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Number of Russians living below poverty line falls to under 10% for the first time in 20 years
Hungarian foreign minister claims Chinese automotive companies set to invest another €3bn

Tamas Csonka in Budapest

Hungary is on track to receive an additional €3bn of Chinese automotive investment, further strengthening the country’s position as the number one Central European investment destination for companies from the East Asian country, Foreign Minister Peter Szijjarto said during a visit to Beijing on May 15.

Szijjarto met Chinese Minister of Commerce Wang Wentao and had talks with the chief executives of five major Chinese companies, four of which will implement investments in Hungary’s electric vehicle industry, which supplies German car manufacturers.

Chinese companies consider the country a top destination for their investments in Central Europe, noting that by the end of 2022, Hungary had the largest volume of Chinese investments in the region, and the government will continue to offer maximum incentives for Chinese investments, he added.

Between 2017 and 2021, the country received less than 1% of all Chinese investment in Europe. In 2022, by contrast, Chinese investment in Hungary was almost entirely driven by CATL’s new gigafactory with an announced total value of €7.4bn.

The radical rightwing government of Viktor Orban stepped up efforts to improve political ties with China through the launch of the Opening to the East policy in 2010. The plan involved strengthening ties with countries outside the EU, mostly in fast-developing countries in Asia.

Hungary was the first European country to sign a memorandum of understanding (MoU) on the Belt and Road
Opposition parties and environmental groups disagree. The new plants will require a tremendous amount of water, and they are asking for guarantees that the water supplies of the local residents will not be disrupted.

Budapest will also deepen cooperation with Chinese ICT Huawei. The University of Public Service (NKE) has joined Huawei’s SEEDs, a programme launched to foster talent in the ICT sector. Hungary is leading the way in the field of digitalisation, and the Chinese company has a decisive role in this, according to the minister.

Unlike some of its regional peers, some as Czechia, Budapest has unwavering support to rely on the Chinese manufacturer to develop its 5G network. Szijjarto stressed Hungary provides an open and fair economic and business environment for foreign investors and nobody may be excluded from the competition on the basis of their country of origin.

In talks with his Chinese counterpart, Szijjarto stressed that cooperation between the European Union and China should be based on “mutual respect and benefits”. “We don’t agree with those who say China should be treated as a risk or a threat. We think cooperation with China holds enormous opportunities for its partners,” he added.

Political issues including the war in Ukraine were also on the agenda at a meeting with Minister of Foreign Affairs Qin Gang. Hungary attaches a “huge significance” to the role of China in advancing peace, he said, voicing appreciation for China’s peace plan. He added that the sides had agreed to cooperate on “amplifying the voice of the peace camp”.

Szijjarto was hosted by Yang Yi, director of the Office of the Foreign Affairs Commission of the Communist Party of China (CPC) Central Committee. Hungary’s top diplomat said Budapest is willing to enhance cooperation with China in various fields and push bilateral relations to a new level.

Chinese investments in the electric vehicle industry are a “guarantee” that Hungary’s economy will remain on the growth path, he added.

Hungary’s top diplomat had a working dinner with CATL CEO Robin Zeng. CATL’s battery plant in Hungary ranks as the largest Chinese greenfield investment not only in Hungary but in Europe. The project has been earmarked €700mn in subsidies despite environmental concerns and questions about the secure energy supply. There are huge question marks over how Hungary’s ageing electricity grid could cope with new energy-intensive industrial units.

CATL, the world’s leading battery maker, is setting up a 100 GWh plant in the local industrial park on 221 hectares with an investment of €7.4bn, the largest greenfield investment in Hungary.

These EV battery plant investments are helping to boost Hungary’s competitiveness within Europe, given that Chinese investments bring the most cutting-edge technology to their new bases, according to Szijjarto.
Slovakia is in 'serious crisis', prime minister admits in nationwide address

Albin Sybera

Slovakia is in “a serious crisis, a crisis of chaos”, caretaker Prime Minister Eduard Heger admitted in an exceptional address to the nation on Thursday, May 4.

Heger’s unannounced address appears to be an attempt to forestall President Zuzana Caputova appointing a technocratic cabinet to govern the country amid the growing chaos following the vote of no-confidence in December. Slovaks are struggling to cope with the cost of living crisis and opinion polls indicate opposition parties are set to win snap elections in September, though forming a stable government will remain problematic.

Heger said his task was to steer the country to early elections, and he cannot imagine that a technocratic cabinet would be appointed at this stage a few months before the September 30 vote.

Existing cabinet members would be replaced by people “who might have good intentions,” but would have little time to acquire “experience” or “key ties abroad”, Heger explained and warned that “the stability we managed to keep” would be threatened.

Heger’s words come amid continued political rows and ahead of several key votes in the Slovak parliament. In the latest scandal, Agriculture Minister Samuel Vlčan (OĽaNO party nominee) resigned after it was revealed his waste company received a €1/4mn subsidy from the Ministry of the Environment, run by Ján Budaj (Democrats party).

Caputova – who is the most respected politician in Slovakia according to opinion polls – is believed to be reluctant to form her own technocratic government but she may feel she no longer has any choice in the mounting chaos. Such a government would still need a vote of confidence in parliament and could harm the president’s chances of re-election. Caputova has said she will decide soon whether to stand for a second term next year.

Analysts agree that the outcome of the September elections could lead to a significant reorientation of Slovak foreign policy.

The country has been one of the most active supporters of Ukraine, providing Kyiv with military and humanitarian aid in its efforts to fight the Russian invasion. Former Slovak strongman Robert Fico, who has moved to an openly pro-Russian position, is in the lead in the polls, and he has pledged to end the military support of Ukraine.

Slovakia’s cabinet fell at the end of 2022 after protracted internal conflicts and disputes between Igor Matovic, leader of the populist OĽaNO party, and Richard Sulik, leader of the neoliberal SaS party. Heger, who had replaced Matovic as premier, resigned from the OĽaNO party in March and will fight the elections as leader of a new party, the Democrats.

In Thursday’s address, Heger said that political chaos – which had erupted already during the COVID-19 pandemic – had been magnified by the government’s mistakes.

Heger also took part of the blame for the chaos, saying he “tolerated arguing between Matovic and Sulik” to “maintain consensus in the ruling coalition and prevent instability”, and that “today, I know this contributed to greater chaos in the country”.

Politicians reacted with surprise to Heger’s address. Michal Simecka, leader of the liberal Progressive Slovakia party, which is running third in opinion polls and in which Caputova used to be vice-chair, commented: “I don’t think it’s normal for a prime minister, whose government is facing suspicion for misallocating millions in subsidy, to abuse the special space of public television instead of giving an explanation [of the Vlčan case]. It is not normal that Heger as the leader of a collapsed government should style himself as a protector of the country from chaos.”

In the latest developments on Friday, May 5, Minister of Foreign Affairs Rastislav Kacer formally asked President Caputova to step down, in another sign that the caretaker cabinet is falling apart.

Kacer also criticised Heger for his Thursday address. Heger “just made her [Caputova's] decision-making easier,” Kacer commented on Facebook.

Slovakia is in "a serious crisis, a crisis of chaos", Prime Minister Eduard Heger told TV viewers. / bne IntelliNews

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Flurry of investment moves precede milestone China, Central Asia 5+1 summit

bne IntelliNews

Central Asia’s five presidents converged on China’s historic Silk Road city of Xian on Thursday May 18 for one-on-ones with Chinese leader Xi Jinping ahead of a milestone 5+1 summit to take place on Friday. The event is unprecedented as it brings together all of the region’s leaders in-person in China all at once. It is also notable in that it does not include Central Asia’s other big power neighbour, Russia.

The widespread assumption is that China is attempting to make inroads in trade, investment and geopolitical ties in Russia’s backyard at a time when Moscow’s attention and resources are consumed by the Ukraine war and economic and other consequences of the conflict.

At the summit, Xi is set to deliver an “important” speech. Moreover, an “important” political document will be signed, according to China’s foreign ministry. Analysts expect that it might be a regional pact.

“The most important context of this summit is the Ukraine war and the region’s uncertainty with Russia’s future commitment, influence and role in the region,” Yun Sun, director of the China Program at the Stimson Center think tank in Washington, was reported as saying by CNN.

“Central Asia is always seen as Russia’s backyard, and China has been expanding its influence in the region … and there are new aspirations and directions for China-Central Asia relations – opportunities that were not present or available in the past,” she added.

Kazakh President Kassym-Jomart Tokayev was the first of the Central Asian leaders to hold a face-to-face meeting with Xi. Afterwards, a joint statement on building “enduring friendship” and sharing “weal and woe” was released.

“We have a common goal – to intensify bilateral relations,” Tokayev told Xi. “We are also united by the desire to strengthen regional and international security and cooperation.”

The two sides agreed to deepen cooperation in oil and uranium.

Kazakhstan, Central Asia’s biggest economy, has said it is targeting $40bn in annual two-way trade with China by 2030, up from over $31bn in 2022.

During his first day in Xian, Tokayev also attended the opening of Kazakhstan’s logistics centre at the city’s dry port. Last year, 23mn tonnes of freight were transported by rail between Kazakhstan and China, according to Tokayev. Goods transportation surged by 35% in the first quarter of this year, surpassing 7mn tonnes, Kazakh official statistics show.

Two-way trade between China and Central Asia hit a record $70bn last year. Kazakhstan ranked first with $31bn. Kyrgyzstan followed with $15.5bn, Turkmenistan with $11.2bn (the country is the largest provider of gas by pipeline to China), Uzbekistan with $9.8bn and Tajikistan with $2bn.

In the build-up to the summit, a flurry of investment deals and potential deals between Chinese and Central Asian entities were announced.

China’s Sinopec and Kazakh state-owned oil and gas company KazMunayGaz agreed key terms for a potential investment in a polyethylene plant in Kazakhstan’s western Atyrau region.

Uzbekistan outlined how it has awarded contracts to a number of Chinese companies to build photovoltaic (PV) solar farms with a combined generating capacity of 4GW. CEEC Energy China is to invest $2bn to build 2GW of solar power plants across the Kashkadarya, Bukhara and Samarkand regions. A joint venture between Huaneng Renewables and Poly Technologies will develop a further 2GW of solar in the Jizzakh and Tashkent regions.

China-led Asian Infrastructure Investment Bank (AIIB) is to provide a $500mn soft loan to Tajikistan for the construction of incomplete elements of the Rogun hydroelectric power plant, part of a project that includes the world’s tallest dam. Two of the project’s six planned turbines have been launched so far. However, some estimates show Dushanbe requiring another $5bn to finish the investment.
Russia will sell gas to energy-hungry Uzbekistan by reversing the flow of the Soviet-era gas pipeline network that used to transport Turkmen gas to Russia.

Russia is on the hunt for new customers after its gas deliveries to Europe have been slashed by sanctions and the war in Ukraine. Russia used to deliver some 150bn cubic metres to Europe a year, but will only send an estimated 25 bcm this year, according to the International Energy Agency (IEA).

Uzbekistan is keen to buy the gas, as unlike its neighbours Kazakhstan and Turkmenistan it only has modest gas deposits and can’t cover its own domestic needs with its own resources.

The plan is to reverse existing Soviet-era gas pipelines that used to take gas out of Central Asia and deliver it to Russia by building new compressor stations. Uzbekistan suffered from debilitating gas shortages this winter, as its rapid economic growth of recent years means demand for gas has outstripped its supplies.

Uzbek Energy Minister Jurabek Mirzamakhmudov recently announced that Russia would be supplying gas to Uzbekistan via the Soviet-era Central Asia-Centre gas pipeline network – one of three gas pipelines that traverse Uzbekistan. The other Russian pipeline is the Bukhara-Urals pipeline. The third pipeline is more modern, built by the Chinese after the fall of the USSR: the Central Asia-China pipeline, a 3,666-kilometre gas pipeline that begins at Gedaim, on the Turkmenistan-Uzbekistan border, and ends at Khorgos, in China’s Xinjiang region.

