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CONTENTS



6

CHINA GETS FIRST OIL CARGO FROM RUSSIA'S ARCTIC



10

BELARUS: CRUDE FROM POLAND MAY BE A NEW ALTERNATIVE TO COSTLY RUSSIAN OIL



22

RUSSIA DEPLOYS TROOPS TO SYRIAN-TURKISH BORDER

3 PUTIN INTRODUCES PERSONNEL SHIFTS IN LAW ENFORCEMENT AGENCIES

4 ROSTEC CEO CHEMEZOV GATHERS STEAM

6 CHINA GETS FIRST OIL CARGO FROM RUSSIA'S ARCTIC

7 TURKEY'S INVASION OF THE KURDS: RUSSIA-BACKED AL-ASSAD LIKELY TO TRIUMPH

9 BELARUS'S LUKASHENKO CRITICIZES NATO OVER JOINT RUSSIAN-BELARUSIAN DRILLS

10 BELARUS: CRUDE FROM POLAND MAY BE A NEW ALTERNATIVE TO COSTLY RUSSIAN OIL

12 HOW WILL RUSSIA REACT TO FORTHCOMING OIL CRISIS?

13 BALANCING BETWEEN PUTIN AND TRUMP: ERDOGAN PLAYS UP SYRIAN CONFLICT

15 "POST-SOVIET" EU SERVES RUSSIAN INTERESTS

17 RUSSIAN AIR PROVOCATION CLOSE TO THE KOREAN PENINSULA

18 LUKOIL IS UNWILLING TO POUR MONEY INTO ARCTIC SHELF PROJECTS

20 MEDVEDEV'S VISITS TO BELGRADE CONFIRMS RUSSIAN-SERBIAN LASTING FRIENDSHIP

21 GAZPROM ADVANCES ITS ARCTIC PROJECTS

22 RUSSIA DEPLOYS TROOPS TO SYRIAN-TURKISH BORDER

23 SERBIA AND RUSSIA HOLD JOINT EXERCISE NEAR BELGRADE: S-400 RETURNS TO RUSSIA, PANTSIR-S STAYS

25 ROSNEFT EARNS TAX BREAKS FOR ITS ARCTIC PROJECTS

26 FRIEND OR FOE: RUSSIA GETS SUPPORT IN AFGHAN PEACE TALKS

27 ALEKPEROV EMBROILED IN TURMOIL OVER LUKOIL AND SURGUTNEFTGAZ SHARES

29 RUSSIA-AFRICA SUMMIT: WILL MALOFEEV TAKE OVER PRIGOZHIN'S ROLE?

30 ROSNEFT SWITCHES EXPORT CONTRACTS TO EUROS FROM DOLLARS AMID U.S. SANCTIONS



SOURCE: KREMLIN.RU

2 October 2019

PUTIN INTRODUCES PERSONNEL SHIFTS IN LAW ENFORCEMENT AGENCIES

Under a presidential decree, Vladimir Putin made a number of personnel reshuffles amongst senior officials who held top positions in the Investigate Committee, Ministry of Internal Affairs, Ministry of Emergency Situations, and the Federal Penitentiary Service (FSIN of Russia). Several officials and officers have been relieved from their duties, while some of their colleagues were transferred to other positions.

The Kremlin released a presidential decree on personal reshuffles within state law enforcement agencies on October 3. Most of the decisions apply to the heads of federal state bodies, though at the local level. Among those that have been dismissed were also the officials whose cases have recently become public nationwide, shedding a negative light on their figures. Deputy head of the Main Directorate of the Ministry of Internal Affairs of Russia for the Novosibirsk Region Andrei Neupokoev lost his job after 82 criminal cases were discovered in one of the police departments to have been

prolonged purposefully to improve statistics. In addition to that, Putin fired the chief inspector of the Ministry of Internal Affairs of Russia Eduard Sobol. For their part, Oleg Kadochnikov has been appointed deputy head of the Main Directorate for Migration Issues of the Ministry of Internal Affairs, Dmitry Kim has assumed the post of the head of the Siberian Law Institute of Ministry of Internal Affairs while Igor Romashkin became head of the Ministry of Internal Affairs in the Astrakhan Region.

Relieved from his obligations was also the head of the Central Directorate of the Ministry of Defense for Issues of Civil Defense, Emergencies and Disaster Management in the Republic of Komi Alexander Knyazev. The decree made appointments of Nikolai Basov to the post of head of the Main Directorate of the Ministry for Emergencies in the Trans-Baikal Territory and Dmitry Kozlov to the head of the Main Directorate of the Ministry for Emergencies in Sevastopol. A series of personnel reshuffles took place in the Investigate Committee and the prosecutor's office. Known for a clash with a local journalist, the head of the local Kaliningrad branch of the Investigative Committee Viktor Ledenev was also laid off. Among those whom Putin dismissed from their duties were also prosecutors of the Tomsk and Voronezh regions, Viktor Romanenko and Nikolai Shishkin. Mikhail Moshkin was appointed the head of the local branch of the Investigative Committee in Khanty-Mansi Autonomous Okrug, Albert Kizimov, Anatoly Ukhanov and Bogdan Frantsishko were appointed heads of departments in the Tver, Smolensk and Kurgan Regions, respectively.

Russia's Federal Penitentiary Service (FSIN) also saw a series of personnel changes. Andrei Vinogradov was dismissed from the post of the head of the Directorate of the Federal Penitentiary Service (FSIN) in the Vladimir region. Yuri Bobkin was given the position of the head of the planning and organizational and analytical support of the Federal Penitentiary Service while Yuri Lyamar is now the head of the Federal Penitentiary Service in the Perm Territory. Notwithstanding all the personnel decisions, Vladimir Putin by his decree dismissed the head of the Federal Penitentiary Service (FSIN) Gennady Kornienko. Formally, his dismissal was linked to his reaching 65 years old, or the age limit for service. Kornienko was in charge of Russia's penitentiary service since 2012. Earlier, he had served as the deputy head of the Federal Protective Service (FSO), and he had held the position of the director of the State Courier Service of the Russian Federation.

8 October 2019

ROSTEC CEO CHEMEZOV GATHERS STEAM

CEO of Russia's state hi-tech corporation Rostec Sergey Chemezov has been awarded the Hero of the Russian Federation medal. He has been handed out the highest state awards by President Vladimir Putin for his "outstanding contribution to the development of the defense and industrial conglomerate and raising the country's defense capabilities." Interestingly, neither the Kremlin nor Rostec's CEO has informed about this fact. Russian President allegedly signed a relevant decree a few weeks ago. The title Hero of Russia, which is a successor to Hero of the Soviet Union, is most often handed out to military personnel, with very few civilians so far bestowed with the title. Granting these honors to a former KGB officer proves his prominent position in the state's top-level authorities.



SOURCE: KREMLIN.RU

A peculiarity of Putin's system of power consists in giving people who do not hold any official positions a real impact on the state's decision-making processes. Among such figures are the CEO of state-owned oil firm Rosneft Igor Sechin and the head of Rostec Corporation Sergey Chemezov. The latter, like Rosneft's Sechin, takes advantage of his friendly ties to Vladimir Putin to push forward Rostec's business interests. But, in addition to that, he has a lot to say about other state-related matters. Recent times have seen a hike in Chemezov's political activity as Rostec's CEO has an appetite for a front-row role in handing over the reins to Putin's successor in 2024. This stems from his latest press interview, in which he mentioned amendments to the Russian constitution, naturally in a bid to keep Putin in power.

