June 12, the United States officially declared its plan to boost military presence in Poland. Up to 4,500 American troops so far have been deployed to Poland on a rotating basis, and Washington will soon send an additional

1,000 soldiers to the country. Also, the United States plans to establish a forward-deployed division headquarters on Polish soil. For its part, Poland has confirmed its willingness to buy over 30 fifth generation F-35 fighter jets. But a batch of flying unarmed MQ-9 Reaper surveillance drone is to be delivered

sooner to the country in a move agreed under a joint declaration on defense signed by the American and Polish leaders.

Moscow has for years struggled to prevent the U.S. military presence from expanding in our region, also in Poland, and it was intended to hinder the development of Poland's defense potential. Any conclusions from the Trump-Duda summit were doubly unpleasant for Russia whose politicians reacted to the news on June 13. And in what they said most attention was paid to deploying a squadron of Reaper drones to Poland. Vladimir Dzhbarov, deputy head of the upper house of parliament's international affairs committee, said that having accepted to deploy U.S.-made unmanned aerial vehicles, Poland might become a target for a retaliatory attack if Russia was attacked. "The Poles have become hostages of their love to America," he said. Similar remarks were made by another Russian lawmaker, Vladimir Shamanov, who now runs the lower house of parliament's defense committee. As an ex-commander of Russia's airborne forces, he claimed that Russia has adequate weapons in their "vast armory" that could be used as retaliatory measures in response to sending MQ-9s to Poland. Franz Klintsevich, a ranking member of the Defense Committee of the Federation Council, the upper chamber of Russia's parliament and one of the key Russian people standing behind sending "little green men" to Crimea in 2014, seems to have assured that deploying MQ-9s to Poland will by no means change the balance of military power but he undermines his own words, adopting a similar stance to that represented by his peers. So if deploying MQ-9s to Poland has no intention to change the existing balance of power, why did Shamanov warn that "the world is gradually slipping towards a dangerous moment comparable to the Caribbean crisis"? Also, Shamanov's remarks have referred to Belarus as he views the country as Russia's "brotherly nation in our Union State" so the Polish-Belarusian

border "is our border under the Collective Security Treaty." This may imply Moscow's readiness to push extra pressure on Belarus to expand its military presence in the country. But the question is whether Lukashenko will this time resist the tension.

Interestingly, the issue of MQ-9s was widely commented not only by lawmakers who can boast of their military experience in the past. In his turn, Russian Deputy Foreign Minister Sergey Ryabkov said that "Moscow is concerned about a U.S.-Polish decision to send to Poland a squadron of unmanned aerial vehicles" in a step he viewed as "raising military tensions in Europe, particularly on NATO's so-called eastern flank." And Moscow's rhetoric brought yet again NATO's obligations to be fulfilled under the 1997 NATO-Russia Founding Act, with Ryabkov suggesting that U.S.-Polish arrangements allegedly breached these commitments. And even though a common stance adopted by Warsaw, Washington and Brussels has long been clear, stating that an increased U.S. military presence in Poland has no reference to what was agreed by NATO and Russia, Moscow has a long tradition of violating the provision of the treaty.

It is to be expected that Russia will soon sharpen its rhetoric against Poland, saying that Warsaw becomes heavily dependent on the United States, the U.S.-made military hardware is of an alleged poor quality and Poland exposes itself to the risk in the name of Washington's interests. Generally speaking, the U.S.-Polish alliance has surged as one of the key themes of a conflict between Washington and Moscow, with the latter eyeing the latest arrangement as part of an American strategy aimed at weakening Russia. In an interview with the Mir TV channel on June 13, Vladimir Putin noted that U.S.-Russia ties are getting worse and worse. This remains a major unknown whether Putin will meet Trump at the G-20 summit in Osaka.



SOURCE: KREMLIN.RU

14 June 2019

## MOLDOVA FACES POLITICAL TURMOIL TRIGGERED BY RUSSIAN INTRIGUE

Moldova has plunged into what was called its most profound crisis since the country regained independence, with what could actually be referred to as a dual power system. The country sees the government formed by a peculiar coalition of pro-Russian socialists, the pro-European ACUM bloc, both supported by the socialist president on the one hand and a rival group on the other, consisting of the acting PDM government, along with its loyal power structures and the Constitutional Court overseen by Moldovan tycoon Vlad Plahotniuc. What happened in Moldova might have been triggered by a possible EU-US agreement with Moscow. But removing Plahotniuc and his peers from power could in the long run bring benefits to Moscow. And the Kremlin's long-term goal consists in drawing Moldova into its sphere of influence.

Moldova's parliamentary elections in February 2019 resulted in a stalemate, with three political forces – Dodon's Party of Socialists (PSRM), Plahotniuc's Democratic Party (PDM) and the ACUM Party, led by Sandu and Nastase – winning comparable results. Coalition talks were held for several months, and the acting PDM government exercised power in the country. It seemed

that the Democratic Party would be keen to form a coalition with the socialists as earlier Plahotniuc had had a gentlemen's agreement with Dodon. But the Party of Socialists came out on top in parliamentary elections, and the president imposed tough conditions to which Plahotniuc had no intention to agree. Political events put Moldova into turmoil before the end of the period allowed for the formation

of a new coalition. Facing the risk of snap elections, Western countries put pressure of the ACUM bloc as the latter so far had refused to form a coalition either with the Socialist Party or with Plahotniuc. After European and U.S. envoys paid visits to Chisinau, the pro-Western ACUM bloc sought to suggest the socialists a power-sharing agreement. The latter was in no rush to accept the offer, viewing it as an argument in secret talks held with the PDM party. But Dodon fell into a trap set by Plahotniuc, who happens to have some experience in this game. From the leaked video, recorded by people belonging to the tycoon's inner circle and with which the president only brought shame to himself, it became clear how significant role Russia has played in Moldova's domestic affairs.