Moscow and Beijing are reportedly now calculating the costs for the construction of compressor stations, which are required for the reverse pumping of gas through the link, but the pipeline is due to come online this year.

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While the new Uzbek deal will not replace the lost European gas business, the deal is part of Russia’s efforts to re-orientate its gas business from west to east. During the Soviet-era, Russia sold the bulk of its gas (c70%) to the European market and very little to Asia. Since 1991 Russia has built a modest oil and gas pipeline to the Far East to service Asian markets and more recently the Power of Siberia gas pipeline to China, which currently carries about 15 bcm a year, but will be expanded.

Uzbekistan has been importing gas from Russia since 2020, with Gazprom supplying Turkmen gas to Uzbekistan. In 2020, 900mn cubic metres were supplied per annum, increasing in the first quarter of 2021 to 1.5 bcm, so the volumes are still a fraction of the European business.

Russian President Putin has emphasised the importance of establishing transport and energy trade with the energy producers of Central Asia, namely Uzbekistan, Kazakhstan and Turkmenistan. Discussions about Russian gas exports to Uzbekistan go back to 2002, when Putin announced plans to create an integrated Eurasian gas space.

However, Uzbekistan remains wary of making the same mistake Germany did by becoming overly dependent on Russian energy.

In November 2022, Putin announced the possibility of a gas union between Kazakhstan, Uzbekistan and Russia, with the prospect of further sales to China, Pakistan and India. However, Uzbek Energy Minister Mirzamakhmudov publicly dismissed the offer in December 2022, stating that Uzbekistan “would not agree to political conditions for obtaining natural resources”, but only on a commercial basis.

Nevertheless, the three countries have been moving towards closer energy co-operation. On January 18 this year Gazprom and the government of Kazakhstan signed a roadmap for collaboration in the gas industry and Uzbekistan signed the same a week later.

The proposed gas plan would see Russian gas transported to Uzbekistan via Kazakhstan through the Central Asia-Centre pipeline.

As for the prospects of exporting Russian gas via Uzbekistan to South Asia, that could happen but only sometime in the future. For the meantime, Uzbekistan plans to stop selling gas to foreign buyers completely by 2025, as it requires more energy to power its fast growing economy. Its main export partner for gas is currently China, but Tashkent has previously fallen short on its export promises in order to meet its own domestic demand, much to the chagrin of Beijing. ●

**Kazakhstan looks for buyer to re-privatise former Sberbank Kazakhstan**

Clare Nuttall in Samarkand

The Kazakh government’s Baiterek National Management Holding is looking for a strategic partner to buy Bereke Bank, formerly Sberbank Kazakhstan, Deputy Chairman of Baiterek’s management board Adil Mukhamejanov said during the European Bank for Reconstruction and Development (EBRD) Annual Meeting in Samarkand on May 17.

Russian Sberbank’s foreign operations were badly hit by sanctions imposed by Western countries over Russia’s invasion of Ukraine last year, and in August Baiterek took over the Russian banking giant’s operations in Kazakhstan.

Commenting on the decision to take over the bank, Mukhamejanov explained: “Before the February [2022] events, Sberbank Kazakhstan was the second largest commercial bank in Kazakhstan and on top of that was one of the leading banks that financed small and medium enterprises and the corporate sector. Of course, the government couldn’t have such a big player removed from the market.”

Rating agency Fitch noted when affirming Baiterek’s credit rating in November: “The recent acquisition of Bereke Bank – formerly a subsidiary of Russia’s Sberbank – was part of the government’s orchestrated takeover to preserve Kazakhstan’s financial sector stability due to escalation of Russian sanction risk.”

Following the acquisition, Baiterek became 100% shareholder of the bank, and started work to have it removed from all sanctions lists. The latest was in March 2023, when it was removed from the list of Specially Designated Nationals (SDNs). The next step will be to re-establish the bank’s credit rating, which Mukhamejanov said is expected by the end of the month.

“This is a very good, well-run bank. We are looking right now to find a well-known international strategic partner who can step in and purchase that asset from us and bring new know-how, new technologies into Kazakhstan, promoting this bank further,” Mukhamejanov told a panel on investment in Kazakhstan.

Total Kazakh loans issued grew by 20% in 2022, corporate loans were up by almost 10% and consumer lending grew by almost 31%. ●
Indian dividends from Russia blocked by SWIFT ban

Mark Buckton

The ongoing war in Ukraine is now creating a series of financially worrying knock-on effects across the Indian subcontinent.

Reports from New Delhi indicate that up to $400mn in dividends due to some of India’s major players in global oil and gas projects is currently stuck in a form of financial limbo, unable to be transferred out of Russia because of the ongoing SWIFT ban on Russian cross-border financial transactions.

The news broke when an unnamed official at India’s Ministry of Petroleum and Natural Gas spoke to local media in the Indian capital last weekend.

It is believed that between $300mn, but closer to $400mn in dividends should have been paid over the course of the last year to Indian agencies and individuals.

But with continuing European Union and US-led moves to strangle Moscow financially, the dividends have been left unpaid, leading to rising angst in Indian boardrooms.

The majority of Russian banks have been blocked from using the global cross-border payment system SWIFT since last spring. As a result, this has seen increasing numbers of energy related firms in Asia, India in particular, struggling to both meet payments due to Russia, but also failing to receive payments from the country.

Russia was once the second-largest user base of SWIFT after the United States, with over 300 domestic banks and financial institutions belonging to the Russian National SWIFT Association.

Exceptions do still exist, however, most often linked to payments for oil from Moscow, although actual payments of later fees for investment in projects, including dividend remittances, are not exempt.

As a result, whilst India can still order ever increasing amounts of Russian crude, Indian firms investing in Russia such as Oil and Natural Gas Corp. (ONGC) which profit directly in the form of dividends because of the increase in their orders can no longer receive their profits.

And with Russian crude exports to India increasing to never before seen levels thanks to Moscow offering major discounts to Indian crude buyers, the growth in dividends due is only accelerating.

Latest figures from New Delhi now point to Russian oil making up over 30% of total Indian crude imports.

Other Indian firms including Bharat Petroleum Corporation Ltd (BPCL), Indian Oil, and Oil India Ltd (OIL) are also known to have significant interests in bilateral and multinational oil and gas projects across Russia. None have yet come out with individual claims on overdue dividend payments.

Furthermore, any increase in investments on existing stakes in Russian energy infrastructure by overseas agencies will be similarly affected by the ongoing EU-US led sanctions with later payments of dividends blocked.

In India moves are afoot to remedy the issue, though; attempts to offset dividends owed against potential future oil imports have reportedly been considered, although no concrete decision has yet been announced either way.

Should this be given the green light by Russian authorities in Moscow, sources in India have already hinted at expecting some form of clampdown from those backing sanctions as the EU and US look to close a potential loophole.

Getting funds in and out of Russia at present was thrown a lifeline in recent weeks, with the Chinese Cross-Border Interbank Payment System (CIPS) accepting funds from Bangladesh for Russia’s help in building a nuclear power plant (NPP), and sending the transfer through to Moscow.

For India to even allow inbound transfers through CIPS, though, might just be too bitter a pill for New Delhi to swallow given anti-China sentiment throughout the country in recent years.

Demonstrations broke out across India in 2020 and 2021 following fatal clashes with Chinese troops in the Himalayan border region of Ladakh, and subsequent efforts on both sides since to limit imports and influence regional politics have only hardened the stance of many in India against doing business with Beijing.

Indian dollar dividends are stuck in Russia because of SWIFT sanctions.
VTB establishes first direct Russian banking presence in Iran

Russia's VTB Bank has opened a representative office in Iran, establishing the first direct Russian banking presence in the Islamic Republic.

Iranian Deputy Minister of Industry and Trade, Alireza Paymanpak, announced the move on Twitter on May 16.

The arrival of VTB in Iran will likely fortify trade and economic ties between Russia and Iran, maritime neighbours who are respectively the most and second most nations in the world. Those ties have grown increasingly wider and deeper ever since Russia was hit with a huge wave of sanctions by the West following its invasion of Ukraine in February last year. Moscow and Tehran have announced bilateral cooperations in trade ranging across multiple areas including trade transit (there are plans for exponential growth in the amount of Russian cargo reaching the Middle East and South Asia via Iran's Persian Gulf and Sea of Oman ports), automotive, pharmaceuticals, oil and gas, petrochemicals and tourism.

The US, meanwhile, last week that it has grown more concerned about the expanding military relationship between Iran and Russia, which includes the use of Iranian ‘kamikaze' drones by Russian forces in the Kremlin's war against Ukraine.

Iranian officials said the securing of the VTB office in Tehran was partly the result of efforts made by the Trade Promotion Organisation of Iran (TPOI), a body responsible for regulating and promoting Iran's foreign trade activities.

VTB Bank’s other overseas offices are in China, Italy and Kyrgyzstan, while it has two overseas bank branches, one in China and India.

Paymanpak noted that VTB's presence in Iran would assist in transferring FX revenues into the Iranian banking system.

In January, the Iranian and Russian central banks, both shut out of almost all of the international financial system, including payments system SWIFT, due to the sanctions, signed a deal to connect their national interbank communication and transfer systems to help boost trade and ease two-way bank transactions.

Per the deal, 52 branches of Iranian banks and four unnamed foreign banks will use Iran’s local interbank telecom system, known as SEPAM, to connect with 106 banks using Russia's System for Transfer of Financial Messages or SPFS, the Iranian central bank said.

Iran's Shahr Bank and VTB are involved in a SEPAM/SPFS pilot programme. Other lenders will join the interbank system gradually.

Fridman’s Alfa Group to exit all Russian assets

Alfa Group of sanctioned oligarchs Mikhail Fridman and Petr Aven is planning to exit all its Russian activities and split the group into domestic and overseas divisions, the BBC reported citing unnamed sources and Andrew Baxter, member of the board of Luxembourg-based ABH Holdings, which controls Alfa Bank and Alfastrakhovanie insurance company.

London-based Fridman and his partner Petr Aven of the Alfa Group were preparing to sell another major asset in Russia – one of the largest private banks, Alfa Bank – for RUB178bn ($2.3bn) to long-time partner Andrei Kosogov.

Kosogov used to head Alfa's investment unit and has not been sanctioned by the West, making him an attractive candidate for taking over the bank. The deal would have to be approved by Russian authorities, who have most recently allowed Dutch-based multinational mobile major VEON to offload its anchor Russian operator VimpelCom.
The Luxembourg-based ABH Holdings SA is owned by Andrei Kosogov (41%), Mikhail Fridman (32.9%) and Pyotr Aven (12.4%). UniCredit SpA owns a further 9.9% and the Mark Foundation for Cancer Research another 3.87%. Khan and Kuzmichev sold their stakes in ABH Holdings to Kosogov in March 2022 due to sanctions. Prior to the deal, the former owned 21% and the latter 16.3%.

BBC also reminds that Alfa controls a minority stake in Russia’s largest retailer X5 Retail Group, which is said to co-operate with the Russian Defence Ministry on the provision of uniforms and foodstuffs for the war in Ukraine.

Last week German energy major Wintershall Dea also said it has taken a “final” decision to leave Russia and is considering “various exit options”. The company is owned by German chemicals giant BASF and Fridman’s investment vehicle LetterOne.

Alfa Group was part of a consortium of Russian oligarchs AAR (Alfa Access Renova) that held a major share in the Russo-British oil joint venture TNK-BP that they sold to state-owned oil major Rosneft in March 2013 in a $55bn deal. Mikhail Fridman took his share of the proceeds and set up LetterOne (aka L1) in London. Prior to Russia’s invasion of Ukraine this investment vehicle has been trying to get back into the oil business internationally, as well as making other profitable investments.