Bestowing the highest state awards to Chemezov confirms his mighty position in Putin's system. Chemezov belongs to a circle of Putin's decades-long comrades and associates. These two first met in the 1980s when Putin served as a KGB officer in Dresden. Later, while Putin was climbing up the career ladder in Moscow, Chemezov remained in his circle. They worked together in the Kremlin administration. When Putin took office, Chemezov started working for the Rus-

sian state arms exporter Rosoboronexport. In 2007, he was named CEO of a large state corporation poised at that time to become a vital element of the Russian economy. All the assets of the Russian arms industry were consolidated at Rostec. After Chemezov took the post of Rostec's CEO, some defense firms were deprived of their earlier possibility of exporting goods on their own terms. Since that time, Rosoboronexport, Rostec's foreign trade arm, has had a monopoly on signing deals with foreign-based partners. As years passed by, the corporation remained consequently committed to expanding its portfolio. In addition to armaments production facilities, Rostec holds control of Russia's largest aviation and automotive plants. In 2017, the company's revenues were about 1.3 trillion roubles. Putin seems satisfied with both centralizing arms trade and Rostec's all-out achievements. Not only has the corporation managed to consolidate the state's armaments, aviation, and automotive industries, but it also extended its area of activity. Companies that are part of Rostec also deal with pharmaceuticals, IT technologies, and telecommunications. This is yet not the first time when the title of the Hero of the Russian Federation was given to a senior civilian official. In 2018, Putin by a classified decree handed out the same medal to his own first deputy chief of staff, Sergey Kiriyenko.



SOURCE: SOVCOMFLOT.RU

9 October 2019

CHINA GETS FIRST OIL CARGO FROM RUSSIA'S ARCTIC

For the first time in history, Russia's Arctic oil volumes have been delivered to the Asian market in a rare trade shipment on the Northern Sea Route. Lukoil's trading arm, Litasco, sold the cargo of 100,000 tonnes of Varandey Blend oil to Chinaoil, the trading branch of state-owned CNPC. The delivery was made by the tanker Korolev Prospect in mid-September.

Russian shipping firm Sovcomflot, which owns the vessel, said that the tanker crossed the full length of the Northern Sea Route without using ice-breaking vessels in what was referred to as the first attempt ever. This cannot yet mark the beginning of regular supplies of Russia's Arctic oil being shipped because – due to harsh weather conditions – such an opportunity opens up for no more than a few months of the year. Lukoil will be highly unlikely to again send comparable crude volumes by the end of this year. Notwithstanding that, Russia hopes to see

a gradual increase in its supplies being shipped through the Northern Sea Route, which is to occur due to warmer climate and better navigability along the route. The Northern Sea Route stretches from the Novaya Zemlya in the west to the Bering Strait in the east. The development of the shipping lane was outlined by President Vladimir Putin as a leading national priority after his re-election in 2018. His so-called May Decrees included, among others, an ambition to reach 80 million tonnes of goods to be shipped through the maritime lane in the year 2024.

The head of the Northern Sea Route Administration Nikolay Monko said that by the end of the year, the volumes shipped through the Northern Sea Route are likely to reach 29 million tonnes. Shipments on the Arctic route in the first three quarters of the year amounted to 23.37 million tonnes, or an increase of more than 40 percent from last year. Last year, a total of 20.18 million tonnes of goods were transported across the route. The lion's share of these supplies is related to the liquefied natural gas produced by Novatek. The firm's Yamal LNG is expected to produce more than 16 million tonnes in 2019. Shipments on the NSR will amount to about 26 million tonnes in 2019, the Ministry of Transport said earlier. The Ministry of Natural Resources was way more optimistic, saying that these figures are likely to attain the level of 30 million tonnes.

All the ministries and state agencies are confident that Putin's 80 million tonne target will be reached by 2024. Way more ambitious figure is presented by the Ministry of the Far East and Arctic, believing volumes will reach 95 million tonnes in 2024. Russian nuclear agency Rosatom, which serves a leading role in developing the Arctic shipping route, seeks to see shipments amount to 92.6 million tonnes. But the number of ships operating on the Northern Sea Route is still low. By October 1, 2019, a total of 743 vessels had requested sailing permission on the Northern Sea Route, compared to 808 ships that applied for a license in 2018. But it is essential to remember that only some of the boats now actually carry goods. Almost half are tugs and support and service vessels, most of which are involved in oil and gas-related activities as well as take an active part in exploiting Arctic deposits while serving LNG and oil terminals.

11 October 2019

TURKEY'S INVASION OF THE KURDS: RUSSIA-BACKED AL-ASSAD LIKELY TO TRIUMPH

Abandoned by their U.S. ally, the Syrian Kurds can quickly forge a new alliance. As Trump no longer holds interest in upholding a coalition with the belligerent militia that served a leading role in defeating Daesh, these could agree on cooperation with Moscow and Damascus. Facing the Turkish incursion, the Syrian Kurds may make concessions in their talks with the Al Assad regime. Earlier, the Kurds – shelled by the Turkey-led coalition – had agreed with the Syrian government forces. While dealing with the Turkish assault, they may opt for the lesser evil, recognizing Damascus's sovereignty and a more limited autonomy for their people.

On October 9, Turkish troops launched a military operation against the Kurds in northeast Syria, a step that occurred shortly after U.S. forces had withdrawn from the area. Until recently the latter were aligned with the Kurdish People's Protection Units, known

as YPG, a group that for over the past few years bore the brunt of fighting ISIS jihadists. Led by an international coalition, the Syrian Kurds successfully captured Raqqa, once the Islamic State's de facto capital. Donald Trump's decision to pull out U.S. troops – who fought



SOURCE: FLICKR.COM

alongside their Kurdish peers in northeast Syria – is equal to pushing Washington’s current ally into the clutches of Turkey, and Ankara has long made it clear that its top goal in Syria is to prevent the Kurds from creating an autonomy. Turkey has naturally welcomed Trump’s move, but also Moscow can feel satisfied too, with a door opened to find an ally in the Kurds, U.S. former ally in the region. It is to be expected that Moscow will seek to serve the role of mediator in talks between al-Assad, the Kurds, and Turkey.

Russian President Vladimir Putin told his Turkish counterpart Tayyip Erdogan on October 9 to avoid any steps in Syria that could derail its peace process. Russian Foreign Minister Sergey Lavrov said on October 10 that Moscow will push for a dialogue between Turkey and Syria, and it will back contacts between Syria and Kurdish groups. During a visit to Turkmenistan, he said that the Syrian authorities and representatives of Kurdish organizations showed

their interest in Russia’s “using its friendly ties with all parties involved.” Prior to the Turkish incursion against the Kurds, a representative of the Kurdish authorities said that Damascus and Russia might launch talks if the United States entirely withdraws its forces from the Turkish borderland. Moscow’s goal should be to narrow down the scale of the Turkish assault by taking advantage of its good ties with Ankara. For the Kurds, this will come with a price, though. Left behind by the Americans, the Kurdish forces will have no other choice but to make a deal with al-Assad in a move that could bury all hopes for a federalized Syria. The regime will achieve yet another success in its efforts to regain control of the country, and Moscow will claim all the credit, being able to say it managed to salvage the Kurds from slaughter. This -- in the context of Russia’s rivalry with the United States both in Syria and across the Middle East -- hints a crucial victory for the Kremlin.