Dodon demanded that his party take control over most important ministerial posts and revealed that his party was receiving monthly payments from Russia in the amount of \$600,000–700,000. Also, Moldova's pro-Russian president said that Moscow wants to be a party in the PDM-PSRM deal. A secret agreement was signed in the presence of the Russian ambassador in Moldova, which would include the federalization of Moldova. Instead, it provided for formally restoring supremacy over the breakaway region of Transnistria under yet de facto making Moldova reliant on the Kremlin. Plahotniuc refused and his Democratic Party intended to use the video footage in their campaign before snap elections to accuse Dodon and his party of "treason." All this influenced the president's immediate decision, as a result of which the ACUM and PSRM finally reached a coalition agreement, forming a new government. But the Constitutional Court, a body controlled by the oligarch, declared their decision illegal,

suspending Dodon and giving interim head of state functions to PDM prime minister Pavel Filip.

In consequences, two political blocs are now fighting for power in Moldova, running the risk of riots. Led by Maia Sandu, the ACUM-PSRM government was backed by the United States, the European Union and Russia but its rival received support from power structures, the Constitutional Court and Plahotniuc's media. Moscow is declaring its support for the new government even though the latter is dominated by the pro-EU ACUM bloc. And Moldova is where the Kremlin hopes to start its long-term game. After Plahotniuc is taken out of the game, the country will still need to face early elections. When his Democratic Party gets weaker, the Party of Socialists is more likely to increase the number of seats in the parliament while gaining a domination position in the government or maybe also a fully independent government. Added to that the pro-Russian president, Moldova will swiftly adhere to the Russian sphere of influence. But were Brussels and Washington conscious of this fact while deciding to enter into a tactical alliance with the local pro-Kremlin camp? Under the worst-case scenario, an inadequate system that manifests itself through establishing a country controlled by a tycoon who refuses reforms yet declares pro-Western views will eventually give way to a pro-Russian and federalized state of Moldova. This threat was already eyed by Bucharest and Kiev, as exemplified by the stance adopted by these two that consisted in refraining from backing Sandu's government and opting for snap elections instead. If Russia seized control over Russia, this would put Ukraine in danger.



SOURCE: KREMLIN.RU

17 June 2019

## WHY DID KREMLIN SEND ITS SUPERVISORS TO REGIONS?

**Russia's federal authorities have devised a new yet typical for its governing tradition method to safeguard the regions plunged in the economic crisis by appointing national supervisors. This task was delegated to government ministers. It is, however, questionable whether Moscow's solution could anyhow help poor regions, but the Kremlin has at least found those who might potentially be to blame for. But it is impossible not to notice that this has solidified the Kremlin's authority over other parts of the country. And if all economic issues of Russia's remote regions are to be tackled through subordinating them to the central authorities, instead of following a far more independent economic policy, this effort may eventually be doomed to failure.**

**T**he Kremlin's decision to make individual federal ministers "curators" for ten particularly depressed subjects may help in the short term. But taking personal decisions will fail to solve a systemic problem, with Moscow drilling more and more resources from them and giving back ever less in the form of federal subsidies and assistance. As agreed by the federal authorities, Economic Development Minister Maksim Oreshkin is now "curator" for the Altai Republic, Karelia and Tyva. Finance Minister Anton Siluanov will oversee Kurgan Oblast, Agricultural

Minister Dmitry Patrushev will supervise Adygeya while Construction Minister Vladimir Yakushev and Labor Minister Maksim Topilin were appointed curators for the Mari El Republic and Altai Krai respectively. The list has yet not included indebted regions in the Far East and North Caucasus that had previously been assigned their federal curators. The entire undertaking will be overseen by Deputy Prime Minister for Regional Development Vitaly Mutko, a former sports official who had become notorious for his involvement in the doping scandal ahead

of the Sochi Winter Olympics. The Regional Development Ministry accounted for drafting a list of the ten most depressed regions based on their ranks accordingly to the following four indicators: population's average income, share of population with incomes below the subsistence level, unemployment rate and capital investments. In all regions, the local population's average income does not surpass the national average estimated at 31,422 roubles per month.

Building a relationship between the region and the minister will help the latter to satisfy their expectations much faster. But this idea may in the long run exacerbate local tensions, leading to fierce competition between subjects that theoretically have easier access to federal resources and those without their curators. This will only aggravate the latter's ties with Moscow. Introducing central curators is

related to yet another level in the regional management system, with many incumbent governors having in the past held federal posts and not local ones, as was the case of their predecessors. They follow Moscow's orders and lack independence. After federal ministers seized authority over their regions, many governors may presume that newly appointed bodies partially account for the situation in the region. Such an attempt to improve the status of the federal subjects will fail in the long term due to a year-long policy pursued by the federal government towards regional entities. Moscow has deprived federal subjects of their economic sovereignty while drastically narrowing down their autonomy in implementing economic policy and stripping them off money from taxes in a move that took a lot of from the regions and did not give them enough federal subsidies in return.