Fridman grew to prominence in the 1990s after his Alfa Group made him a billionaire. After getting his start as a window cleaner in the aftermath of the collapse of the Soviet Union he went on to found a business empire that includes Alfa Bank, the highly successful X5 retail and supermarket group and numerous other businesses. ●

But, Alfa could go further and sell its insurance division Alfastrakhovanie and continue to fully split the assets in Russia into a separate entity.

Reportedly, Fridman and Petr Aven, who did not return to Russia after the full-scale military invasion of Ukraine, will take over the overseas business, while their Alfa partners German Khan and Alexei Kuzmichev will take over the Russian business.

“We were waiting for the Iron Curtain to close on our side, but it is more tightly closed on the other side, so it is impossible to do business both in Russia and in the West,” a source in Alfa’s management told the BBC.

“We are now co-ordinating with European regulators on the sale of the Russian bank and the approach to other transactions: sale, redomiciliation or restructuring with a spin-off of the business,” Baxter said.

BBC reminds that both Fridman and Aven are actively seeking to have Western sanctions lifted. Campaigning was under way to lift sanctions from Fridman, Aven and another Alfa Group partner, German Khan, as they have long disputed claims of close Kremlin ties. The billionaires “want to do everything they can to get out of their Russian assets so that sanctions will be removed,” one of the people with knowledge of the transaction told the Financial Times in March.

Alfastrakhovanie is the fourth-largest insurance company in Russia, with RUB152bn of premiums collected in 2022. Its share is up to 25% in the car insurance market and 23% in the life insurance market.

The Luxembourg-based ABH Holdings SA is owned by Andrei Kosogov (41%), Mikhail Fridman (32.9%) and Pyotr Aven (12.4%). UniCredit SpA owns a further 9.9% and the Mark Foundation for Cancer Research another 3.87%. Khan and Kuzmichev sold their stakes in ABH Holdings to Kosogov in March 2022 due to sanctions. Prior to the deal, the former owned 21% and the latter 16.3%.

BBC also reminds that Alfa controls a minority stake in Russia’s largest retailer X5 Retail Group, which is said to co-operate with the Russian Defence Ministry on the provision of uniforms and foodstuffs for the war in Ukraine.

Last week German energy major Wintershall Dea also said it has taken a “final” decision to leave Russia and is considering “various exit options”. The company is owned by German chemicals giant BASF and Fridman’s investment vehicle LetterOne.

Alfa Group was part of a consortium of Russian oligarchs AAR (Alfa Access Renova) that held a major share in the Russo-British oil joint venture TNK-BP that they sold to state-owned oil major Rosneft in March 2013 in a $55bn deal. Mikhail Fridman took his share of the proceeds and set up LetterOne (aka L1) in London. Prior to Russia’s invasion of Ukraine this investment vehicle has been trying to get back into the oil business internationally, as well as making other profitable investments.

Fridman grew to prominence in the 1990s after his Alfa Group made him a billionaire. After getting his start as a window cleaner in the aftermath of the collapse of the Soviet Union he went on to found a business empire that includes Alfa Bank, the highly successful X5 retail and supermarket group and numerous other businesses. ●
KFC rebrands to Rostic's as American owner exits Russia

Former KFC restaurants in Russia have begun to reopen as Rostic's after US owner Yum! Brands finalised its exit from Russia, transferring rights to local company Smart Service.

Despite a rebrand, Smart Service has opted to retain employees and suppliers and keep the popular KFC menu unchanged, albeit with a few renamed dishes. The immediately recognisable red-white colour scheme will also remain, along with the iconic buckets that have become synonymous with the KFC brand. Colonel Sanders is, however, gone.

Over the next 18 months, the company plans to convert KFCs throughout the country to Rostic’s. However, in an apparent show of goodwill towards its franchisees, the new owners have vowed to continue to work alongside those that opt to retain the internationally recognisable KFC branding.

When Yum! Brands chose to leave Russia in 2022, there were more than 1,100 KFC outlets in the country. Smart Service is now the operator of 70 restaurants, with the rest – the vast majority – being run on their behalf by 22 different franchisees. Smart Service owns the master franchise rights. According to Konstantin Kotov, co-owner of Smart Service, the company’s 22 partners have expressed an interest in expanding their operations by developing a franchise network. Prior to the acquisition, Smart Service itself was a franchisee, operating 41 KFC restaurants primarily in the city of Izhevsk.

The rebranding is similar to that of many other Western food and retail outlets that chose to leave the Russian market following President Vladimir Putin’s decision to launch a full-scale invasion of Ukraine. These include the likes of McDonald’s and Starbucks, both of which sold their restaurants to local franchisees, and are yet to make any significant changes to their offerings.

After McDonald’s pulled out of Russia when the war in Ukraine started last year, its restaurants were rapidly taken over by a Russian replacement called Vkusno I Tochka (“Tasty and that’s it”) that ripped off almost all of the original franchise’s products. The menu is the same; the layout and business model is the same; even the packaging and sauces are the same. And in March to cap the copy off, the Russian company announced it will introduce its own version of the “Happy Meal”, the “Kid’s Combo” set and build a factory to make the toys that go with it.

However, unlike the renaming of McDonald’s (“Tasty and that’s it”) and Starbucks (“Stars Coffee”), Rostic’s is not a new name. The original Rostic’s first opened its doors in 1993 as one of the pioneers of fast food in Russia, gaining immense popularity as it expanded nationwide.

Just a couple of years later, KFC entered the market, immediately becoming Rostic’s main rival. In 2005, in response to mounting competition from a plethora of global fast-food giants entering the Russian market, the two companies opted to partner together to establish their dominance in the chicken market. Just five years later, KFC bought out Rostic’s, leaving only the US brand in place.

While the revival of an old favourite has brought back good memories for many Russians, there has been some disappointment due to the lack of resemblance between the newly opened chain and the original Rostic’s. Classic dishes such as chicken kebab and borsch from the original Rostic’s menu are seemingly not making a comeback. Meanwhile, the original logo, interior decor and colour scheme have been left in the past.

“Absolutely nothing has changed, just the name,” Vladimir, 33, told bne IntelliNews, on the first day after the official opening of the flagship restaurant on Moscow’s Tverskaya Street. “I wanted some childhood nostalgia but I’ve decided not to even order.”
Mood turns belligerent at latest mass protest in Belgrade

Camilla Bell-Davies in Belgrade

Belgrade witnessed a massive protest on the evening of May 19, as hundreds of thousands of citizens took to the streets demanding an end to violence and the promotion of hatred in the media and public spaces.

This was the third and largest protest to take place in the capital since two mass shootings in early May that killed 18 people. The mood among the crowd was more belligerent this time. People told bne IntelliNews their frustration towards the government has intensified as President Aleksander Vucic has shown minimal effort to curb the violent rhetoric in his propaganda, even since the tragedy.

Protestors gathered in front of the Serbian National Assembly building at 6pm and marched through the city to the main bridges of Gazela and Brankov Most, subsequently blocking traffic on the main international highway that connects Belgrade with Hungary and North Macedonia.

While an exact count of attendees is yet to be confirmed, it is estimated that hundreds of thousands of people participated. The column was 2.5km long. In the previous protest held on May 12, an estimated 100,000 citizens marched through the city to block Gazela bridge.

Among the crowd were schoolchildren clutching their homework and hand-drawn signs, families with strollers and many elderly people.

Sparked by mass shootings
When asked if the shootings was the issue at stake, many said that this was only the spark, that the issues went far deeper.

“We are marching over this bridge because we are protesting for the future and safety of our families, we are angry with this government that spreads violence and hate speech on their reality TV, and created the conditions for the tragic shootings,” said a man of 40 with a wife and two youngsters.

Another participant, aged 82, held up a sign saying: “turn off the TV, turn on your brain”, echoing the demand that the government shut down tabloids like Informer and channels Pink and Happy TV which critics say push violent discourse, propaganda and misinformation.

A man handing out blue, red and white Serbian flags said: “I want to show Serbs are normal people who want a normal life, free from violence.” A large Serbian flag without the heraldic symbol was unfurled. Bearers said the heraldic symbol was “too nationalistic”.

(Later, far right groups like People’s Patrol reported the banner to be a Russian flag and called the event a pro-Russian rally.)

Other demands included the replacement of the Council of the Regulatory Body for Electronic Media (REM) and the resignation of Minister of the Interior Bratislav Gasic and the director of the Security Information Agency (BIA) Aleksandar Vulin.

Spontaneous gathering
Organisation of the protest was largely spontaneous. People spread word among friends and colleagues on social media apps Viber and WhatsApp. A coalition of political opposition parties and civic groups also rallied and supported the protest, including the Democratic Party, the People’s Party, the Green and Left Front, We Don’t Drown Belgrade, the Zajedno Party, the Freedom and Justice Party, the Movement of Free Citizens, the Syndicate of Harmony and the Movement for the Revolution.

Chants of “Vucic out, Vucic resign” were raised regularly, whistles and horns were blown, but in general the crowd was calm.

As darkness fell, participants illuminated the streets with lights from their phones. The atmosphere was electric. “People are finally waking up,” a 35-year-old tech worker told bne IntelliNews.

One protestor tried to urge people to storm the parliament but people quickly shushed him. “We are still respecting and mourning the victims of the shooting,” said a mother-of-two.
Only two minor incidents of violence were reported. One in front of the Serbian parliament when a woman carrying a “Stop Femicide” banner was attacked by individuals wearing black hoodies. Another person attempting to record the incident was also attacked.

The Kreni Promeni movement published a video showing Sava Manojlovic’s confrontation with a male who attacked him on Gazela bridge, reportedly from far-right group People’s Patrol. The crowd chased them away.

These acts of violence were condemned by the protesters, who said any fighting would make the peaceful, anti-violence protest pointless.

**Highway blockaded**

At midnight, some participants led by pro-European opposition party Green and Left Front erected tents, set up sleeping bags, and arranged chairs to block a section of the international highway at the Novobeograd petrol station.

The demonstrators said they would continue the blockade, which would heavily impact Serbia’s international traffic, until all their demands were met.

However the blockade was lifted at 6am, and traffic was allowed to resume. It’s unclear whether police cleared people away or if they left of their own volition.

The Serbian government reported that only a few thousand turned out for “a walk”. Vucic is in Montenegro today attending the inauguration of the newly elected president of that country, Jakov Milatovic. He has not commented on the protest.

A pro-government rally is due to take place on May 26. The government has arranged buses to collect citizens from across the country, but many in the May 19 crowd said they would not go.

Opposition parties and civic groups are offering advice for citizens who risk losing their jobs if they don’t comply with instructions to take part in the pro-government rally. Instead, they will likely attend the next anti-government, anti-violence protest the day after on May 27.

### Troubled Air Moldova suspends all flights

bne IntelliNews

Air Moldova has submitted to court a request to enter a pre-insolvency accelerated restructuring procedure. The airline says the move will help it avoid bankruptcy and absorb some $50mn from unnamed investors, according to a company press release.

The company blames its difficult financial situation on the debts inherited on privatisation, the loss of revenues during the COVID-19 crisis and the ban on flights after the invasion of Ukraine. It highlights that the state did not extend any financial support, while foreign airlines were helped out during the COVID-19 crisis.

The company suspended all flights and ticket sales starting May 2. The resumption of activity will be possible within three days from a positive court decision, the company said.

“Investors are ready to invest around $50mn in Air Moldova. These investments would settle the company’s financial problems and would allow the company to renew its own fleet. Investments cannot be made outside the accelerated restructuring procedure due to the increased risk of an attack from existing creditors,” says Air Moldova.

The airline said that the accelerated restructuring will allow the company to use the capital injection strictly for the development of the company, so that later, in time, the existing debts will be paid.

Air Moldova was privatised in 2018 but the identity of the investors was never made public.