SOURCE: мультимедиа.минобороны.рф

13 October 2019

BELARUS'S LUKASHENKO CRITICIZES NATO OVER JOINT RUSSIAN-BELARUSIAN DRILLS

President of Belarus Alexander Lukashenko is seeking a convenient justification for having carried out a series of military drills altogether with Russia. In his rhetoric, the Belarusian leader displays them as a response to extensive NATO exercise to be held in Poland and the Baltic states. This may stand out as his tactical trick at a time while talks on Minsk's degree of integration with Russia are still underway. Lukashenko delivered a speech at a summit of the Commonwealth of Independent States just a few days after the kick-off of the Combat Brotherhood war games with the participation of troops of the Collective Security Treaty Organization. Russian-Belarusian joint exercise is scheduled to take place later in October in the Brest region close to Polish border.

Lukashenko said on October 11 that the forthcoming large-scale NATO military exercise in Poland and the Baltic states is “incomprehensible” while both Belarus and Russia will need to sort out how to “ensure their security.” Lukashenko spoke at the meeting of the Commonwealth of Independent States leaders in the Turkmen capital of Ashgabat.

The Belarusian leader seeks to find an excuse for the already-ongoing and scheduled joint drills with Russia by presenting an alleged threat from NATO. Minsk's participation in the maneuvers comes at a time of key economic and financial efforts being taken as for its integration with Russia, with the former's attempt to ingratiate itself with Moscow. The strategic exercise Combat Brotherhood

2019 kicked off on October 8 across Russia, Belarus, and Tajikistan. Involved will be a total of 10,000 troops from the countries of the Collective Security Treaty Organization (CSTO). Soldiers from Armenia, Kazakhstan, and Kyrgyzstan will also take part. During the drills, they will practice countering terrorist threats. While this may be justified in the case of Central Asia, endangered with a possible attack from terrorist groups in neighboring Afghanistan, for Eastern Europe such an explanation is nothing more but a far-fetched scenario. Of course, this is all about holding drills in a bid to counter NATO – as indirectly admitted by the Russian Chief of the CSTO Joint Staff Colonel-General Anatoly Sidorov, who said NATO’s military activity exerts a negative impact on security in Eastern Europe.

The strategic exercise Combat Brotherho-

od 2019, codenamed Echelon 2019, started on October 8 in the exercise area Mulino in Russia’s Nizhny Novgorod Oblast and lasted until October 10. Then Belarus will host an exercise (October 14–18) that is set to culminate on Tajik soil (October 21–29). In its final phase, scheduled to take place on October 21–25, a joint Belarusian-Russian exercise is planned. Russian airborne troops took part in military manoeuvres on the Brest firing ground in western Belarus. On October 12, a tactical group of the 137th Airborne Regiment of the 106th Airborne Division arrived in the training ground in Brest. The scenario of the exercise includes a set of activities: overcoming water obstacles, jump with a parachute, including at night, airdrop of cargo supplies, and combat shooting.

13 October 2019

BELARUS: CRUDE FROM POLAND MAY BE A NEW ALTERNATIVE TO COSTLY RUSSIAN OIL

Belarus keeps losing millions of dollars as a result of tax changes introduced in the Russian oil sector. Therefore Minsk is obliged to pay far more for oil pumped from the east, which currently is the sole direction of supplies. The Belarusian authorities were thus forced to look for alternative oil shipments, with President Lukashenko’s planning to launch reverse pumping through the Druzhba pipeline from Poland’s Gdańsk.

Belarusian Finance Minister Maxim Yermalovich said the country so far incurred a total loss of \$400 million after Russia had gone ahead with a tax maneuver in the domestic oil sector. The losses from Russia’s move will be at \$800 million by 2020. Belarusian Finance Ministry estimated that in 2019–2024 the country will lose a total of \$11 billion in the aftermath of lowered budget revenues and higher expenditure on purchasing raw materials by refineries.

Starting from early 2019, Belarus has imported Russian-sourced crude at a higher price, a response to the Russian tax maneuver in the oil industry. It implies a gradual reduction of the export duty on Russian oil by an increased taxing the extraction of mineral resources over a five-year span. Though the Russian budget reaps considerable benefits, Belarusian refineries are forced to pay far more for the raw material. This hits the viability of fuel exports that Belarus produces of Russian oil.



SOURCE: WWW.TRANSOLL.BY

Their trading is a significant source of income for Belarus. So far, all Minsk's efforts to seek compensation from Russia for possible losses have proven unsuccessful.

In the light of all this, what Lukashenko said on September 26 about importing oil from different directions can barely come as a surprise. "The most profitable of all the alternatives is reverse pumping through the Druzhba pipeline from Poland," Belarusian President was quoted as saying, adding that "we [the Belarusian authorities] could make a link and deliver oil to two oil refineries simultaneously." Due to its construction, the Druzhba oil pipeline can dispatch oil in various directions. Its Belarusian leg is currently 70 percent filled with crude supplies. After kicking off reverse pum-

ping through Poland, Belarus could import up to 12 million tons of oil annually. Alternatively, Belarus could ship crude through Lithuanian and Latvian ports. Today it is Moscow that satisfies all of Belarus's demand for raw material. So far, Minsk has tested alternative oil shipment routes, also those running from Ukraine or Azerbaijan, albeit on a small scale. Later in October, Belarus intends to sign an agreement on crude oil and petroleum products trade with Kazakhstan. Following the completion of their already-ongoing upgrade, two refineries in Mozyr and Novopolotsk will be capable of processing the raw material in a way deeper manner, a solution intended to somewhat mitigate the adverse effect brought by a higher price of Russian-sourced crude.



SOURCE: GAZPROM-NEFT.RU

15 October 2019

HOW WILL RUSSIA REACT TO FORTHCOMING OIL CRISIS?

The Russian government has for the first acknowledged what had been discussed on the worldwide stage, admitting that a continued drop in demand for oil supplies is inevitable. The question is only when this will turn into a genuinely pressing problem. While Western and Middle Eastern oil firms are bracing themselves for a decrease in oil production profitability by bankrolling renewable energy projects, their Russian-based peers seem to remain calm and collected. All this fuss reminds a bit of what happened years ago when Russia neglected the development of the LNG industry, seen a foremost shift on the world's gas market.

The weaker demand for crude has already been outlined in Russia's Draft Energy Strategy until 2035, and earlier had been on the agenda of Russian Energy Minister Alexander Novak. Given that oil exports are a significant source of revenue for Russia's budget and its crude industry serves a leading role in the domestic economy, this sparked similar fears among some policy-makers. For his part, the Chairman of the State Duma Committee of Energy of the State Duma Pavel Zavalny

said that Russia should now "try to unearth everything it has and sell it while investing the gains in restoring the state's economy." Facing a forthcoming drop in demand for crude, the world's biggest companies based in oil-rich countries are developing their solution to the problem. Norway's oil firm Statoil has even become Equinor, dropping "oil" from its name. Besides, the company invested over \$6 billion in developing renewable energy sources, including solar battery systems and wind farms

and hopes to launch similar initiatives – worth a total of \$12 billion – by 2030. In June, the Norwegian parliament mandated its sovereign wealth fund – the world’s biggest of this kind – to sell stakes in coal, oil and gas firms.