18 June 2019

## MADURO BUYS RUSSIA'S SUPPORT BY SIGNING NEW DEALS WITH MOSCOW

**Venezuela's Chavist regime seems to be well aware of Russia as the sole guarantor for its functioning and U.S. concerns over how Moscow could respond to a feasible armed operation in the country. Venezuelan President Nicolas Maduro uses his best efforts to tighten cooperation with Russia by offering natural resources or purchasing Russian-made military hardware.**

In early June, Maduro gave two gas fields to Russia's largest oil company, offering 100 percent of the project and all gas rights exploited. This will provide Rosneft the right to develop the two offshore gas deposits of Patao and Mejillones, located to the north of the Paria peninsula. Both are part of the Mariscal Sucre Project in northeastern Venezuela, close to Trinidad and Tobago, one of the world's largest gas producers. This step solidified Rosneft's already marked presence in Venezuela's energy sector as the oil firm holds minority stakes in a number of joint projects,

including Petrovictoria, Petromonagas and Petromiranda, all of which are located in the Orinoco Oil Belt, as well as Boqueron and Boqueron and Petroperija in the state of Zulia. Over the last decade, Rosneft has handed over \$17 billion to the Venezuelan regime. In 2017, the company's share in the oil output was 3 million tons. Maduro made another decision aimed at demonstratively show Moscow's involvement in the country when ordering in March 2019 the state-run oil giant PDVSA to close its Lisbon office and move it to Moscow.



SOURCE: KREMLIN.EU

But the Maduro-Putin alliance goes far beyond energy cooperation. U.S. National Security Advisor John Bolton said that in May Venezuelan president had inked a \$209-million defense contract with Russia. The American officials did not provide any details. Russian Ambassador to Venezuela Vladimir Zaemsky denied reports as false. Of all Latin American countries, Venezuela is the largest buyer of Russian-made weaponry, with a total worth of all contract concluded so far estimated at \$11 billion. For example, Caracas

bought Buk-M2 and Antey-2500 air defense missile systems. Under the armaments deals, Venezuelan army has acquired 100,000 AK-103 – Kalashnikov assault rifles, Sukhoi Su-30MK2 fighter aircraft, Mi-35M helicopters, T-72 tanks BMP-3 and BTR-80 combat and armored vehicles. In June, Sergei Chemezov, the director general of Russia’s Rostec state corporation, stated that Russia continues to supply military hardware to Venezuela, saying that both countries could sign further defense deals.

23 June 2019

## “LIBERAL” KUDRIN IN FIRING LINE TO BECOME KREMLIN’S SCAPEGOAT?

In just a few days, Russian Audit Chamber head Alexei Kudrin, seen by the ruling team as a “liberal outsider,” has suffered painful blows both from the government and, more importantly, from the Kremlin. First, he got a sharp rebuke from the Russian prime minister for his critical views on the state’s economic policy. But shortly after, the Kremlin was the second one to lambaste what Kudrin said, with Putin’s unexpectedly negative words towards taking aim at the head of Russia’s auditing agency. It is not yet clear whether this will mark the end of Kudrin’s term in office or the Kremlin alone has decided to blame its on-duty liberal for economic problems in the country.



SOURCE: KREMLIN.RU

**R**ussian Prime Minister Dmitry Medvedev responded to Kudrin's latest criticism over the poverty level in Russia. Speaking at a meeting on achievement of national development goals in the economic sphere and the housing sector, Medvedev said that "fighting poverty does not need any populist judgement," adding that "there are no easy solutions here, and the fight against poverty requires consolidated work by absolutely everyone but in their place and within their competences, and not in line with generalized assessments under the expert and populist key." This came as a reaction to Kudrin's recent words that it is possible that a social outburst in Russia could occur due to the decline of living standards (June 17). During an interview, Kudrin said that over 12 percent of the Russians population lives now below the poverty level and that it is a "disgrace for Russia." The prime minister could have taken advantage of striking a blow against Kudrin due to long-lasting strains in their relations. Back in 2011, then-president Medvedev relieved Kudrin from his duties of deputy prime minister and finance minister after they argued over increasing defense expenditure.

Kudrin's remarks were poorly received by the Kremlin, with presidential spokesman Dmitry Peskov saying that these comments had been an "emotional expression" and adding that the Kremlin cannot agree with the statements. But what came next turned out much more

disturbing for the head of Russia's auditing agency. Kudrin is the only "1990s economist" to remain in power in present-day Russia and "is already drifting toward Sergey Glazyev," Putin unexpectedly said during his annual answer-and-question session, commenting Kudrin's proposal to bankroll large national projects from financial surplus crude oil sale. The Russian leader noted that Kudrin's idea was dismissed by "his colleagues, almost scientists," claiming that such a step would lead to inflation. Describing Kudrin as one of "the people who were at the helm in the 1990s" is a highly negative opinion from Putin. The Russian President has repeatedly attacked the ruling elites of Russia under Yeltsin, accusing them of robbing the country and leading Russia toward a disastrous situation in the international arena. And comparing Kudrin to a presidential aide Glazyev, whose leftist views on economic policy differ from what the head of the auditing chamber says, implies that the president has no intention to succumb to extreme opinions, but to do his job and follow a moderate course in politics.