Parliament speaker Igor Grosu said on April 21 that the airline belongs to fugitive politician and businessman Ilan Shor, who was given a 15-year sentence for his role in the $1bn bank fraud scandal earlier this year.

The suspension of flights in May follows an earlier decision, announced in March, to suspend flights, though shortly afterwards the company confirmed three flights – two to Italy and one to Tbilisi in Georgia (a route that indirectly serves Russia).

Meanwhile, also in March, Chisinau International Airport (AIC) was returned to the control of the Moldovan government. Previously the company had been managed by Avia Invest – a company controlled by groups linked to Shor.

The management of Chisinau International Airport was transferred to Avia Invest in November 2013, based on a public-private partnership. The holder of the concession contract committed to managing the airport for 49 years and to invest €250mn to modernise the airport.

However, the state later demanded the termination of the contract as the investments were not carried out in line with the schedule. In November 2022, the Chisinau Court of Appeal decided to cancel the concession contract for Chisinau International Airport.
Balkan real estate market shifts from offices to logistics

The Southeast European real estate market is dynamic and evolving, and is swiftly adapting to emerging trends, including a notable shift in interest to logistics from office spaces, according to speakers at a regional real estate conference in North Macedonia’s capital Skopje on May 10.

The conference brought together more than 30 speakers from the country and the region for discussions and knowledge sharing on various aspects of the real estate industry. Skopje-based Fortomnka, as an exclusive affiliate partner of global real estate services firm Cushman & Wakefield in North Macedonia, co-hosted the event.

Sergey Koynov from Bulgaria, a managing partner at property management company Intelliway Services, discussed moving trends in the sector. “First there was a shopping centre wave, then an office wave, followed by big, small hotels, and now it is very modern to invest in logistics and renewables,” Koynov told a panel discussion.

Koynov cited the CEO of global investment management company Blackstone as saying that while in 2007 60% of its portfolio was in offices, that has now been reduced to just 2%. Meanwhile, the company's logistic portfolio ballooned from zero to 40%.

“The market is changing, evolving and we need to be smart and very quick in deciding what to do next,” Koynov said.

How COVID-19 hit the office market

The participants agreed that working from home and a hybrid model of working, a trend brought about by the COVID-19 pandemic, has significantly transformed trends in the office market.

“The office segment experienced significant development over the past 15 years, but the definition and way of working in the segment has changed with the COVID-19 pandemic, which has affected the whole world and prompted a reassessment of working strategies,” Fortomnka CEO Katarina Nikolov said.

Mia Zecevic, an owner and CEO of Serbian real estate, asset and property managers Novaston, acknowledged that the situation today is strongly affected by the pandemic and the war in Ukraine with lot of fluctuations and a need to adapt.

Zecevic cited the case of Novaston’s major client, France-based energy management and automation company Schneider Electric, which started operations in Serbia three years ago with 20,000 GLA (gross leasing area), only to see big reductions as a result of the pandemic.

Looking down the road, Zecevic said the time may come when most office workers will go back to physical offices, particularly in sectors that rely heavily on human connections and where the presence of managers is essential. In IT and certain service sectors that don’t rely so much on direct interaction, however, a hybrid working model may persist as a viable option, she added.

“I think that the entire outcome and resolution of this situation will become evident within the next two years. At that point, we will know whether a significant amount of available square metres will be successfully occupied,” Zecevic said.

“The market is changing, evolving and we need to be smart and very quick in deciding what to do next”

According to Zecevic, the market dynamics, whether in Serbia or elsewhere in the region, are heavily influenced by blue-chip tenants.

In North Macedonia, Fortomnka’s Nikolov said, supply and demand are running neck and neck. A good take-up in the country is 20,000 sqm, which is in line with supply, she said.

The size of the market matters, she added, saying, “If one company in Belgrade requests 5,000 sqm, here in Skopje the interest is for 700 sqm.”
However, there are always exceptions, software and technology service company Endava for one.

“In the case of Endava, this is a very successful story and we did not see downsizing. On the contrary, it is one of the largest occupiers of business space in Skopje, with outstanding interiors and one of the most remarkable projects of last year,” she said.

According to Ilija Gospodinov, president of the management board of the Skopje-based IT Chamber of Commerce, MASIT, the issue is not availability of space and demand, but about the future of work and how companies can stay successful and sustainable in the long term under completely different ways of engaging with their employees.

“My first notion is that any company, whatever industry it comes from, and any company that wants longevity, builds its activities on values and culture,” he stated.

However, he added that establishing and maintaining values can be particularly challenging when operating under a work-from-home or hybrid model.

Gospodinov said the IT sector in North Macedonia has effectively navigated the challenging period of COVID-19 and the subsequent difficulties the technology sector faced by successfully implementing alternative work models.

**Moving from ‘hybrid’ to ‘blended’**

While players in the sector demonstrated the ability to adapt to a hybrid work environment, Gospodinov said they recognised the need to move forward. A hybrid system is an artificial mixture, he said, and the challenge is how to find a way from ‘hybrid’ to ‘blended’.

“The way we engage with our employees must become a ‘blended’ way, where working from home, working from the office or from wherever is comfortable, should be made one organic system,” Gospodinov said.

According to him, the challenge companies face is to reach a point in the next few years where they can confidently say that their current approach is working exceptionally well for them.

Emphasising the need for change, he said “there were two points that we missed when we worked from home two-three years ago. We missed community and engagement.”

He added that it is imperative for companies to prioritise aligning what they provide with the needs of their employees, as they are the most valuable assets.

**Class A office space in North Macedonia**

Despite the changing trends, according to Fortonmka’s data, the demand for Class A office space in North Macedonia is expected to stay strong following the historically low vacancy rates and the total take-up in Class A. The vacancy rate rose only slightly in 2022 by 3% year on year. Average prime rent was €13.5 per sqm and average transaction size was 450 sqm.

Projects in the pipeline for the first half of 2023 include 6,733 sqm of new office space expected to be delivered by Cevahir Business Center in Skopje, and another 3,100 sqm in the city centre to be delivered by Skopje Business Center. In the second half of 2023, 3,600 sqm will be delivered by La Piz Business Center and 3,600 sqm by 3 Corner BC in the inner city.

**Hospitality and ESG in Albania**

Stela Dhami, managing partner of Colliers International in Tirana, said the company has a strong presence in the Albanian hospitality sector, which is strongly promoted by the government and offers good incentives for investments. Dhami acknowledged the impressive efforts of local investors in Albania, but expressed the necessity for more foreign investors particularly in the hospitality sector.

“The way we engage with our employees must become a ‘blended’ way, where working from home, working from the office or from wherever is comfortable, should be made one organic system.”

Other sectors have experienced tremendous growth in foreign investment. Now, “We want to see more investment in the hotel industry from foreign investors,” she said.

“For sure, the fusion of local and international is happening in Albania and is going very well because local investors contribute their valuable local expertise, while foreign investors bring in their international experience,” she said.

She underlined that environmental, social, and governance (ESG) considerations in the real estate sector are also a very important topic in Albania.

ESG standards was the topic of one of the six panel discussions at the conference, along with the latest trends in the office and residential markets, investment opportunities, financing strategies, and others.

Colliers along with German investors are working to develop the first business park in Albania, she said, calling it an important new project in the country.
Romanian leading agribusiness group Agricover Holding announced on May 17 it had abandoned its planned listing on the Bucharest Stock Exchange (BVB) after it failed to draw sufficient interest from investors. The company blamed it on “the geo-political, macroeconomic, and financial markets context”.

The company was planning to raise €85mn in the largest-ever IPO on the BVB by selling 42% of its shares and issuing new shares amounting to 21% of the existing number of shares as part of the offer.

The listing flop comes as the BVB is preparing for the landmark listing of up to 20% of power group Hidroelectrica, expected in the next few months. Franklin Templeton, the manager of Fondul Proprietatea, which owns the 20% state stake in Hidroelectrica, argued for a dual listing in Bucharest and London, saying the local market was not liquid enough, but its shareholders approved the proposal backed by the Romanian authorities for a sole listing in Romania.

The European bank for Reconstruction and Development (EBRD) holds a 12.7% stake in Agricover and was planning to sell a 10% stake in the IPO. The company was founded by Jabbar Kanani, who intended to sell 32% of his 87.2% stake in the company under the IPO.

Agricover hasn’t revealed details such as the total subscriptions placed by institutional investors, who were allotted 90% of the IPO. Retail investors subscribed only 52% of the tranche allotted to them.

At the maximum IPO price of RON0.5 per share, Agricover Holding would have been valued at RON1.08bn (€218mn). The pre-share issue valuation of RON950mn (€190mn) stands for 10.4 times the net profit recorded by the group in 2022, which was RON91.3mn (€18.3mn).

The IPO, which was managed by Wood & Company together with local brokerage firm Tradeville, started on May 4 and ended on May 16. It was carried out on short notice, particularly given the rather complex business model conducted by Agricover. The group has two main segments of activity: the distribution of agricultural inputs, carried out by Agricover Distribution (agribusiness) and the specialised financing for farmers, provided by a non-banking financial institution, Agricover Credit IFN (agri-finance).
Baltic states to create unified MSCI stock market index

Ben Aris In Samarkand

The three Baltic states’ stock markets are to unify into a single index on the benchmark MSCI index system in order to increase their appeal to international investors as part of a plan to upgrade their capital markets from frontier to developed market status.

Latvia, Lithuania and Estonia have well developed, but small, capital markets that actively trade stocks and bonds and are currently included in the Morgan Stanley Capital International (MSCI) index system that investors use to allocate weightings to different types of market and assess risks.

For Emerging Europe the aggregate MSCI Emerging Markets (EM) index is the benchmark but each country has their own index as well.

The unified MSCI Baltics index is the culmination of five years of work since the three countries’ finance ministers came together with the European Commission as part of broader plan to better co-ordinate EU capital markets.

“The three finance ministers and the EC agreed to co-operate to make a single index for the Baltic markets, as our markets are small and then can better attract more investors,” Kaarel Ots, the CEO of Nasdaq Tallinn, told delegates at the annual EBRD meeting in Samarkand. “We are classed as a frontier market, but I disagree. As the head of the exchange I call for more companies to come to the exchange and to list so that we can increase to development market classification.”

Despite the progress the Baltic states have made in the last three decades, their economies remain small by European market standards and the capital markets are shallow.

“Growth of the pool of liquidity is an obvious goal,” says Tomas Kairys, the EBRD Baltics country manager. “And the markets already play an important role in the region. Some 60% of EBRD deals done have been done via the capital market transactions, of which 80% have been done via debt.”

Part of the work to prepare the integration has been to bring the rules together and streamline them. A second goal of the reforms is to attract and make it easier to SMEs to tap the market to increase the overall market capitalisation.

“We have some blue-chips listed already but the backbone of these economies is the SMEs, and so giving them more access to capital markets will only improve growth,” says Kairys.

As part of his presentation Kairys also mentioned the rise of commercial notes as a funding option, which were first introduced during the coronavirus pandemic and used by companies to raise short-term money to tide them over during the financial stress during lockdown.

While the Baltic states remain something of a European capital markets backwater, the local markets have seen a few significant deals. The government chose to privatise 33% of the Port of Tallinn, raising €150mn in an IPO that was heavily oversubscribed and regarded as a success.

Another example was Estonia’s Enefit Green, which floated 22.7% to raise €175mn that was the Baltic states’ first ever pure energy play and a purely green offer.

The state-owned Latvenergo used its capital market to issue the Baltics’ first ever green bond to raise €50mn, followed by AST, another local energy company that raised €100mn.

But the biggest deal to date was from Ignitis, the Lithuanian energy company that issued a €300mn green bond, 10% of which was taken up by the EBRD. That was followed by an IPO of a 27% stake in another partial privatisation that raised €450mn – the largest IPO in the Baltics to date.