Also, Saudi Arabia’s oil firm Saudi Aramco takes into account the risk of dropping demand for crude and launches its renewable energy projects.

But Russian-based oil firms seem to neglect a global slump in demand for oil and have no plans to advance renewable energy projects. In its new corporate development strategy until 2022, Russia’s oil firm Rosneft failed to mention alternative sources of energy, while Lukoil balks at the issue, eyeing it as something of a little importance. Rosneft CEO Igor Sechin considers growth in demand for crude “inevitable” by at least 2040. What is causing his flamboyant optimism? Market analysts say that

competitors with low profitability will be first to be pushed out of the market, giving way to firms that are capable of extracting oil relatively cheaply. Russian crude projects look good in this respect, losing only to Middle Eastern ventures due to the former’s lengthy shipping times. In Russia, operating costs and capital investments do not surpass \$15–20 per barrel.

In the foreseeable future, a systemic decrease in demand for crude – an issue that the Russian government has de facto acknowledged – will diminish the price of the raw material while leading to a slump in its overall output. Massive tax cuts for Rosneft’s and Neftegazholding’s Arctic projects – worth as much as 2.6 trillion roubles to apply for up to 30 years will yet place a burden on the state’s budget. Long-term tax incentives for Russian energy giants should come as nothing more but transferring the risk of crude production profitability directly from oil firms to the state, so all taxpayers.

20 October 2019

BALANCING BETWEEN PUTIN AND TRUMP: ERDOGAN PLAYS UP SYRIAN CONFLICT

President of Turkey Recep Tayyip Erdogan is building up his strong independent position in the Syrian war theatre. While the first stage of the Turkish offensive into Syria, codenamed Operation Peace Spring, succeeded, Ankara will suffer no repercussions from the United States. In exchange, Turkey agreed to a ceasefire, a five-day period that is set to expire on the day of a meeting between Recep Tayyip Erdogan with his Russian counterpart Vladimir Putin. What will happen next depends on the outcome of the summit. Erdogan’s deal with the United States bolsters his position, but the Turkish leader will have no ambition to confront Moscow. It is most likely for some binding arrangements to be made during the Sochi meeting, solutions that will please Ankara, albeit in the short term.



SOURCE: KREMLIN.RU

Addressing members of Germany's lower house of parliament Bundestag in Berlin, German Chancellor Angela Merkel said on October 17 that Turkey's incursion in northern Syria boosts the role of Russia across the region. Turkey and its allied Syrian fighters launched on October 9 an armed offensive in a bid to push the mainly-Kurdish YPG militia out of a border area in the middle of the Syrian-Turkey border and to create a "safe zone" where Ankara would relocate Syrian refugees sheltering in Turkey. What paved the way for the Turkish incursion was the U.S. retreat from Syria, though Washington had been a former U.S. ally in the region. Left with no choice, the Kurds needed to find an alternative as soon as possible. Under an October 13 deal, al-Assad's loyal army has begun sweeping into the country's northern regions. The Syrian government forces need to face the offensive from Turkey.

On October 17, Turkey greenlighted a ceasefire in northern Syria to let Kurdish-led forces withdraw. Erdogan warned that if they failed to retreat, Turkey would destroy their units. After U.S. Vice-President Mike Pence and Turkey's President met for talks in Ankara, the former said that Ankara gave its nod for a ceasefire in

Syria and the United States would lift economic sanctions imposed on Turkey. Ankara, for its part, will not be obliged to pull its troops out of Syria, a step that is de facto equivalent to U.S. permission for Ankara to occupy the safe zone. The U.S.-Turkish deal was an unpleasant surprise for Russia that hoped to see the Washington-Ankara crisis deepening further and further. On the same day, Erdogan met Pence for talks, and his representatives received in Ankara a senior Russian delegation whose members were Russia's special envoy for Syria Alexander Lavrentiev, Russian Deputy Foreign Minister Sergey Vershinin and the accompanying representatives of the Russian Defense Ministry. Ahead of their arrival in Ankara, the senior Russian officials were in Tehran to hold talks with Ali-Shamkhani, the secretary of Iran's Supreme National Security, and Ali-Asghar Khaji, a senior assistant to Iran's Foreign Minister in political affairs. After visiting Turkey, the Russian delegation headed to the Syrian capital of Damascus. In a statement issued after the meeting with al-Assad's team, attention should be drawn to the provision that long-term stabilization of the territories to the east of the Euphrates River lies through the return of all these lands to the control of the government in Damascus. Moscow favors

the restoration of Syria's territorial integrity, Russian Foreign Ministry Spokeswoman Maria Zakharova told on October 17. "This means that all national territories, including the border with Turkey, must ultimately be placed under the control of the legitimate Syrian government," Zakharova stressed.

Her statement may come in an effort to bolster Moscow's negotiating power a few days ahead of the meeting between Putin and Erdogan. Both leaders will meet on October 22 in the Russian resort town of Sochi. Erdogan said for his part that he would discuss the deployment of Syrian government forces along the planned "buffer zone." What stands out as a leading

problem are tensions running high over an open conflict with the Turkish troops and their allies on the side, and the Syrian government army on the other, as the latter is occupying part of the former Kurdish outposts. When in Sochi, Putin and Erdogan are to discuss what steps should be taken next. High on the agenda will also be the status of major cities, with Kobane and Manbij at the helm. Erdogan has already declared that if he fails to make a deal with Moscow, his country will continue to do what it has started. He has reason to be confident; militarily, so far, the operation has gone well while he has managed to strike a deal with the Americans.

21 October 2019

“POST-SOVIET” EU SERVES RUSSIAN INTERESTS

The Eurasian Economic Community, known as EAEC, was poised to become somewhat a response to the European Union, or a free-trade institution in the post-Soviet region. The past four years have seen an increase in the trade exchange between EAEC member countries, far higher than before launching the organization. Even though it remains on a relatively low level, unable to depict progressive economic integration. The community's goal is first and foremost to serve Russian economic expansion.

The Eurasian Economic Union was established in 2015 as a body bringing together Russia, Armenia, Belarus, Kazakhstan, and Kyrgyzstan. Back in 2000, their total trade exchange amounted to \$14.1 billion, of which \$13.9 billion, or 98.6 percent, stood for Russia's trade with the remaining four. These figures rose steadily, reaching the value of \$73.1 billion in 2012, before slumping in the aftermath of Western sanctions imposed over Russia's annexation of Crimea, along with the decline of crude oil price. Establishing the Eurasian Economic Community was poised to become Moscow's response to the problems while halting the further drop and facilitating the

Russian entry into the neighboring markets. EAEC members do not set import duties on each other's goods, while those coming from outside the community are subject to taxation at the same rates.