Putin referred to Kudrin while answering one of the questions on the people who ruled the country back in the 1990s and the latter's idea was first submitted at the 2018 St. Petersburg economic forum. According to Kudrin, the budget rule should be weakened, under which revenues from selling crude oil, and

especially surplus from trading over the level of \$40.8 per barrel (this year it is \$41.6, after being annually indexed by 2 percent) are to purchase currency for the National Welfare Fund. Kudrin suggested to raise the level to 5 dollars and to use the more substantial surplus to bankroll national projects. But nobody listened to it. Despite all this, Kudrin reiterated his plan at this year's edition of the economic summit in St. Petersburg.

What Putin said may mean that the Kremlin is getting ready to blame proponents of a more economic liberal policy for such problems and unpopular reforms, including those on a tax hike and increase in pension age. And Kudrin

could serve as a perfect target because he plays the role of a liberal under Putin's regime, mostly for the West. This is the legend Kudrin created around himself after stepping down as a member of the Russian government in 2011. But he is a part of the system, and Putin yet again gave him a vital state position to weight up the balance for other politicians, with Medvedev at the forefront. Any attempts to push Kudrin to the margin would bolster the prime minister's post. Given how unpopular he is among members of Russian society, the Kremlin may try to solidify his ratings in the context of his potentially important role in the transition of power after Putin's term in office ends.

24 June 2019

## WHO STAGED “RUSSOPHOBIC PROVOCATION” IN GEORGIA?

**Several thousand people took to the streets of Tbilisi to protest against Russia; however, their rallies quickly took on the anti-government character, and Russia uses mounting tensions to escalate its relations with Georgia. But Moscow gave a threatening tone to the situation and took extraordinary yet unjustified steps. As it seems, the Kremlin will soon seek to play the Georgian issue in several aspects. First of all, this serves to strengthen an image of Georgia as a shaky country in the eyes of the world in a bid to negatively affect Tbilisi's ever better cooperation with the United States and NATO. Secondly, Moscow is afraid of a change of government in Georgia, bearing in mind that the opposition grew much more anti-Russian than the current ruling team. So the Kremlin sought to present the rally as an example of anarchy targeted at ordinary Russians. And thirdly, Moscow may use escalating strains with Georgia for domestic purposes, while pointing at an external enemy to pose an alleged threat to “Russian tourists” to deflect the attention of the Russians from social issues and concentrate them around the authorities.**

**I**nterestingly, this all exacerbated shortly after the visit of Georgian Prime Minister to Washington and earlier – the trip paid by the NATO Secretary General to Georgia – both of which illustrate a proper political course that brings the country closer to the West. What is now taking place in Russia may discard this image, even if the opposition, whose members

seek snap elections, are in fact much more pro-Western than the ruling Georgian Dream party. So after letting a Russian legislator into the Georgian parliament and allowing him to sit on the speaker's chair, Russia launched both political and media offensive aimed at artificially stirring anger.



SOURCE: WIKIPEDIA.ORG

Tbilisi's rallies staged on the night of Thursday, June 20, to Friday, June 21, morphed into a direct clash with the police. Some 240 people were injured, of which 39 police officers. Demonstrators attempted to storm into Georgia's parliamentary building in Tbilisi, outraged by the presence of Sergey Gavrillov, a member of Russia's State Duma, who addressed the parliament in Russian from the speaker's chair. The Russian lawmaker arrived in Tbilisi to take part in an international assembly on Orthodoxy. Moscow's reaction was exaggerated from the very beginning, with Russian propaganda and the state's top politicians took advantage of the rallies against the presence of the Russian lawmaker in the Georgian Parliament, portraying the incident as an attack on Russia and its citizens. Moscow's declaration on the need to protect Russian tourists sounded somewhat alarming while – having familiarised with Moscow's modus operandi – real provocations might take place, including “attacks” on Russian citizens in Georgia. Kremlin spokesman Dmitry Peskov said on June 21 that protests in Tbilisi are a “Russophobic provocation” which raises serious concerns in Russia that there were aggressive manifestations against

Russian citizens. “Such manifestations of Russophobia” may become an issue “as many Russian tourists visit Georgia,” he added. Earlier, Russian Foreign Ministry spokeswoman Maria Zakharova had written on her Facebook account that Georgia was swept by a “nightmarish provocation carried out at the height of the tourist season.”

The same day, Putin signed a presidential decree banning from July 8 Russian flights to Georgia and travel companies from selling holidays to Georgia. Under the document, the president's decision was justified by security reasons. Russian Foreign Ministry recommended its citizens not to travel to Georgia while appealing to those that are already there not to visit any places of mass gatherings. But social unrest in Tbilisi continued in the following days, prompting a severe political turmoil. By setting off sharp reactions, the Kremlin is bound to affect the further development of the situation in Georgia. Georgian President Salome Zourabichvili suggested pro-Russian factors to stand behind the riots while warning that Moscow will be the one to benefit from internal confrontation in Georgia.