“We have some blue-chips listed already but the backbone of these economies is the SMEs, and so giving them more access to capital markets will only improve growth”
Boom time on Central Asia’s stock exchanges pushes capitalisation above $100bn

Central Asia’s six stock exchanges have been experiencing something of a boom, according to Kazakh media outlet Kursiv.

Trading has been driven by the covid rebound and the increasing importance of the five ‘stans’ as manufacturing and transit economies due to sanctions imposed on Russia’s economy by the West, the publication said.

The total capitalisation of the companies traded on Central Asia’s stock exchanges now exceeds $100bn, it pointed out.

Kursiv also gave the following information on the bourses:

Kazakhstan Stock Exchange (KASE): Established in 1993 as an interbank currency exchange, it has 85 issuers. The share market has a capitalisation of KZT 22.3 trillion ($49.8bn). The KASE Index, up 9% over the past 12 months, is calculated on the basis of nine securities. Its capitalisation is estimated as KZT 19.3 trillion ($42.9bn), which corresponds to 86% of the entire stock market.

Astana International Exchange (AIX): It was established in 2017 as part of the formation of Kazakhstan’s Astana International Financial Centre (AIFC). At the end of March, the capitalisation of AIX-listed companies, taking into account all sites where their securities are listed, amounted to $45.2bn. AIX lists 23 stocks from 21 issuers and five global depositary receipts (GDRs). Based on nine issuers of equity securities traded on the AIX, KASE and London Stock Exchange, the AIX Qazaq Index or AIXQI is calculated from 2021. Over the past 12 months, the index rose by 2.1%. The capitalisation of the AIXQI companies, including listings on all exchanges, at the end of March was $39.1bn, or 86.5% of the total capitalisation of the exchange.

Toshkent Republican Stock Exchange: As of March 31, 112 issuers had securities on the quotation list of the Uzbek exchange, established in 1994. They included 108 issuers of shares. The total market capitalisation of issuers on the exchange quotation list was UZS 126.1 trillion ($11bn). The exchange’s UCI index is based on all listed stocks, with stocks weighted by the market capitalisation of their companies. In the past 12 months the UCI has dipped twice.

Kyrgyz Stock Exchange (KSE): Founded in 1994 as a non-governmental non-profit entity. The first trading in shares and official opening of the stock exchange took place in May 1995. As of April 17, the market capitalisation of companies listed on the KSE amounted to KGS 88.05bn (about $1bn). The KSE index, showing the degree of change in the exchange’s capitalisation, was up 68% y/y. The index is calculated on the basis of market prices for the shares of all the listed companies. A total of 27 shares from 24 issuers are traded on the KSE. The 10 largest cover around 94% of the capitalisation.

Central Asian Stock Exchange (CASE), Tajikistan: Established in April 2015 as a platform for organised securities trading in the country. British company GMEX Group is one of the shareholders in CASE. In Tajikistan, securities transactions are mainly carried out between banks, with transactions involving either securities of the central bank or treasury bills of the finance ministry. There are no quoted shares and government securities on the official website of CASE, and only one position in the list of bonds, showing bonds of Eskhata Bank. It is thus not possible to outline the volume of the market as a whole.

Ashgabat Stock Exchange: Turkmenistan’s exchange was established in 2016. Currently, securities of three second-tier banks circulate on the bourse. The exchange website says the market capitalisation amounts to $160mn.

“The total capitalisation of the companies traded on Central Asia’s stock exchanges now exceeds $100bn”

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Western shareholders slam minorities’ “extortion” by Ukrainian oligarch

Jason Corcoran in London

Western minority shareholders in Kernel are mounting a legal challenge against a move by a Ukrainian oligarch to delist the country’s largest producer and exporter of sunflower oil from the Warsaw Stock Exchange.

Minority investors from Europe and the US claim that the buyback by Andrii Verevskyi, the company’s majority shareholder, represents “extortion” and is part of a wider degradation of corporate governance standards.

Verevskyi’s investment vehicle Namsen Ltd, which owns about 41% of the shares, last month announced an offer to buy out all the other shareholders, with a subsequent delisting.

However, institutional investors from Poland, Scandinavia and the US representing about 21% of the company have formed a coalition to drag the oligarch through the Polish and Luxembourg courts.

“Kernel is trying to extort minority shareholders by offering to buy them out at a price that significantly undervalues the company,” a European investor told bne IntelliNews. “It’s part of an overall debasement of corporate governance.”

Kernel is a major supplier of agricultural products from the Black Sea region to international markets. The company says its delisting is driven by Russia’s invasion of Ukraine over a year ago and the blockade of the Black Sea ports, which made it difficult for Kernel to monetise its harvest and sent its shares plunging by more than 60%.

Before the invasion, Ukraine contributed to 29% of global sunflower oil output. The company swung to a consolidated net loss of $41mln for the financial year ended June 2022 against a profit of $506mn for the year prior.

Management also detailed its frustrations with its listing on the Warsaw exchange, where the number of traded stocks is now at its lowest in more than a decade. In a statement, Kernel argued that efforts to improve the stock’s visibility and widen its shareholder base had mostly failed.

Kernel also maintains that the stock suffers from a “lack of financial visibility and poor analyst coverage”, while low liquidity prevents investors from selling “in a fast and predictable fashion, especially with the war-related risks.”

A leading Scandinavian investor suggested Kernel is trying to use the conflict with Russia as an opportunity to retake full control of the company at the lower price.

“At a time where Ukraine needs the support and aid from foreign investors and donors more than ever, one the largest companies in the country is trying to take advantage of the situation at the cost of shareholders in some the countries supporting Ukraine the most,” said the investor in a letter seen by bne IntelliNews.

Kernel shares traded at PLN18.16 (€3.96) on Wednesday, compared with the buyout offer at PLN18.5. Its shares peaked above PLN86 in 2011 and traded at around PLN60 before Russia’s invasion started.

One European shareholder said he would be happy to take PLN40 per share, whereas some Polish investors are holding out for PLN100.

“The stock is trading at a massive discount to its peers like Astarta Agricultural Holding in Ukraine and elsewhere,” said a long-term investor. “We are happy to hold for another five to ten years and wait for it to recover, but the company just wants to shaft us.”

Investors complained of a lack of communication by Kernel since the invasion started and the closure of an e-mail account dedicated to investor relations. One shareholder also questioned the wisdom of why the company had maintained a large cash position in cryptocurrency.

Polish minority shareholders in Kernel have called for an EGM to discuss the delisting of Kernel’s shares from the Warsaw Stock Exchange.

A letter published on the exchange’s website on April 17 said the delisting is clearly contrary to article 91 (3) of Polish law, since such a decision must be accepted by a 90% majority vote in the presence of shareholders representing at least half of the charter capital.
Polish investors say the delisting will force some minority shareholders to sell shares under the offer owing to the legal inability of the funds to invest its assets in shares of private (non-public) companies.

“Pension funds will not be able to retain the company’s shares in their portfolio after the termination of their circulation on the organised market,” the letter’s authors said.

For its part, Kernel claims that these provisions of Polish law do not apply, since its holding company is registered in Luxembourg and is regulated by Luxembourg laws, and a decision by the board of directors is sufficient for delisting.

“The interpretation of Polish legislation on delisting issues, including in the shareholders’ letter, is not true and misleads other shareholders of the company,” said Kernel.

The company also argues that Polish investors are no longer Kernel’s core base shareholders. It said: “After an IPO, up to 80% of company’s free float was composed of Polish investors, stemming from the successful pension reform in Poland. Today, according to our estimates, less than 15% of shareholders are investors from Poland.”

Verevskiy, 48, started trading in grain when he just 19 and founded Kernel a decade later growing it into Ukraine’s largest sunflower oil producer. Despite the country’s political volatility, he has always managed to stay on the right side of whoever is in power and retain crucial rights for grain export quotas.

After the country’s Orange Revolution in 2005, he became a parliamentary deputy belonging to the Yulia Tymoshenko faction. When the political winds blew in a different direction,

Anglo-Russian Precious Metals Miner Polymetal on May 11 asked its shareholders to back a plan to delist from the London Stock Exchange (LSE) and to redomicile to Kazakhstan’s Astana International Financial Centre (AIFC).

Gold, silver and copper miner Polymetal is headquartered in Jersey, which Russia has listed as an “unfriendly country” amid the West’s response to the Ukraine war that started with a Russian invasion in February last year. The US, UK and EU, as well as Canada, Switzerland, Australia and Japan, have each gradually placed sanctions on certain Russian persons, entities and sectors. That triggered counter-sanction measures from Moscow, such as the sanctioning of persons and entities within jurisdictions on the “unfriendly countries list”.

Polymetal’s share price plunged nearly 28% on May 10.

“Polymetal’s share price plunged nearly 28% on May 10.”

“After an IPO, up to 80% of company’s free float was composed of Polish investors, stemming from the successful pension reform in Poland. Today, according to our estimates, less than 15% of shareholders are investors from Poland.”
The company said it assessed Dubai International Financial Centre, Abu Dhabi Global Market and Hong Kong as alternatives to the AIFC.

If shareholders support the redomiciliation in Kazakhstan, in a scheduled May 30 vote, Polymetal will be unable to comply with certain basic requirements for the ordinary shares in the company to continue to be admitted to LSE main market trading. The company said that it had made efforts to meet requirements, using depository interests or depositary receipts, but that these attempts were not successful.

Polymetal – which has eight gold and silver mines in Russia and two in Kazakhstan – would have to request a suspension of trading on the LSE following any move to Kazakhstan, but the company said it was still exploring the possibility of listing on additional exchanges.

The past year has brought reports that Polymetal was considering carving out the “operationally good” Kazakh assets from the “reputationally bad” Russian assets.

In its seventh sanctions package in response to the invasion of Ukraine, the EU joined the gold imports embargo that was adopted in June 2022 by the US and G7 economies.

Russia was the fourth-largest exporter of gold in the world, with the yellow metal being its next biggest export after energy, having brought in $18.9bn revenues in 2020.

The EU’s ninth sanctions package, adopted last December, bans new investment in the Russian mining sector.

Polymetal posted a $288mn net loss for 2022 versus a $904mn profit in 2021. Revenues declined by 3% y/y to $2.8bn due to lower average gold and silver prices, while increased logistics and other costs decreased Ebitda by 31% y/y to $1bn.

Polymetal reported gold-equivalent (GE) production of 345,000 oz for 1Q23, down 5% y/y.

Revenue moved up by 19% to $733mn, with the company taking advantage of higher gold prices.

With the release of the first-quarter results, the company confirmed its full-year guidance of 1.7mn ounces of GE.

“Russia was the fourth-largest exporter of gold in the world, with the yellow metal being its next biggest export after energy”
The founder of Romanian marketplace Elefant Online, former Moldovan prime minister Ion Sturza, sold a majority stake (58.8%) in the company to evoMag, an independent online retailer that is also the marketplace’s main customer.

Elefant.ro is one of the largest online retailers in Romania, with over 2mn customers, a marketplace with over 400 companies and a portfolio of 3mn products. However, it nearly doubled its losses in 2022 to RON27.4mn (€5.4mn) while its turnover contracted by 19% y/y to RON184mn.

“The e-commerce market in Romania, which has reached maturity with over 50% of the residents already familiar with online shopping, needs strong competitors. That is why we considered that a consolidation of the two operations will be beneficial both for evoMag and elefant.ro, as well as for eCommerce users in Romania,” commented Mihai Patrascu, founder and CEO of evoMag.

The deal needs prior approval from the competition body.

The company reported the deal to the investors on the Bucharest Stock Exchange, where its bonds are traded. Having an 8% coupon attached, the bonds (denominated in local currency) mature on November 2026 and are traded 11% below par. Elefant Online issued the RON17.5mn bonds in January 2022.