A report by the International Monetary Fund (IMF) found that, as of 2018, trade with Russia accounted for 96.9 percent of all trade within the Eurasian Union. Trade among the four smaller countries accounted for the remaining 3.1 percent. With its dominating trade within the EAEU, Russia is yet least reliant on the bloc in terms of foreign trade. In 2000, Russia's share in trade with Armenia, Belarus, Kazakhstan,



SOURCE: KREMLIN.RU

and Kyrgyzstan stood at 10 percent, contrary to only 8 percent in 2018. The Russia-led Eurasian Economic Community is not a traditional customs union. Flows of capital and labor from and to the smaller EAEU states are mostly concentrated around Russia. The smaller post-Soviet countries would seek to intensify cooperation with the Community's biggest economy rather than expand trade with each other. The EAEC resembles a peculiar, concentric network with centrally located Russia holding strong ties to the remaining four countries that are yet linked one with another through fragile connections.

The Eurasian Economic Community summit was held in Yerevan, Armenia, on October 1. Included in the agenda was the passing of the organization's budget for 2020 and signing a free trade agreement with Singapore. The Belarusian and Kazakh leaders urged other EAEC

countries to remove trade barriers within the bloc. The need to remove the obstacles in trade was also confirmed by the Russian President Vladimir Putin, who mentioned the introduction of union-wide financial regulations among his priorities. The next step will consist in creating the common market of gas, oil, and oil products by 2025. But the Eurasian Economic Community may soon see another, albeit non-post-Soviet, country entering the bloc. As early as in October 2019, Serbia is set to ink a deal to join the customs union under the Economic Eurasian Community. Serbian President Aleksandar Vucic said that the process of Serbia's EU integration should not bar the country from becoming a member of the EAEC. Serbia's joining the bloc may become fact in early 2020, possibly with Moldova, which currently holds the status of an observer state, following suit.



SOURCE: WIKIPEDIA.ORG

24 October 2019

RUSSIAN AIR PROVOCATION CLOSE TO THE KOREAN PENINSULA

Russian military aircraft have yet again emerged in the disputed territory between South Korea and Japan. On October 22, six Russian warplanes entered South Korea's air defense identification zone without prior notice, a source in Seoul has informed. But the Russian jets have not violated South Korean airspace, though.

The Russian aircraft penetrated South Korea's air defense identification zone four times, first near the island of Jeju, then above the city of Pohang and areas in the Yellow Sea, as well as close to the islets of Dokdo and the island of Ulleung in the Sea of Japan. The South Korean Joint Chiefs of Staff reported that among the Russian aircraft that intruded into the country's air defense zone were an A-50 airborne early warning and control aircraft, three Su-27 fighter jets, and two Tu-95 bombers. They all stayed there in the area for about four hours. The Russian

warplanes were tracked by a group of 10 South Korea fighters that also emitted a number of warning signals. Following the incident, the South Korean Defense Ministry lodged a complaint with Russia, urging Moscow to take up a set of measures to prevent recurrences. Russian Defense Ministry confirmed its fighters' fight, yet adding that it took place over the neutral waters of the Sea of Japan and the Yellow Sea in a move that could by no means be referred to as a breach of airspace of any country. This was another way of Moscow's displaying its non-recognition of the South

Korean air defense identification zone. The air defense identification zone is not bound by international law, though some countries have drawn its borders under a unilateral resolution.

Russian aircraft have penetrated South Korea's air defense identification zone more than 20 times since the beginning of this year, with the most dangerous incident having occurred in late July. Back then, a Russian A-50 airborne early warning and control aircraft that accompanied Chinese and Russian bomber jets on what they called a joint patrol had entered twice the South Korean airspace over the Seoul-controlled islets of Dokdo, also claimed by Japan. Both Tokyo and Seoul had dispatched their fighter jets to go in pursuit of the intru-

ders, and the latter Air Force had even fired a series of warning shots at the Russian A-50 jet. The mounting activity of Russian aviation over this region of Asia could be referred to as Moscow's push for intensifying its military ties with China. Just one day after the incident on Russia's first-ever air patrol with China, on July 24, 2019, the Chinese Defense Ministry issued a national defense white paper, or "China's National Defense in a New Era." The document articulated Beijing's critique of military alliance all over the world while welcoming the deepening of defense cooperation between China and Russia, the latter of which "enhances strategic Chinese-Russian partnership of coordination for a new era and possesses significance for maintaining global strategic stability."

24 October 2019

LUKOIL IS UNWILLING TO POUR MONEY INTO ARCTIC SHELF PROJECTS

The Russian government is open to the idea that private oil and gas firms could be allowed to explore Russia's Arctic shelf. But these show no particular enthusiasm, and Lukoil said for its part that the current oil prices might make its potential Arctic shelf projects unprofitable. Unlike their state-held peers, private-owned oil and gas firms do not pursue such a shaky and wasteful investment policy. As for Lukoil, it seeks to satisfy its shareholders with a new dividend policy.

Recently Russian Deputy Prime Ministers Dmitry Kozak and Yuri Trutnev met with three ministers to discuss the issue of allowing private companies to launch Arctic projects, proposing to draft legislation to expand access to the area. Yet the concept of giving private energy companies access to the Arctic shelf will not provide incentives for private oil firms to invest in Russia's Arctic shelf. Speaking at the Russian-Saudi investment forum on the sidelines of Russian President Vladimir Putin's visit to the Kingdom, Lukoil CEO

Vagit Alekperov suggested that Lukoil holds no interest to launch drilling work on the Russian Arctic shelf soon. Alekperov argued that the current oil prices could dwindle the profitability of mining investments on the Arctic shelf. This came as his response to a question of whether Lukoil could start operating in the area if the government gave the green light to explore Russia's Arctic shelf, where currently only state-held firms have the right to operate. If oil prices attained \$80–120 per barrel, Lukoil would be ready to



SOURCE: SOVCOMFLOT.RU

study the possibility to participate in projects on the Arctic shelf. Also, Natural Resources and Ecology Minister Dmitry Kobylykin displayed pessimism about the probable entry of private-held companies into hydrocarbon projects in Russia's Arctic. "I don't think these companies could afford to get involved in low-income ventures," he was quoted as saying. Instead, the minister believes that it is better to concentrate on carrying out work in traditional hydrocarbon drilling sites, like Western Siberia, where resources are harder to be unearthed.

On October 16, the Board of Directors of Lukoil approved the new principles of the company's dividend policy. Under the document, from now on, 100 percent of adjusted free cash flow (FCF) will be distributed to dividends, excluding the company's own shares. The adjusted free cash flow will be fixed on the

basis of Lukoil's financial statements prepared under International Financial Reporting Standards (IFRS). It will be determined as net cash provided by operating activities minus capital expenditures, interest paid, or repayment of lease obligations. Dividends are paid twice a year and will be calculated based on the financial statements for both the six-month and full-year periods. Lukoil's fresh dividends policy led to an immediate hike in the major's stakes by 3.17 percent on the Moscow stock exchange. As of 2018, Lukoil distributed less than 30 percent of its net profit, or 161 billion rubles, on repaying dividends in a move that the firm's management saw as lagging behind other oil companies. Lukoil amended its dividend policy because its previous version did not allow flexible solutions and barred the firm from responding effectively to external challenges, as was the case of Russia's deal with OPEC+ on reducing oil output.



SOURCE: WIKIPEDIA.ORG

25 October 2019

MEDVEDEV'S VISITS TO BELGRADE CONFIRMS RUSSIAN-SERBIAN LASTING FRIENDSHIP

Due to its overall tone and the declarations made, Russian Prime Minister Dmitry Medvedev's recent visit to Belgrade corroborates the fast-growing pace of the tightening of Russian-Serbian ties. The Balkan state may morph into a somewhat Russian foothold in the Western Balkans as Moscow pushes for boosting its clout across the region. The Kremlin surely will take advantage of local vexation with the EU's decision to halt accession talks with North Macedonia and Albania.