SOURCE: KREMLIN.RU

24 June 2019

## PUTIN'S "DIRECT LINE" SHOW MAKES NO BREAKTHROUGH

**What Vladimir Putin reassured during his annual live phone-in show answering questions and appeals from the Russian citizens, will fail to change the country's political situation and leverage the president's popularity ratings. The Russian leader took part in the seventeenth edition of the answer-and-question session, but this time he did not do well at all, missing to allay widespread fears over the decay in living standards and suggesting that the country will not reorient its current policy.**

Once introduced, the president's call-in show was expected to correspond to the old Russian principle, according to which officials, and not the ruler, are to be blamed for all problems experienced by ordinary people. Providing Russian citizens with a direct possibility to ask Putin a question was intended to give them the feeling that they could take their grievances to the very top. And a year after announcing a highly unpopular pension reform, followed by an economic recession, Putin did not dispel these fears. As he admitted, while real wages fell in recent years, now incomes are gradually starting to recover. But instead of putting forward any shifts in the state policy, he argued that the best recipe for all nuisances is

to implement his great national development plans.

While handling other issues mentioned during the live broadcast, the Russian leader did not add anything new to what had long resonated in the state policy. Putin pointed to Russia being a military power and the hostility of the West, saying that it is useless to make any concessions to its countries. In a similar spirit, he commented on the problems that Russian foreign policy needs to grapple with. He referred to accusations of occupying Donbas as a lie, reassuring that his potential talks with new Ukrainian president Volodymyr Zelensky will not take place until the latter comes to the negotiating table with representatives

for the “people’s republics” in Donbas. This corroborates the Kremlin’s fundamental thesis, according to which the war in Donbas is Ukraine’s internal conflict. When speaking about talks between Moscow and Kyiv on the exchange of prisoners between the two countries, Putin mentioned the name of Viktor Medvedchuk, the leader of the pro-Russian camp in Ukraine, implying yet again that the Kremlin hopes to see him play the role of a mediator. Naturally, Putin said he disagreed with the findings of an international investigation that had been published a day earlier linking Russia to the downing of Malaysia Airlines flight MH17 over Donbas in 2014. “We have our own version, we presented it. Unfortunately, no one wants to listen to us,” Putin said. Also, the president reiterated that Russia is ready to engage in a dialogue with the United States, which also rang the bell. But these prospects seem obstructed by Washington’s domestic issues, with Putin repeating the Kremlin’s well-known argument

that Trump could be keen to get along with Moscow but refrains from doing so as he is currently struggling with accusations of pro-Russianism in his own country.

Putin’s live broadcast resembles a ritual that does not bring anything new; neither can the show boost Putin’s dropping ratings, nor is it able to meet even a part of the expectations of the citizens. None of the pro-Kremlin commentators risked going that far, saying that the 81 questions answered by the president helped to bridge the growing gap between Putin and the Russians. The Kremlin faced an alternative: either do nothing and give up the annual call-in broadcast under some pretext or hold it while pretending the authority is committed to listening to what citizens want to say. The latter solution opted for as a lesser evil, which, however, fuelled a belief that this is a theater, with both the main actor and the audience being aware of how purposeless their show is.

25 June 2019

## INGUSHETIA’S HEAD QUILTS AMID KADYROV DEAL AND CRISIS

**The head of the Russian region of Ingushetia Yunus-bek Yevkurov has announced his intention to step down. But it is not known whether his resignation will help alleviate tensions sparked by an unfavorable border agreement with the neighboring region of Chechnya. What happened in the republic got out of the control, and Russian federal siloviki even came to the region after some representatives of the local uniformed services had refused to use force against protestors. But now the question is what direction Moscow will be likely to follow, opting for either keeping pace with and even tightening the repression or mitigating the political course in a bid to change the accord with Chechnya. And Yevkurov’s successor as Ingushetia’s next governor may be the answer to this problem. However, what is certain is that modifying the deal with Chechnya may prompt an uneasy task as the head of the republic, Ramzan Kadyrov, enjoys strong support from the Kremlin.**

**O**n June 24, the head of Ingushetia announced his resignation in a televised

address broadcast by a Republican TV channel, officially because of dissociation of



SOURCE: KREMLIN.RU

the region's authorities and the public. The beginning of his years-long authority over the republic was sealed by a deal he had signed back on September 26, 2018, with Chechen president Ramzan Kadyrov on delineating the Ingush-Chechen border that had not been formally established since the dissolution of the Soviet Union. The document provided for swapping territories but experts have argued that Ingushetia gave up 26 times more land than Chechnya. After information about the accord became public, Ingushetia was shaken by mass protests no one had ever before seen since the establishment of the Russian Federation. Also, among those who spoke out against Yevkurov were the council of elders of Ingush clans and Muslim priests. Mass rallies and clashes with the police were followed up

by further repressions, including searches and detainments of activists.

Yunus-bek Yevkurov had run Ingushetia since 2008. In September 2018, he was re-elected by the republic's legislative assembly to perform the function of the head of Ingushetia until 2023. He used to be a professional military man and to serve in airborne forces. Back in 1999, he was one of the commanders in charge of the operation of transferring the battalion of Russian paratroopers from Bosnia and Herzegovina to the airport in Pristina, Kosovo. This adventuresome operation had, however, ended in embarrassment for Russia. Yevkurov later served as the deputy chief of staff of the Volga-Ural Military District, which was his last high-ranking position held in the military.