Venture capital fund manager Catalyst Romania SCA SICAR sold its 9.62% stake to evoMag as well. Catalyst also owns a 25% stake in evoMag through one of its funds Catalyst Romania Fund II.

Axxess Capital will retain its 28% stake in Elefant Online. EvoMag is controlled by local entrepreneur Mihai Patrascu (63.63%).

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Match Group, the owner of popular dating apps Tinder and Hinge, has announced that it will be withdrawing from the Russian market by June 30.

The decision to leave the market comes more than a year after Russian President Vladimir Putin directed the invasion of Ukraine, triggering the severance of business relationships between Moscow and numerous Western companies.

Match Group will now take measures to limit access to their services and plans to completely withdraw from the Russian market by the end of June. Until May 2023 Match Group had remained relatively tight-lipped about its Russian operations, but it did flag potential negative impacts on its European business in March 2022.

The company’s withdrawal from Russia comes over a year after its primary competitor, Bumble Inc., blocked downloads in both Russia and Belarus. Alongside the Bumble App, Bumble Inc. also owns Badoo.

“We are committed to protecting human rights,” Match said,
in an annual impact report published on Monday, quoted by Reuters. “Our brands are taking steps to restrict access to their services in Russia and will complete their withdrawal from the Russian market by June 30, 2023.”

Friends Fiduciary Corp., a prominent company shareholder, praised the move and said that it sets an example for other companies to follow.

“It’s not a good look for a trusted brand to be continuing operations in a nation where the head of state has been indicted by the International Criminal Court,” Jeff Perkins, executive director at Friends Fiduciary, told Reuters.

Many Western digital services providers, including Spotify, Dropbox, Meta and Netflix, pulled out of Russia in 2022, shortly after the start of the full-scale invasion.

**Darkweb marketplaces offering deepfake videos at up to $20,000 per minute conference hears**

bne IntelliNews

Darkweb marketplaces are offering deepfake videos with prices varying from $300 to $20,000 per minute, an audience heard at the Kaspersky Cyber Security Weekend-META 2023 event held in Kazakhstan’s commercial capital Almaty.

Vladislav Tushkanov, a lead data scientist at Moscow-founded cybersecurity and anti-virus provider Kaspersky Lab, was quoted by trade media as addressing the dangers of deepfakes, synthetic media digitally manipulated to replace a person’s likeness convincingly with that of another, leveraging machine learning and artificial intelligence (AI).

“$300/per minute is the starting price for a deepfake on the darknet,” was cited as saying by iTWeb, adding: “The higher limit was discovered to be about $20,000. “It’s important to remember that deepfakes are a threat not only to businesses, but also to individual users: they can spread misinformation, be used for scams, or to impersonate someone without consent.”

In June 2022, the FBI issued an official warning that deepfakes were being used to apply for remote jobs. This, Tushkanov was also reported as saying, means the technology has evolved to such a degree that it can be deployed online, not like in a pre-recorded video, but just like on a Zoom call.

Deepfakes can serve for various malicious activities, including fraud, blackmail and the thieving of sensitive information. Kaspersky researchers analysed multiple darknet marketplaces and underground forums that offer deepfake video and audio creation for nefarious activities. The prices associated with these services depend on the complexity and quality of the final product.

Law enforcement agencies expect cybercriminals to attempt to expand illicit use of generative AI videos to defraud individuals, organisations or companies. For instance, a video can be fabricated to impersonate a CEO requesting a wire transfer or approving a payment, enabling the stealing of corporate funds. Deepfakes can also be used to create compromising content on individuals, which can then be utilised for extortion purposes or to extract sensitive information.

Additionally, cybercriminals can manipulate public opinion by spreading false information through deepfake videos, potentially influencing the outcome of elections or public discourse.

On May 8, German public media outlet DW reported that a video shown at an election campaign rally by Turkish President Recep Tayyip Erdogan, which seemed to link his main rival to a Kurdish group designated as terrorist, had been exposed as fake, although this particular video did not qualify as a deepfake.

Deepfake technology can also be employed to bypass verification in payment services by producing realistic fake videos or audio recordings that imitate legitimate account owners. This enables fraudsters to deceive payment service providers and gain unauthorised access to accounts and associated funds.

DigiDoug, a deepfake created by Doug Roble, debuted during his TED talk in 2019. / Steve Jurvetson, cc-by-sa 2.0
Uzbekistan’s “President Tech Award” looks to encourage innovation and entrepreneurship as country’s IT sector booms

Cameron Jones in Tashkent

In a move to encourage innovation and entrepreneurship, Uzbekistan has launched the President Tech Award, an annual contest that recognises and rewards the best startups in digital technology projects. The award is worth $1,000,000 in total, with each category winner receiving cash prizes of up to $100,000, and second and third place getting $50,000 and $30,000 respectively.

The competition will be divided into two main areas, each with its own categories. The first area will include technologies based on artificial intelligence, digital technologies in the social sphere, ICT and cybersecurity, entrepreneurship and fintech, and computer and mobile games. The second area will be a Hackathon Grand Prix, which requires teams to create a digital solution within 72 hours.

To be eligible for the award, participants must be under 30 and either Uzbekistan citizens or foreign citizens who are employees of IT Park residents. Teams formed should consist of 3-8 people for the main area and 3-5 people for the special area. Participants can only participate in one selected category for both areas. Attendance is free, and registration will be open soon.

The judging process will be handled by an independent organisation with extensive international experience in startup development, ensuring transparency and fairness throughout the contest. Winners in the main categories will be determined by public voting, while the Hackathon Grand Prix winner will be selected by an independent organisation.

The contest will be conducted in five stages, with applications being accepted from May 1 to July 1. Preliminary selection will take place from July 1 to July 25, followed by an online assessment of selected projects from September 5 to October 5. The offline assessment, or Demo Day, will be held from November 5 to November 10, and winners will be announced between November 20 and December 25.

The President Tech Award is an excellent opportunity for young entrepreneurs in Uzbekistan to showcase their talents and receive recognition for their innovative ideas. With its generous prize pool and expert judging process, the contest promises to inspire a new generation of digital innovators in the country. Uzbekistan has made great progress in its IT sphere in recent years, with the World Bank claiming that the country is going through “unprecedented economic and social transformation.”

The launch of the President Tech Award in Uzbekistan feeds into the country’s major IT development drive and its young and growing population, where over 60% of the people are under 30. As one of the fastest-growing countries in Central Asia, Uzbekistan has made significant investments in its technology sector to foster innovation and entrepreneurship, such as its “one million Uzbek coders” drive. With its large and youthful population, Uzbekistan has a vast pool of tech-savvy talent that is driving the country’s digital transformation, with over 30,000 students graduating from IT related courses at tech dedicated universities throughout the country.

The President Tech Award provides a platform for these young entrepreneurs to showcase their skills, promote their startups and receive recognition for their innovative ideas, ultimately contributing to the country’s ongoing IT development drive. The President Tech Award aims to further attract Uzbek youth into the sphere of IT and motivate them to succeed. 🌟

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First ever nuclear fusion PPA signed

Roberta Harrington in Los Angeles

A nuclear fusion energy company, Helion Energy, has signed a power purchase agreement (PPA) with high-tech giant Microsoft to supply electricity generated from its first fusion power plant.

The plant, to be sited in the US, is planned to come online by 2028 and will generate 50 MW after a one-year ramp-up period. Skeptics say the technology is potentially years away from being proven.

The PPA is the world’s first for fusion power. Helion is based in Washington State, where Microsoft is based as well. Billionaire Bill Gates, Microsoft’s founder, is well known for his support of advanced nuclear technology in the quest to fight climate change.

Fusion “is inherently clean, inherently safe and could one day provide vast amounts of the type of power we need to tackle the climate crisis,” said Senator Maria Cantwell after Microsoft’s announcement.

Fusion power does not create radioactive waste, and can be considered the ‘holy grail’ of the energy transition – clean, carbon-free and limitless, but as yet, out of reach.

The power source is in its early days. In December, US researchers in California announced the first ‘net energy gain’ experiment – for the first time ever, more energy was produced from fusion than was used in the lasers to power the experiment.

The PPA marks “a market milestone” for the fusion technology industry, Dennis Whyte, director of the Plasma Science and Fusion Center at the Massachusetts Institute of Technology, told The Hill.

The pressure is on Helion. The PPA “is a firm contract”, a spokesperson told The Hill. “Pricing will be market rate. If Helion misses the [2028] deadline for putting power on the grid for Microsoft by then, Helion will face financial penalties, which signifies the strength of this agreement.”

A significant early investor in Helion is Silicon Valley insider Sam Altman, who also is CEO and a founder of OpenAI, which has developed ChatGPT, which Microsoft has also invested in.

“My vision of the future and why I love these two companies is that if we can drive the cost of intelligence and the cost of energy way, way down, the quality of life for all of us will increase incredibly,” Altman told CNBC. “If we can make AI systems more and more powerful for less and less money – same thing we are trying to do with energy at Helion – I view these two projects as spiritually very aligned,” he said.

“We are optimistic that fusion energy can be an important technology to help the world transition to clean energy,” said Brad Smith, Microsoft’s president, in a statement. “Helion’s announcement supports our own long-term clean energy goals and will advance the market to establish a new, efficient method for bringing more clean energy to the grid, faster.”

Helion’s process used deuterium and helium-3, hence the company’s name. To create fusion, in a plasma accelerator, Helion raises fusion fuel to 100mn degrees Celsius and directly extracts electricity with a high-efficiency pulsed approach.

Deuterium and helium-3 fuel would be heated to plasma conditions. Magnets would confine this plasma in a field reversed configuration (FRC). Magnets then would accelerate two FRCs to 1.6mn kph from opposite ends of the 12-metre accelerator.

The FRCs would collide in the centre, and at collision they would be further compressed by a powerful magnetic field until they reached fusion temperatures of 100mn degrees Celsius.

The company has previously built six working prototypes and was the first private fusion company to reach 100-million-degree plasma temperatures with its sixth fusion prototype, according to its website. Helion is currently building its seventh prototype, which it expects to demonstrate the ability to produce electricity in 2024.

Helion has built six working prototypes and was the first private fusion company to reach 100-million-degree plasma temperatures with its sixth fusion prototype. / Helion
Uzbekistan becomes Central Asia's number one in renewable energy

Ben Aris In Samarkand

Uzbekistan has overtaken Kazakhstan to become Central Asia’s leader in renewable energy. Heavy investment into a few mega projects means that power-hungry Uzbekistan now has about 2.6 GW of green energy capacity, ahead of Kazakhstan – the first country in Central Asia to invest into renewable power.

After its initial reluctance, the government in Tashkent has thrown itself into building a variety of wind and solar plants of increasingly large size.

“We have built the largest solar farm in Navoi, which was opened by Uzbekistan’s President Shavkat Mirziyoyev in 2022,” says Mohamed Jameel Al Ramahi, the CEO of the Middle Eastern power giant Masdar. “The government has supported us step by step to make sure the business is protected and conducted in an efficient way.”

Gas first
Uzbekistan was plunged into yet another energy crisis this winter as demand for power outstripped supply in the depth of a freezing winter.

Energy reforms have been a key part of Mirziyoyev strategy for a “New Uzbekistan” and green power is at the heart of those plans.

However, with the support of the EBRD the government began the programme by upgrading an old gas-burning heat and power plant in Tashkent to a high-efficiency gas power plant and has plans for a second one to provide the stable “base load” supply of power in any weather or at any time of day.

More recently, on May 9 Uzbek Energy Minister Jurabek Mirzamakhmudov announced a deal to buy Russian gas by reversing Soviet-era pipelines that used to take gas out of Central Asia to ensure reliable cheap supplies of gas for the country. Unlike its hydrocarbon-rich neighbours, Uzbekistan produces some gas, but not enough to meet its own needs. Russia will supply a reported 1.5bn cubic metres of gas a year – a mere 1% of what Russia used to sell to Europe – which will significantly improve the country’s energy security.