Russia stays ready to support Serbia to maintain its sovereignty and territorial integrity, Russian Prime Minister Dmitry Medvedev said on October 19 during a state visit to Belgrade. Seen as particularly solemn, his trip to the Serbian capital sought to make it clear that these two countries hold a special relationship with each other. The focus was both on the centuries-old friendship between these two nations and their present-day military, political, and economic ties. At a military airport outside Belgrade the Russian

Prime Minister and the President of Serbia Aleksandar Vucic watched a military parade of troops, battle vehicles and helicopters preceded by an anti-terrorism drill. Medvedev also delivered an address at the National Assembly of Serbia, where he said Russia wanted the situation in the Balkans to remain stable and safe. Speaking of the Kosovo issue and its dispute with Serbia, he reiterated that Moscow is interested in an exclusively peaceful resolution of the existing problem on the basis of UN Security Council Resolution 1244.

In his remarks, Medvedev devoted much room to the politics of history. Portraying Serbia as a role model in this regard, he rebuked the demolishing of monuments to Soviet troops in Central and Eastern European states while scoffing at what he referred to as “open propaganda of Nazi ideas.” Medvedev announced that Serbia might ink a free trade agreement with the Eurasian Economic Union when his Serbian counterpart Ana Brnabic visits Moscow on October. 25. Later in his remarks, the Russian Prime Minister stated that Serbian

plans on rapprochement with the European Union will not impede the country’s links to Russia. Medvedev paid a visit on the 75th anniversary of Belgrade’s liberation in World War II by the Red Army, also to hold talks with the President of Serbia Aleksandar Vucic and the Prime Minister Ana Brnabic. Included as part of the agenda was Medvedev’s meeting with Milorad Dodik, a former president of Republika Srpska (one of the two statelets of Bosnia and Herzegovina) known for his flamboyant nationalist and pro-Russian views.

28 October 2019

GAZPROM ADVANCES ITS ARCTIC PROJECTS

Russia’s state-run gas producer Gazprom is looking for new hydrocarbon fields on the country’s Arctic shelf. And though investing in this sector is far from being lucrative for Russian energy firms, the state-held giant has no intention to lag behind Rosneft or Novatek in its efforts to put in place Vladimir Putin’s strategy for the development of the Russian Arctic.

By 2023, Russian biggest gas company plans to drill as many as ten offshore exploration and exploratory wells on Russia’s Arctic shelf, or two per year, Director General of Gazprom Geologorazvedka, a company’s subsidiary in charge of exploratory work, Vsevolod Cherepanov told Gazprom corporation magazine. The expected long-term increase in natural gas reserves is more than 1.5 billion tonnes of standard fuel, Cherepanov said. Offshore drilling in the area has begun earlier this year.

Gazprom controls 11 licenses for geological exploration and production of hydrocarbons in the Kara Sea and five similar in the Barents Sea. Under the terms of the license agreements, the main volumes of geological exploration are supposed to be completed by 2025. The

bulk of hydrocarbon resources and reserves within the licensed areas of Gazprom on the shelf of the Arctic and Okhotsk Seas, including the Tazovskaya Bay (located in the Kara Sea between the peninsulas of Yamal and Gydan) that branches off the Gulf of Ob (the largest of the Kara Sea, located at the mouth of the Ob River between the peninsulas of Yamal and Gydan), was estimated as of early 2019 at 28.8 billion tonnes of oil equivalent, of which 27.8 billion is gas (with 70 percent of raw material located in the Arctic offshore fields in the Kara Sea). Recent times have brought the intensification in Gazprom’s exploration efforts in this region of Russia. In 2018, when penetrating two wells along the west coast of the Yamal Peninsula in the Kara Sea, Gazprom identified two new unique fields, named Dinkov and Nyarmeyskoye. After discovering these two on



SOURCE: GAZPROM-NEFT.RU

the Arctic shelf, the saturation of Gazprom's mineral resource base surpassed 100 percent. Between 2017 and 2018, the total rise in recoverable gas resources in the three wells dug in

the Kara Sea shelf amounted to 407.8 billion cubic meters (bcm) of gas, which is equivalent to the discovery of a unique gas field.

28 October 2019

RUSSIA DEPLOYS TROOPS TO SYRIAN-TURKISH BORDER

All the signs are that Russia and Turkey will fully implement the arrangements on the truce in northeastern Syria, as earlier negotiated by the two countries' leaders. Russian forces have begun to deploy towards Syria where are now conducting patrols along a border region, following the withdrawal of all Kurdish forces. Some three weeks after President Donald Trump's decision to pull U.S. military out of Syria's borderland and Turkey's incursion in northeastern Syria, Russia has dramatically bolstered its position in the country.

Russian President Vladimir Putin held talks with his Turkish counterpart Recep Tayyip Erdogan in the Russian resort town of Sochi on October 22. Under the deal agreed by Russia and Turkey, Kurdish fighters were given 150 hours to withdraw 30 kilometers along the Turkish border in northeastern Syria.

On October 27, the mainly-Kurdish Syrian Democratic Forces (SDF) confirmed they would quit the area. A day before, a group of some 2,000 soldiers of the Syrian government army and Russian military police stepped into northeastern Syria, close to the Turk-controlled territory of Syria.



SOURCE: SYRIA.MIL.RU

According to the agreements reached in Sochi, following the withdrawal of Kurdish forces, Turkish and Russian troops would begin joint patrols within 10 kilometers of the border. The Russian Defense Ministry reported on October 25 that 300 military police arrived in the demilitarized zone close to the Turkish border. Also, Russia sent 20 armored vehicles for the operation. The ministry's statement came shortly after the Pentagon announced U.S. plans to dispatch additional troops to northeastern Syria to protect oil fields, mainly from what

is left of ISIS. The Syrian government should get back control of all oil facilities in the northeast of the country, the Russian Foreign Ministry was quoted as saying. Kremlin spokesman Dmitry Peskov said on October 23 that Washington is encouraging the Kurds to stay close to the Syrian border and fight the Turkish army in a move viewed as derailing the Sochi agreement. Later Peskov said that the United States had betrayed and abandoned the Syrian Kurds.

28 October 2019

SERBIA AND RUSSIA HOLD JOINT EXERCISE NEAR BELGRADE: S-400 RETURNS TO RUSSIA, PANTSIR-S STAYS

The Slavic Shield 2019 joint military exercise proves ever-tightening bonds between Serbia and Russia. It is the first time that Russia has used its flagship air-defense missile system in military drills outside the country. Moreover, a battalion of Pantsir-S will remain on Serbian soil as President Aleksandar Vucic notified about his country's plan to purchase Russian-built military hardware.



The first stage of Slavic Shield 2019 war games took place in September in the southern Astrakhan Region. Back then, Serbian troops were taught how to operate the S-400 and Pantsir-S systems, as well as artillery and radars. The second stage of the joint Serbian-Russian exercise was held on October 23–29 in Serbia. A battalion of S-400 and a battery of Pantsir-S air defense missile systems have been deployed at the Batajnica air base in Serbia, some 25 kilometers far from Belgrade. The S-400 battalion and the Pantsir-S battery “have taken part in the drills on the territory of a foreign state for the first time,” the Russian side has informed. Teamed with Serbia’s Neva-M1T and Kub-M surface-to-air missile systems, Russian-made weaponry was used in military drills during which joined forces practiced the defense of the Batajnica air base, the city of Belgrade and a range of strategic industrial facilities.