SOURCE: FUNCTION.MIL.RU

26 June 2019

## **RUSSIANS IN THE CARIBBEAN: SENDING SIGNAL FOR TRUMP BEFORE OSAKA SUMMIT**

**A few days ahead of a meeting between Russian President Vladimir Putin and his U.S. counterpart Donald Trump at the G20 summit in Osaka Russia showed its military engagement in the Western Hemisphere close to the United States. The Kremlin showed at the same time its firm support for Cuba and Venezuela, both of which have strained relations with the United States. But these gestures are an inherent part of Putin's policy aimed at bolstering his negotiating position, giving more confidence and bemusing a partner in talks. It is doubtful that Putin achieves his goals in Osaka. No concrete findings at the conference of Israeli, Russian, and U.S. national security advisers in Jerusalem may prompt no breakthrough in a bilateral meeting between the U.S. and Russian leaders.**

**A** Russian air force plane landed on June 24 at an airport in Caracas, a step that sparked off bitter criticism from the United States over providing military support for Nicolas Maduro. U.S. President Donald Trump in March ordered Russia to withdraw all troops from Venezuela, while Russia's foreign ministry said the planes that landed there at the time were only carrying specialists responsible for servicing arms sales contracts. Moscow does not rule out an increase in the

number of its military experts in Venezuela, even though Putin said in early June that his country has no plans to send troops or build a military base in Venezuela. Russian Deputy Foreign Minister Sergei Ryabkov said on June 25 that specialists that arrived in Venezuela in a Russian air force plane are there to service Russian military equipment already in the country.

Still the same day, Russia carried out a military

demonstration in another Caribbean country yet closer to the U.S. territory. On June 24, the Admiral Gorshkov frigate, one of Russia's newest warship armed with cruise missiles and air defense system, docked in the port of Havana. The Admiral Gorshkov frigate is part of Russia's Northern Fleet, based at the port of Severomorsk. While visiting

Havana, the warship was accompanied by the multifunctional logistics vessel Elbrus, the medium sea tanker Kama and the rescue tug Nikolai Chiker. The Admiral Gorshkov arrived in Cuba after it had transited from the Pacific Ocean and had passed through the Panama Canal on June 18. It is also believed to be heading toward Venezuela.



SOURCE: GAZPROM-NEFT.RU

27 June 2019

## OIL PRICE JUMPS IN RUSSIA FOLLOWING GOVERNMENT-OILERS CONTRACT EXPIRY

The Russian government has decided not to prolong the deal to retain control over the retail prices of fuels it concluded a year ago with oil companies. Gasoline prices will slightly go up starting from July 1, with the two parties to the agreement saying that the growth in prices will not be higher than inflation. Although the deal will not be renewed, the fuel sector will still be manually controlled by the regime. The decision to partially release prices was taken despite protests from the Russian Ministry of Finance arguing that this will entail the need to compensate oil firms for losses.

In November 2018, the government and oilers signed a deal on stabilizing

prices of petroleum products. Oil firms committed themselves to freeze fuel prices

while maintaining them at the same level as in early June 2018. Among ten companies that entered into the agreement were Rosneft, Lukoil, Gazprom, Gazpromneft, Surgutneftgaz, Tatneft, TAIIF Group, RussNeft, Neftegazholding and Novy Potok. Since then, prices have risen in specific ranges.

In January, oil firms were able to boost prices by up to 1.7 percent due to an increase in the VAT rate while subsequent hikes could not exceed the level of 0.33 percent. At a meeting attended on June 17 by Deputy Prime Minister Dmitry Kozak, who oversees the fuel and energy sector, and First Deputy Anton Siluanov, it was decided to put an end to the agreement that had been in force for a year. The agreement not to increase prices above inflation is, however, only oral and it is not known what would happen if oilers had breached its provisions.

The government said that it did not need to prolong the formal market regulation mechanism, claiming there are two other official possibilities to do so. But the former option involves a high 90-percent duty on petroleum products, but the government has failed to mention this solution in recent months. As for the latter idea, it provides for introducing a new formula for compensating fuel supplies to the Russian market, expected to be launched starting from July 1. At present, the budget pays oil companies for up to 60

percent of the difference between the export and domestic prices, fixed rigidly at 56,000 roubles per ton (gasoline) and 50,000 roubles per ton (diesel). In July, the price will lower to 51,000 and 46,000 roubles per ton, with the growth in compensation payments for oil companies, all despite previous protests from the Ministry of Finance. As estimated, this will cost the federal budget the amount of 25–30 billion roubles in the second half of the year; however, thanks to a tax equilibrium, oil firms will be the one to partially recompense for the difference after raising the mineral extraction tax (MET, or NDPI in Russian) by 75 roubles starting from September 1.

Among other potential sources of compensation for the difference in fuel prices were money in the Russian National Welfare Fund, lifting duties on semi-fabricated fuel goods or raising the NDPI tax. In 2019, supplying fuels to the domestic market ceased to be profitable due to three main reasons, including the “tax maneuver”, a step that led to a boost in the value of raw materials in refineries, an increase in excise duty and a commitment not to raise domestic prices of gasoline and diesel. Nevertheless, the situation on the market is favorable to the oil sector, with cheaper gasoline in Europe and the stable rouble, both meaning that selling fuel to the domestic market does no longer bring such substantial losses as ever before.