Renewables fervour
With the basics in place, the government is increasingly turning its attention to investing into green power. The initial target was to include 25% of renewable sources in the energy mix – a typical goal for many countries – but since then the government has become far more ambitious: the plan now is to add almost 2 GW of green power every year to reach 12 GW of green generating capacity by 2030, so green power will make up some 40% of the energy mix. The EBRD funded the construction of 1.5 GW of wind projects in 2022 alone, and there is at least that much again in the pipeline for 2023.

One of the first solar plants was Masdar’s 100-MW facility built in the city of Nukus in the Qizilqum (aka Kzyl-Kum) desert that is home to a small population as well as a famous art museum, known as the Louvre of the Steppe.

“Now we are building a 1.4-GW generating capacity wind farm,” Ramahi says, a ten-fold expansion in the capacity of Masdar’s previous plant.

ACWA Power is another global power company that is heavily committed to Uzbekistan. The company currently has five ongoing projects in the country, including four wind projects and a combined gas cycle turbine facility, making Uzbekistan the second-largest country of operation after its home market of the Kingdom of Saudi Arabia (KSA).

“There are big opportunities in Central Asia,” says Marco Arcelli, ACWA’s CEO. “The government didn’t go straight to tenders but a mix of negotiation and tenders. That means a commitment to big scale, as the government has big ambitions. This approach has meant we come in not just as contractors but as partners.”

Thinly populated, but with plenty of sun, formally empty deserts could potentially become a green energy powerhouse.

“The conditions in the desert are ideal for renewables. The sun is hot. The desert is windy. There is plenty of land. And you have export markets to other Central Asian states and northern

Uzbekistan has thrown itself into developing green energy and plans for renewables to make up 40% of the energy mix. / bne IntelliNews
China not very far away," says Nandita Parshad, the EBRD’s managing director for the sustainable infrastructure group.

The EBRD are also funding a solar plant near the ancient city of Samarkand that Parshad said will lead naturally to e-buses as part of the government strategy to go green and will add to the touristic appeal of the city.

"Uzbekistan is setting the model of how to make it work: set ambitious targets and show commitment to scale," says Parshad.

ACWA Power is following up its bigger renewables projects with a pilot green hydrogen project – the first of its kind in Central Asia. While the output will be limited and the green hydrogen produced will be sold on the domestic market, the key issue with green hydrogen is it needs large amount of renewable energy to make it, and Uzbekistan’s deserts and underused Soviet-era gas pipelines means the whole operation could be vastly scaled up.

Problems with the grid

“The grid is a big challenge. We can’t ignore this," says Ramahi. “Stability, reliability of the system is important, not just in Uzbekistan but in the whole region.”

Europe suffers second-worst year for wildfires since records began

bne IntelliNews

2022 was the second-worst year for wildfires in Europe in terms of the number of fires and the burnt area since records began in 2000.

Across Europe, fires in 45 countries burnt a total of 1,624,381 hectares, about the size of Montenegro, in 2022, according to data from the Copernicus’ European Forest Fire Information System (EFFIS).

Only 2006 was worse for Europe as a whole, while for the EU countries the season was the worst since 2017.

The worst-affected country was Ukraine, with a total mapped burnt area significantly higher than in any other country covered by EFFIS. 6,309 fires were mapped, resulting in a total burnt area of 498,711 ha, three-quarters of which was agricultural land.

The report did not specify how many of the fires were related to the war that broke out with Russia’s invasion of Ukraine in February 2022. The data for Ukraine also includes urban fires, so it is not directly comparable to other countries.

Aside from Ukraine, Spain was the most affected by wildfires with a total of 315,705 ha burnt, which was 3.5 times more than in 2021.

“Romania (162,518 ha), Portugal (112, 063 ha), Bosnia & Herzegovina (76,473 ha) and France (74,654 ha) were also among the five countries that were most affected,” the report said.

Protected Natura 2000 protected sites, home to endangered plant and animal species, were among the areas ravaged by wildfires. The total burnt surface in these protected areas in 2022 reached 365,308 ha, the highest amount mapped in the last ten years.

In the EU alone, fires burnt a total of 837,212 ha in 26 of the EU27 countries (excluding Luxembourg). The largest share of the damage was in July, particularly in Spain, Portugal, France, Italy and Greece.

Looking ahead to 2023, Spain and Portugal have the largest burnt area so far. Just four months into the year, France has already surpassing its annual average, with 21,331 hectares burnt this year compared to the average 13,153 ha.
For Romania, the fire season was the worst in more than 10 years. The total mapped burnt area was 162,518 ha, concentrated in the Tulcea region. Over two-thirds of the damage occurred in March.

The 2022 fire season in Bulgaria was among the worst of recent years, while in Serbia it was the second-worst to date.

The total burnt area in Croatia soared by three times compared to the previous year, and the number of fires mapped was the highest in the last decade.

It was also the worst wildfire season in Czechia for at least a decade, mainly because of one huge fire in Hřensko Province in July. Similarly, a single very large fire burnt around 4,000 ha in Slovenia’s Obalno-kraška province.

On the other hand, the wildfire seasons were relatively mild in Kosovo, Latvia, Lithuania, Montenegro, North Macedonia and Turkey.

Several countries in Southeast and Central Europe experienced a significant worsening of wildfire damage compared to 2021.

This was the worst fire season ever in Hungary, with 7,960 ha of land burnt, which was more than ten times the average of the last decade.

Croatia has potential offshore wind capacity of up to 25 GW

Aida Kadyrzhanova in Almaty

Croatia has a potential offshore wind capacity of up to 25 GW, a report funded by the European Bank for Reconstruction and Development (EBRD) says.

The report suggests Croatia could "surpass its current onshore renewable energy capacity and rival Europe's entire offshore wind power capacity".

Prepared by Croatian experts under the co-ordination of the Renewable Energy Sources of Croatia (RES Croatia) Association, the report identifies suitable areas in the Adriatic Sea for generating renewable energy.

Croatia possesses over 29,000 square kilometres of offshore area available for renewable energy projects, including offshore wind and floating photovoltaic (PV) power plants, the report says. The northern Adriatic Sea offers low-impact zones capable of supporting up to 25 GW of offshore wind capacity.

Victoria Zinchuk, EBRD director for Central Europe, highlighted the potential impact on Croatia, saying: “Croatia should seize this opportunity to enhance European energy security in the medium to long term. The EBRD is ready to support Croatia with technical co-operation and finance, but further regulatory reforms, community engagement and investment will be necessary.”

“Expanding offshore renewable energy benefits Croatia’s economy. Collaboration between Croatian companies and the scientific community has produced onshore renewable equipment. The shipbuilding industry has the capacity to support offshore wind turbine construction. However, more research and innovation are needed to optimise efficiency, reduce costs, and minimise environmental impact,” added Maja Pokrovac, CEO of RES Croatia.

The report also provides recommendations for optimal utilisation of Croatia’s offshore renewable energy potential, including developing a national maritime spatial plan, integrating identified areas into the National Energy and Climate Plan, implementing an auction scheme, and engaging with local stakeholders. Repurposing existing offshore gas fields and shipyards is also suggested.

Croatia, currently reliant on energy imports, aims to increase domestic renewable electricity generation. As of today, with a current installed capacity of 1.2 GW from wind, solar and hydropower, its total renewable capacity has reached 4.9 GW. Cumbersome permitting processes hinder investments.

The EBRD already provided a €43mn loan in August 2022 to Kunovac, a company jointly owned by Finnish Taaleri Energia’s SolarWind II Funds and ENCRO Kunovac.
Croatian electric vehicle (EV) technology company, Rimac Technology, has announced the launch of its new brand, Rimac Energy, as it enters the stationary energy storage systems (ESS) market.

The move marks a significant milestone as the company seeks to expand beyond its EV technology and introduce stationary energy storage systems that are essential for realising the full potential of renewable power generation and driving the decarbonisation of energy networks.

Rimac Energy’s technology is expected to have a reduction in energy losses of up to 50% and a 40% smaller system footprint compared to traditional ESS systems, while also offering improved cycle life and built-in redundancy for increased availability, the company said in a press release emailed to bne IntelliNews.

The new brand has been built as a team of 60 employees from within Rimac Technology over the last 18 months.

“We recognise the importance of stationary storage solutions to power our planet sustainably. Given our track record in innovative battery technology, we believe we will play a vital role in building Europe’s future energy ecosystems, elevating it on the global stage,” said Rimac Energy’s director, Wasim Sarwar.

“All products are fully designed, developed, and produced in Europe,” Sarwar added.

The company plans to supply technology for large commercial, industrial and utility-scale applications, with battery-buffered solutions for fast and mega-watt charging already in progress.

Rimac Energy currently has several customer projects in discussion, including a project with a leading renewable energy company to provide battery storage solutions for their solar and wind power plants.

The pilot systems are expected to be produced by the end of this year and commissioned in 2024. Mass manufacturing is set to start in 2025, scaling to more than 10GWh of annual production.

The Rimac Group is the sole stakeholder of Rimac Technology, as well as a majority shareholder of Bugatti Rimac.

Headquartered in Sveta Nedelja, near Croatia’s capital Zagreb, the Rimac Group manufactures hypercars and develops high-performance electrification, including batteries and power trains and software solutions for some of the world’s largest OEMs, including Mercedes, Jaguar, Renault, and Hyundai. The group employs over 2,000 people in total.

In November, Rimac said its electric hypercar Nevera achieved a speed of 412 km/h, setting a world record for an electric vehicle.

As of June 2022, when the Rimac Group raised €500mn in Series D financing, the company was valued at over €2bn. The funds were intended for further development of its technology arm Rimac Technology.
Sviatlana Tsikhanouskaya, who shot to prominence after running in Belarus’ disputed presidential election in 2020 and then fleeing into exile, sat down with bne IntelliNews to talk about her life in Vilnius and what the future may hold for her country.

You’ve been in Vilnius, Lithuania, since August 2020. How has the situation changed in Belarus since then, and your status too?

Since I moved to Lithuania, your state provided me with full support and security. I am extremely grateful for that, particularly for introducing the Belarusian opposition, and me too, to many foreign leaders and organisations. No doubt Lithuania and Poland have been and remain our staunchest and most trusted allies.

Going back to your last part of the question, Lithuania is still treating me as the winner of the 2020 presidential election, one who could not take office due to the Belarusian regime’s crackdowns and repression against the opposition.

"Lithuania is still treating me as the winner of the 2020 presidential election, one who could not take office due to the Belarusian regime’s crackdowns and repression against the opposition”

Prominent opposition figures, like, for example, Pavel Latushko, who now lives in exile in Poland, should be allowed to make decisions too. Do you speak to him? Did you divide between yourselves the responsibilities and functions of opposition?

In order to stay united, we have formed a united transitional cabinet consisting of very different people, including those who have been part of the opposition for many years now and those who moved on to our side recently, after the 2020 election. All of us share the same goals: a free Belarus, new free and transparent elections, and the release of thousands of political prisoners in the country.

I agree that there can never be enough when it comes to coordinating an opposition – especially such a diverse and colourful one like ours.

However, I want to assure you there is no competition between me and Pavel Latushko, who for his part does a significant job, especially as far as sanctions against Belarus are concerned.

Furthermore, we are welcoming all new leaders who are appearing – there is something to do for everyone. Yet I am the one who took part and won the 2020 elections and this cannot be contested by the various opposition figures either.

The bottom line one needs to understand is that the whole repressive apparatus continues to hamper the work of the opposition. And throwing into the communication field such narratives as a fracturing opposition, its deepening fragmentation et cetera, is just what the authoritarian and repressive Belarusian
regime wants to hear and what it is trying to spread in the air.