While the S-400 will be sent back to Russia after the exercise, the Pantsir-S system is set to remain in Serbia, as the country’s government has placed an order for it. While visiting the Batajnica air base on October 25, President of Serbia Aleksandar Vucic confirmed Belgrade’s purchase, saying he was “thankful to our

Russian friends for drastically boosting our defense capabilities.” In recent years, Belgrade has acquired Russian-built aircraft, helicopters, and battle tanks. This is not the only display of the ever-growing alliance between these two nations. Earlier in October, Prime Minister of Russia made a trip to Serbia while his Serbian counterpart visited Russia. While in Moscow on October 25, Serbian Prime Minister inked a free trade agreement with the Eurasian Economic Community (EAEC) in a move that Brussels sees as an impediment to Belgrade’s EU accession talks currently being underway. Under the document, 95 percent of goods from Serbia will be dispatched to EAEC states without being taxed. The accord is yet more political and upholds a rapprochement between Belgrade and Moscow. But it is the European Union that remains Serbia’s top trading partner, with bilateral trade amounting to over 60 percent of the Balkan country. Trade with Russia is less than 10 percent of Serbia’s total trade. Also, European investments in Serbia are more than ten times higher than Russia’s. A survey found that three times as many Serbs would prefer to see their country drifting closer to the European Union than to the Eurasian Economic Community.



SOURCE: KREMLIN.RU

28 October 2019

ROSNEFT EARNS TAX BREAKS FOR ITS ARCTIC PROJECTS

Rosneft CEO Igor Sechin has secured longed-for tax cuts for his company's Arctic projects. The mere fact that the Russian government has given its consent should be seen as a victory of the chief of the country's biggest oil producer. Though nothing is known about the volume of tax breaks going to energy firms, the federal budget surely will bear the brunt of the recent decision.

The government has agreed a new tax relief package to help advance Arctic projects. Rosneft has pushed its plan for a couple of months until now, but the country's Finance Ministry called the idea in question. It is not yet clear what amount are at stake. On October 24, Russian First Deputy Prime Minister and Finance Minister Anton Siluanov chaired a meeting on the development of Russia's Arctic. Now on the agenda is a comprehensive tax break package to push forward gas and oil projects in the Arctic, of which the most notable is the Vostok Oil, a joint endeavor of Rosneft and Neftegazholding, the latter led by Eduard Khudainatov. The project could cost the federal budget up to 2.6 trillion roubles

over the next thirty years. Rosneft CEO Igor Sechin has repeatedly approached the Kremlin over tax incentives for his firm, sending letters directly to Vladimir Putin. Earlier estimates from Russia's Finance Ministry, an institution which had rebuked awarding tax incentives to energy firms, revealed that annual tax cuts would be 250 billion roubles under the mineral extraction tax (MET, or NDPI in Russian) for new oil and gas projects in the Arctic. Tax reliefs run the risk for Russia's budget as what it gives now could not be paid back in the future due to a fall for demand in oil and low crude prices. Russia's Energy Ministry has foreseen such a scenario in its Energy Strategy until 2035.

Development cost of Arctic's Vostok Oil will be sky high, Russian Deputy Energy Minister was quoted as saying. Infrastructure spending itself is calculated at 10 trillion roubles. The Ministry for the Development of the Russian Far East submitted a draft law on tax cuts for the Vostok Oil's plan to explore oilfields on the Taymyr Peninsula. This is chiefly about Rosneft's projects in the Arctic being exempt from mineral extraction tax. Though the Finance Ministry negatively assessed the project, it is Vladimir Putin, who has a decisive voice in the matter. It is yet unknown how large these tax reliefs will

be. Decision-makers discuss how to allocate the budget surplus Russia gets from selling oil and gas once crude blend Urals hits above \$40 per barrel and later siphons off into the Russian National Wealth Fund (NWF). A feasible option is to refrain from securing the surplus from one of the country's biggest fields. The Russian oil sector is among the world's heaviest taxed, though this is also where most reliefs are awarded. In 2013, tax cuts covered 27 percent of Russia's total oil output while 56 percent in early 2019.

29 October 2019

FRIEND OR FOE: RUSSIA GETS SUPPORT IN AFGHAN PEACE TALKS

Moscow is renewing efforts to resume dialogue between the United States and the Taliban. Following a visit of the Taliban delegation in September, U.S. special envoy to Afghanistan Zalmay Khalilzad made a trip to Moscow on behalf of Washington. But most importantly, Pakistan and China, with the presence of the latter seen as somewhat crucial, also sat down at the negotiating table. Beijing is getting involved in a new round of peace talks on Afghanistan. China's stance is on the one hand consistent with Russia's but Beijing may soon seek to replace Moscow as a leading mediator.

On October 25, the U.S. chief peace negotiator for Afghanistan Zalmay Khalilzad visited Moscow for a meeting with Russian hosts and counterparts from China as well as Pakistan. A post-meeting statement said that participants reiterated the need for all parties to the Afghan conflict to resume the negotiation process and reach a U.S.-Taliban agreement in an effort to pave the way for launching intra-Afghan talks. Russia, China, the United States, and Pakistan called on the Afghan government and the Taliban to "release a significant number of prisoners at the beginning of intra-Afghan negotiations."

The recent round of face-to-face talks has been the first one on the agenda since the delegates from the four countries held their last meeting in Beijing in July. And so, signs were that the Afghan civil war could soon come to its end. In early September, U.S. President Donald Trump refused to take part in peace talks following a deadly terrorist attack in Afghanistan's capital of Kabul that left 12 people dead, of which a U.S. soldier. Initially, peace talks with the Taliban were also scheduled to take place with the participation of U.S. special envoy Zalmay Khalilzad.



Attention should be drawn to China's ever-growing commitment to intra-Afghan peace negotiations. Beijing, for its part, has followed suit of Moscow by hosting Afghan officials and the Taliban delegation, and earlier the latter had talked with their American counterparts and had made a trip to Moscow. The meeting took place on October 28. But at this stage, it remains unclear whether Beijing merely backs

Russian efforts or intends to advance its own interests, perhaps to the detriment of Moscow's ambitions. Russia has long made efforts to narrow down or to derail Western pursuits -- and chiefly the U.S. presence on Afghan soil. In Afghanistan, Moscow's top intention is to serve the role of a critical peacemaker in the Afghan civil war while ensuring dominant influence in the country's capital.

29 October 2019

ALEKPEROV EMBROILED IN TURMOIL OVER LUKOIL AND SURGUTNEFTGAZ SHARES

This year, the Moscow stock exchange has seen yet another dramatic increases in the shares of a giant Russian energy company. However, it is now about Surgutneftgaz – known across Russia for its general opacity – while rumors concerning a stakeholder again gave rise to an unexpected market change. And all that has been said around about Lukoil CEO Vagit Alekperov translated directly into his firm's ratings.