SOURCE: KREMLIN.RU

27 June 2019

## DRUZHBA'S "FAILURE OF CENTURY": ROSNEFT VERSUS TRANSNEFT

It has not yet been established who is responsible for the pollution of oil in the Druzhba pipeline. With the ongoing investigation, it seems that small companies from distant parts of Russia will be to blame for tainting crude shipped via the pipeline. Naturally, none of them accounts for the technical failure that must have been caused by a large oil firm. But Transneft, which administers the pipeline, will have to pay for everything. Who is going to benefit from all this? The answer is Rosneft, whose chief executive Igor Sechin has long been trying to abolish Transneft's monopoly on shipping oil via pipeline across Russia. But the latter firm is headed by Nikolay Tokarev who served in the KGB alongside Vladimir Putin. And yet, while speaking of who will account for the Druzhba failure, one could say that the Russian government will certainly not be in favor of the pipeline operator.

**T**ransneft's vice president Sergey Andronov said his company expects the Druzhba pipeline to resume full operations from July 1. As earlier informed by the oil firm, the Druzhba pipeline should pump normal volumes within two or three months following a major oil contamination. Also, the company hopes that all compensations for losses will be settled within this period. Transneft Vice

President Rashid Sharipov maintained the company's readiness to reach an out-of-court settlement to compensate for all losses incurred in relation to the incident. He said that Transneft, jointly with Russian Energy Ministry, has proposed and delivered to the company's contractors a mechanism for payments. Also, as informed, it will take between two or three months to assess what

damages might have been caused by polluted crude flows.

Russian companies keep suffering losses every day stemming from reduced oil supplies to its European recipients, but these losses may be even higher if the customers go to court. For instance, the Belarusian refinery of Mozyr said its claims amount to \$155 million against Rosneft as a supplier, and not Transneft that operates the facility. It does not come as a surprise that Sechin's Rosneft – as Transneft's chief Russian partner – has adopted a way more bitter stance than any of its foreign peers, expecting the maximum compensation for losses. In a letter sent to Deputy Prime Minister Dmitry Kozak, Igor Sechin asked the government to accelerate decision-making on payments reimbursements of losses to Russian oil producers. Also, Rosneft's CEO warned against a potentially dangerous behavior of foreign recipients of Russian-sourced oil, who may search for alternative energy sources or launch legal preparations before taking claims to court. According to Sechin, delaying dispute settlement proceedings threatens may negatively influence future contracts concluded by Russian producers, as well as lead to losing markets, and cutting budget revenues from oil exports.

Possibly, Rosneft sought to take advantage of the incident to strike a blow against Transneft in a bid to put an end to the latter's monopoly on pumping crude across Russia. Shortly after Russian informed about the "technical failure" of the Druzhba pipeline, it became clear that small oil firms cannot be the only one to blame for tainting 5 million tons of crude.

So small private companies from the Samara Oblast suspected of polluting oil supplies are nothing more than just scapegoats as none of them has the physical capability to introduce contaminants to the crude transport system. This might have been done by one of the big companies. After carrying out an inspection, Rosneft announced it was not its fault. But the problem is that it controlled itself while investigators are not keen to become interested in Rosneft's version.

Sechin's company is heavily indebted: over the last fifteen years, the firm's indebtedness rose 44 times to \$63.3 billion in early 2019. Although the company managed to reduce this figure by 12 percent during the first quarter, it should repay \$11 billion to its creditors within the next twelve months. To make matters worse, Rosneft suffered severe financial losses in Venezuela where it had made attempts to safeguard its projects worth billions of dollars while saving the Maduro regime. And the debts must be paid back. This is why Rosneft could export all its warehouse reserves, some of which might have been contaminated. A failure occurred, allowing Sechin to take aim at Transneft, the latter of which must bear the costs of failure, because it oversees the quality of raw material pumped by the pipeline it manages. At the end of May, Russian Finance Minister Anton Siluanov said it would be wrong to let the state compensate Transneft for the company's failure "to meet its contractual obligations regarding oil deliveries through the pipeline," which is why the oil pipeline operator will get no discounts in repaying dividends to the budget.



SOURCE: ENG.MIL.RU

28 June 2019

## **RUSSIAN PARATROOPERS DEPLOYED TO SERBIA AS PART OF SLAVIC BROTHERHOOD 2019 DRILLS**

**The joint Serbian-Russian-Belarusian tactical military maneuvers Slavic Brotherhood have recently culminated in Serbia. The state authorities emphasized the political importance of the drills amid tensions with neighboring Kosovo. Military exercises and the rhetoric adopted by the majority of local politicians and media confirm ever-closer cooperation between Belgrade and Moscow. It is noteworthy that they are still more symbolic than practical, with the Serbs being much more actively involved in holding joint military training activities with NATO member states.**

**T**he Slavic Brotherhood war games have been hosted for several years in Russia, Belarus and Serbia. This year's edition was held in Serbia and involved 200 Russian paratroopers, 300 Serbian troops, 60 Belarusian military men, as well as up to 50 combat vehicles. Live-ammunition drills began on June 15 in the Serbian city of Pancevo, located north of Belgrade, where allied forces conducted joint combat tasks pertaining to anti-terrorist operations. The opening ceremony took place a day before at

a local headquarters of Serbia's Special Forces Brigade. Joint drills lasted until June 26 and were held at various training grounds around the country. Right before ending the war games, Serbian Defense Minister Aleksandar Vulin said that exercises the Serbian military held with Russia and Belarus show Belgrade has allies "in any future war in the Balkans." Vulin said the Slavic Brotherhood military maneuvers Serbia demonstrate "we are no longer alone."