Privately owned Surgutneftegaz is Russia's most prosperous company that has amassed 3 trillion roubles in cash, though much remains unknown about who heads the

firm. Among those who might reportedly run the company is Russian President Vladimir Putin, who is believed to control the business through some fictitious entities. Between



SOURCE: KREMLIN.RU

October 23 and October 24, the shares of Surgutneftgaz jumped by 17 percent in two days in a mystery rally while the company's market capitalization soared to 1.7 trillion roubles, marking the highest growth in the price of the company's shares since 2006. Share trade also grew sharply, attaining 8.9 billion roubles in a move that pushed the firm to the very top of the Moscow stock exchange, alongside such business giants as Gazprom and Sberbank. Furthermore, Surgutneftgaz's shares soared on October 25 until Lukoil denied that its chief intended to sell its stakes in the firm. This might have been a reason behind an unexpected increase in the company's stock exchange ratings when they rocketed by as much as 26 percent within three days. Unofficial reports said Surgutneftgaz first intended to acquire a package owned by Lukoil's Alekperov. No details were provided on how big this was, though.

Lukoil chief holds a three percent direct stake in Surgutneftgaz. But in 2017, he admitted controlling an indirect 25 percent share in the company. Between October 23 and October 25, the price of the company's shares rose by 26 percent while its market capitalization surpassed 2 trillion roubles. Rumors got around that Surgutneftgaz sought both to buy Alekperov's stakes and to take over his package in Lukoil. On October 25, Lukoil CEO informed that neither he nor other managers would sell their stakes in the company. Alekperov published his comment after media speculation about the possibility of a stake sale to Surgutneftgaz. Following Alekperov's statement, Surgutneftgaz's shares slumped by 6 percent, while Lukoil's rose by 1.6 percent.



SOURCE: KREMLIN.RU

29 October 2019

RUSSIA-AFRICA SUMMIT: WILL MALOFEEV TAKE OVER PRIGOZHIN'S ROLE?

The inaugural Russia-Africa summit was held in October 23–24 in the Black Sea resort of Sochi, Russia. With the attendance of some 40 African heads of state and a vast group of 10,000 guests from both Russia and African countries, the Russia-Africa summit confirms the continent's high level of interest in cementing cooperation with Moscow.

This was the biggest and most costly international conference ever staged in Russia. The event cost Moscow 4.5 billion roubles more than the St. Petersburg International Economic Forum. Its very first edition was co-chaired by Russian President Vladimir Putin and his Egyptian counterpart, President Abdel Fattah Al-Sisi, who serves as the current president of the African Union. Speaking at the opening of the summit, Vladimir Putin said Russia would pour billions into investments and double its trade with Africa within five years. Besides weaponry, Russia wants to export grain and agricultural

machinery, aircraft, trucks, chemical and pharmaceutical products. Putin said Russia might help African countries explore deposits, as illustrated by Moscow's recent deals with Mozambique and Congo. Russia had forgiven a total of more than \$20 billion of African debt that dated back to the Soviet era, Putin said.

At the Sochi event, Russia and African nations inked a batch of agreements worth more than 800 billion roubles (\$12.5 billion). Moscow and its African peers settled that they would hold regular summits every three years. But Russia lags far behind China when it comes to econo-

mic cooperation. Chinese trade with African nations is eighteen higher than Russia's. Trade between Russia and Africa has doubled in the past five years to more than \$20 billion. Vladimir Putin expressed hope that Russia would increase twofold this trade within the next four to five years. China is the largest foreign investor in Africa. Since 2005, it has pumped over \$300 billion into African countries located south of the Sahara desert. Russian investments still pale in comparison with China's. Between 2010 and 2018, trade between Russia and sub-Saharan Africa started at low levels but increased rapidly to \$4.8 billion last year from \$1.8 billion. In 2017, China took the lead in its trade with Africa (\$55 billion) while the value of U.S. exports to the continent was \$25 billion. With its exports to Africa worth a total of \$3 billion, Russia came only twentieth.

The country is building its position as the principal arms supplier to Africa. Moscow has signed military agreements with nearly 30 African nations, mostly over the last five years. Some 40 percent of Russian arms exports go

to Africa. Russia is the largest supplier of arms to the continent, accounting for more than 30 percent of arms exports to the region. Besides economic cooperation, the Kremlin has an appetite for using some of Africa's military ports and air bases by Russian aircraft and navy fleet. The Kremlin's other top goal is to develop its role as a political arbiter. In Sochi, Russian diplomacy offered to help mediate a mounting spat between Egypt and Ethiopia over the latter's efforts to build a dam on the Blue Nile.

Interestingly, absent at the Sochi summit was Yevgeny Prigozhin, a Russian oligarch who gained notoriety for dispatching mercenary forces to Africa in exchange for permits to mine diamonds in Sudan and the Central African Republic, among others. Another tycoon that endeavors to push forward his businesses in Africa is Konstantin Malofeev, who promised to advise three African countries on ways to raise \$2.5 billion. Malofeev's International Sovereign Development Agency is to help the Democratic Republic of Congo, Guinea and Niger secure funds for infrastructure projects.

30 October 2019

ROSNEFT SWITCHES EXPORT CONTRACTS TO EUROS FROM DOLLARS AMID U.S. SANCTIONS

Russia's largest oil company Rosneft has fully switched to the euro from U.S. dollars as the default currency to minimize its exposure to U.S. restrictions, Rosneft CEO Igor Sechin said. This is not shocking because Russia ships as much as half of its whole oil exports to the European market, though U.S. dollar transactions prevail globally.

Rosneft is the biggest oil exporter from Russia, trading around 2.4 million barrels per day. Speaking at the Eurasian Economic Forum in Verona, Rosneft CEO Igor Sechin, whom many consider one of Russia's most prominent businessmen and

politicians, announced his firm's plan to ditch the U.S. dollar for the euro. Following some statements from the Russian government in September, Rosneft was seeking euros as the default option in a bid to gradually sail away from the U.S. dollar. The United States has



SOURCE: KREMLIN.RU

not ruled out introducing restrictive measures on Rosneft over its involvement in trading oil from Venezuela. The Russian oil firm has been reselling the crude from the Latin American country to buyers in China and India, thus offering vital help to Venezuela and its state-run oil company PDVSA, enabling these two to trade oil despite U.S. sanctions. Currently, the share of the U.S. currency in the global oil and oil products trade is around 90 percent. But Sechin argued that the yuan could raise its share from the current 2 to 5 percent. The Chinese currency could become much more important globally in the future because of Chinese economic growth, Rosneft CEO said. Sechin stated that U.S. growing impact on the European banking system would lead to a slump in its efficiency while running the risk for the euro that may not become a global reserve currency. Russian market analysts say Russia sends half of its oil output to the

European Union. With the euro as the base currency, Russian energy firms will no longer need intermediaries to conduct their transactions. Therefore if Russian oil producers seek to import European-made equipment, the switch to the euro from the dollar will reduce currency conversion fees. But there is another reason behind Rosneft's decision. Russia expects that with a prospective "hard" Brexit, the European single currency will lose considerable to the dollar, a move that will enhance Rosneft's financial figures. Sechin's company followed suit of Russian privately held gas firm Novatek that earlier had abandoned the dollar for similar reasons. In July 2014, the United States blacklisted the firm while barring any domestic legal entities and natural persons from allowing loans to Novatek. Rosneft currently uses the euro as the base currency for most of its export contracts.

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