Saying that Serbian allies make “that horrible moment in our history will never repeat again,” referring to the 1999 NATO bombing of Serbia in a bid to put to a halt a crackdown against Kosovo. Vulin is known for his pro-Russian sympathies. Last few months marked mounting tensions between Belgrade and Kosovo, the latter of which is officially recognized by most Western states, but not by Serbia, Russia and China.

The Slavic Brotherhood drills are not the only form of training cooperation between Serbia and Russia. For instance, elite Serbian troops joined a similar exercise in 2018 in Novorossiysk in Russia. In 2013, Serbia had become a non-member observer state in

the Russian-led Collective Security Treaty Organization (CSTO). Addressing the Parliamentary Assembly of the CSTO on May 20, Deputy Speaker of the Serbian parliament Veroljub Arsic thanked its member states for their support for Serbia over the issue of Kosovo. Although Serbia’s drills with Russia are widely publicized and should depict ever-tightening partnership between Belgrade and Moscow, Belgrade is in fact more committed to cooperating with NATO. Since Serbia joined the NATO Partnership for Peace program, it has participated in over 150 military exercises with NATO member states. The number of joint activities in the same period with Russia was ten times smaller.

29 June 2019

## OSAKA G20 SUMMIT: PUTIN AND TRUMP FAIL TO GET NEW YALTA

**The Kremlin’s sole success is that the meeting between the two leaders took place at all, and Vladimir Putin should not count on anything else, which is what he might have known a few days ahead of bilateral talks with Donald Trump on Osaka. This was due to Putin’s mounting actions, a step that triggered off provocations in Cuba and Venezuela, and the president’s openness while addressing the nation during his question and answer session.**

After announcing that the two leaders were set to hold a bilateral sit-down, it was revealed their lineup would consist of the most critical international issues of our time. U.S. officials said “there is no fixed agenda for Trump’s meeting with Putin” but admitted that a wide range of matters involving agreements, nuclear armaments, but also Iran, Ukraine, Syria and Venezuela, were almost certain to be discussed. While listening to what Putin said on June 20 during his annual call-in show, one could say that Moscow has no intention to make any concessions. And those were out of the question, as illustrated by the issue of Iran, with Trump playing tough and Putin taking the side of Tehran. Their positions on the situation in Syria differ to an even greater extent. But what is most known is their stance

towards arms control. For its part, Washington has indicated that it will not extend the New START deal set to expire in February 2021, and Trump said that China should be brought into arms reduction agreements.

Putin, whose popularity ratings in Russia are still going down, sought to take part in a meeting at all in an attempt to depict himself in the Russian media as one of the top international players. This is all Putin could count on while talking to Trump in Osaka. The last hopes for setting a geopolitical arrangement had faded in Jerusalem, a few days prior to the Far East meeting. Nor did the trilateral summit of security advisers from Israel, the United States and Russia bring substantial findings. Russia’s National



SOURCE: KREMLIN.RU

Security Council Secretary Nikolai Patrushev demonstrated his frustration with the results of talks with his U.S. counterpart John Bolton by speaking out on behalf of Iran in the latter's clash with the United States. The Putin-Trump talks failed to bring much to U.S.-Russia bilateral relations, corroborating strains in ties

between Moscow and Washington, expected to deteriorate further. Objectively speaking, U.S. and Russian goals are so contradictory in a set of vital worldwide problems that de-escalating tensions amid Moscow and Washington seems unlikely.

30 June 2019

## **RUSSIA'S FINANCE TSAR DON'T LIKE OIL COMPANIES**

**Russia's deputy prime minister and finance minister Anton Siluanov, who has recently grown in strength in domestic policy, clashed with the country's favored financial sector. Given his increasing importance as a member of the government, it should be said that a signal was sent to Russian oil firms to watch their backs and even to support the Kremlin.**

**R**ussia's Finance Minister Anton Siluanov did not even attempt to hide that he is against extraordinary privileges enjoyed by domestic oil companies. Addressing the audience at the International Economic Forum in St. Petersburg, he declared that the authorities are unhappy with how oil companies use tax benefits. "Give us benefits in oil fields, give us tax reliefs on extraction on raw materials. Now I just read – our esteemed company Lukoil has invested \$800

million in the shelf in the Congo. And we give them benefits," Russia's first deputy prime minister was quoted as saying. What Siluanov complained about was that the government offers numerous relieves to the oilers, but the Russian economy fails to reap any benefits.

But this is not the only time when Siluanov clashed with the interests of oil companies; earlier he rejected Igor Sechin's claims for Moscow's compensation for its participation



SOURCE: KREMLIN.RU

in the OPEC+ format. Also, he informed Transneft's boss Nikolai Tokarev that the pipeline operator, should not expect Moscow to show tax leniency, blaming the company for recent problems with the Druzhba pipeline that incurred huge losses for the state. And last but not least, this is also about Siluanov's unwillingness to cooperate with oil companies on controlling fuel prices, a step profitable for oil tycoons but unfavorable for the federal

budget.

Siluanov's position is getting stronger, as exemplified by appointing him (and not Russia's prime minister) head of the government's financial committee. Siluanov serves now as the main actor when it comes to distributing budget profits and may even become the regime's chief financier.

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