Having said that, I assure everyone I remain open to substantiated criticism and suggestions on how to improve the representation of the opposition. But understandably, I’d rather not react when a notorious man [Lukashenko] continues alleging that the Russian FSB [the Russian Federal Security Service] has recruited me – it is just preposterous.

Overall, can opposition leaders in exile be efficient? This applies not only to you.

I believe that opposition leaders in exile are more efficient than opposition leaders in prison. Sadly, many opposition Belarusians are behind bars currently – you can do nothing from there. Unfortunately, yet understandably, many of the active people had to flee Belarus or hide amid the crackdowns and repressions – that was the only way to survive.

And those free in Belarus continue to participate in opposition work – as much as they can, with so much at stake. They live in a country where subscribing to an opposition social media channel can land you in jail for up to five years. So the price is big, very big – freedom and, in some cases, life itself.

And those free, in exile like me, I believe have proved their efficiency and reliability. I wish I were more efficient in Belarus itself, however considering the scope of country-wide repressions, that is just impossible now.

"I believe that opposition leaders in exile are more efficient than opposition leaders in prison. Sadly, many opposition Belarusians are behind bars currently – you can do nothing from there”

Speaking overall, I believe that we’ve managed to retain the attention of the international community and the leaders of the Western powers to our cause: a free and democratic Belarus.

Do you believe that your fellow Belarusians can rise for a new huge protest wave like that in the autumn of 2020?

Of course! No doubt about that. Despite all repressions and imprisonment, the majority has not lost hope for a change – for a better, democratic and free Belarus. But they are in what I call a ‘safe mode’ now – dormant but ready to spill onto the streets at the first possibility.

When will it arise?

It can happen at any time – when some trigger event happens. When war ends in Ukraine, Ukraine’s victory will trigger...
something big – a change of the regime not only in Russia, but in Belarus too.

**Yet do you foresee a situation where, with Vladimir Putin gone, Lukashenko will continue his stay in power?**

I see it differently – the fate of Belarus is tightly linked to the fate of Ukraine, not Russia. We both are fighting Russia’s imperial aspirations and objectives. Unfortunately, the Belarusian regime is cooperating with Putin and Russia. It is understandable, as the fate of Lukashenko is directly linked with the fate of Putin. When Putin is gone, Lukashenko will be gone too.

Now Lukashenko cannot trust even his closest staffers and cronies and all he does is continue showing and throwing his fist at everyone for the same reason – to keep everybody in fear and to stay in power as long as possible. But one day that will not work for him. Throwing a fist is a sign of weakness, not power.

I personally believe that changes in Belarus can occur much faster than in Russia – just because our society is consolidated. Even with the regime’s support for the war, an impressive 86 percent of Belarusians disapprove of it. That says a lot.

**I understand one could write a thesis on the issue, yet try to sum it up briefly: What worked in Ukraine’s Maidan, but failed to work in Belarus throughout its quest for change?**

What were the main actions that led to changes in Ukraine? The participation in elections, mass protests. The same actions were taken by the opposition in Belarus. Yet what was the difference and why did it not work in Belarus?

Let’s remember the first Ukrainian Maidan in 2004. There are several key differences from the situation in Belarus in 2001, 2006 and beyond.

First, in Ukraine, there was an opposition in the parliament, Rada, that supported the protesters. There is not a single [opposition] faction in the parliament of Belarus.

Second, there were influential independent media in Ukraine, including TV channels. This was not the case in Belarus.

Third, in Ukraine, there were local authorities who supported the protesters, including even that of Kyiv. In Belarus, local authorities were – and still are – absolutely controlled by the centre.

Fourth, there was private businesses in Ukraine that supported different parties. In Belarus, any such support led to repression against the businesses.

Fifth, in Ukraine, there were influential opposition parties with extensive structures. In Belarus, parties were marginalised, they were not represented in the parliament and the local councils.

And, finally, in Ukraine the votes of voters in the elections were counted, although there were also falsifications. In Belarus, the “list of winners” was approved in advance, no one else had a chance.

And yet the revolution in Minsk in 2020 began despite all these problems and shortcomings. It has not yet led to results, but the fight continues. The majority of citizens have not changed their minds – they are willing to see change despite the repression. The level of unity of the opposition structures and the level of involvement of citizens in the struggle is the highest since the independence of Belarus. Many were forced to leave Belarus but continue to fight for democracy in exile.

The former government has lost the support of the people and cannot offer anything for the future. The country is in a crisis that can only be resolved by holding new fair elections.

To summarise, I can say that all the tools that were used in Ukraine have worked and are working in Belarus as well. They just aren’t enough to change the situation. We need strategic perseverance, consistency and creativity. All this will lead to a change.

**In the autumn of 2020, you said that Belarus wants good relationships with Russia and does not intend to join the EU. Has your opinion changed?**

Then, amid the tense situation, with the Russian troops on our border, we, I mean the Belarusian opposition, did a lot of balancing, asking Russia not to interfere into our internal affairs. I am not sure where this statement is coming from, but I can assure you I’ve never said this. What I’ve said is that it is up to my fellow Belarusian to decide their future. However, Belarusians have always felt European – I mean the values, mentality and so on. If or when it comes to considering EU membership, it would mean a colossal task and the need to implement an array of changes. However, with the war in Ukraine, many Belarusian who before supported Russia now support Ukraine and a pro-European Belarus.

**Are you ready to head Belarus once Lukashenko is out?**

My goal remains the same: stay in the role until a new, free and transparent [presidential] election is organised in Belarus. We would free all the political prisoners and allow them to run for the highest offices, that of president too. I’ve said it and I am repeating it now: I will not be seeking presidential office anymore.

This interview was conducted in Russian and translated.

"Now Lukashenko cannot trust even his closest staffers and cronies and all he does is continue showing and throwing his fist at everyone for the same reason – to keep everybody in fear"
Kaja Kallas had barely won re-election as Estonian premier in March before observers were already predicting that she would soon be picked to be Nato’s new secretary-general.

When questioned by Politico in late March, Kallas acknowledged that “the gossip is very interesting” but said that no-one had actually talked to her about the Western security alliance post and that it was “highly unlikely that I will be offered such a job”.

Being linked with the Nato job is par for the course for strong female Baltic politicians – as is being described as an “iron lady” – but this time around the story might have more legs.

Estonia under Kallas has achieved a high profile for its firm stance on Russia’s aggression against Ukraine, a stance that the country has followed not just since Moscow’s occupation of Crimea in 2014 but since its invasion of Georgia in 2008 and even earlier.

Like the other Baltic states – which only won their independence from the Soviet Union in 1990 – Estonia has faced regular harassment since Vladimir Putin’s rise to power in 2000. A cyber attack in 2008 – seen as one of the first major instances of cyber warfare – encouraged Estonia to become a leader in cyber defence, and it now hosts CCDCOE, the Nato cyber defence centre of excellence.

The Baltic states were also among the first EU countries to prioritise reducing their dependence on Russian energy by establishing LNG terminals and building cross-border connections. Under Kallas, Estonia has given the most aid to Ukraine in relation to GDP and has been a tireless advocate for more help to Kyiv and tougher sanctions on Moscow.

“Everything that is happening today in Ukraine is existential for us,” Mari-Liis Sulg, researcher at the Johan Skytte Institute of Political Studies at the University of Tartu, told a Talk Eastern Europe podcast in April. “We have been at the forefront of aid to Ukraine and punching above our weight.”

“Estonia has been for a long time among the 2% [of GDP] club,” points out Professor Andres Kasekamp, the Elmar Tampold Chair of Estonia Studies at the University of Toronto, referring to the country’s high defence spending. “Now it will go up to 3%.”

In the past Baltic candidates for secretary-general were routinely written off as “too hawkish”. Now there

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is widespread recognition that the Baltics have been more realistic about Putin’s intentions than other Western states.

The West ignored the eastern member states’ calls for more Nato military deployments on the Eastern Flank, for arming Ukraine, and for wider and quicker Nato and EU enlargement, while Germany dismissed concerns that Russia’s Nord Stream gas pipelines would deepen Western dependence on Moscow for energy supplies.

The sea-change in perceptions since Putin’s invasion makes it conceivable that a Baltic leader could succeed Secretary-General Jens Stoltenberg when his term expires at the end of September.

Kallas, as the most vocal and visible of the three Baltic PMs, would be the obvious choice. If she were picked, it would be a reflection both of Estonia’s leadership and her personal qualities, says Kasekamp. “It’s force of personality and preparedness,” he says. “She is very focused on messaging – she is well prepared, committed, very direct, simple, relatable.”

Kallas also has the advantages that she would be the first woman secretary-general and the first from a country that had been part of the Warsaw Pact. “It would be the biggest job any Estonian has ever had on the international stage,” Kasekamp points out.

“There is not a stronger candidate,” he says. “No-one ticks all the boxes like she does. If she does not get it, it shows that influential people in Western Europe still think she is too hawkish and think Russia should have a veto on who can be secretary-general.”

“She’s done really well,” agrees independent MP Raimond Kaljulaid. “It’s understandable that a large-scale war in the region will also create opportunities for regional leaders to become a voice on the international stage. I think Estonia has been a strong voice in support of Ukraine and in providing military assistance.”

The Estonian premier will now want to use her international profile to continue pushing for more aid for Ukraine and tougher sanctions on Moscow, as well as to block any negotiations with Putin that could lead to a face-saving peace settlement for the Russian dictator.

Estonia is also looking for Nato’s summit in Vilnius in July to bolster its own defence as part of the alliance’s Eastern Flank.

“What Kallas needs – but what we are not going to get – is some strong commitment to the 2008 agreement on Nato membership for Ukraine,” says Kasekamp.

Rocky road
Kallas’ leadership during the war in Ukraine over the past 15 months has also won plaudits at home, resuscitating her career after what had been a rocky context and the war,” Tonis Saarts, Associate Professor of Comparative Politics at Tallinn University, told bne IntelliNews before the election.

Kallas used the outbreak of the Ukrainian war to throw Centre out of the coalition last June – implying the ethnic Russian-backed party was untrustworthy because of its past affiliation with Putin’s United Russia party – and formed a new government with the Social Democrats and the right-wing Isamaa Party.

The general election in March 2023 came at the perfect time for Kallas. “There was a rallying round the flag and a boost to the government, which was on a wartime footing,” says Kasekamp. BothEKRE and the Centre Party – which had both been more ambivalent about the war – fell back, while Reform

“A Baltic leader could succeed Nato Secretary-General Jens Stoltenberg when his term expires. «She ticks all the boxes»”

period since 2018, when she became leader of the Reform Party, founded by her father, former premier and European Commissioner Siim Kallas.

Though Kallas’ Reform was the largest party at the March 2019 election, the populist Centre Party chose to ally with the radical right-wing EKRE party in order to grab the prime minister’s post.

When this government collapsed, Kallas became the country’s first female premier in January 2021 in a troubled coalition with the Centre Party during the pandemic.

This all changed with the Russian invasion in February 2022.

“Although, as the prime minister, she was neither popular nor very skillful in managing the various domestic crises, like energy, the economy and COVID-19 just a year ago, she became very quickly a very popular politician because of the dramatically changing geopolitical

context and the war,” Tonis Saarts, Associate Professor of Comparative Politics at Tallinn University, told bne IntelliNews before the election.

The election gave Kallas a clear mandate as head of a much more cohesive three-party coalition with the Social Democrats and the new centrist Eesti 200 party. As well as having a solid majority of 60 in the 101-seat parliament, it is the most liberal government Estonia has had for many years.

The government has already decided to allow same-sex couples to marry, which would make Estonia only the second country in Central and Eastern Europe after Slovenia to permit it.

“EKRE will try to mobilise on this,” says Kasekamp. “I don’t think they will have much traction.”

The biggest challenge will be the budget. Estonia has traditionally followed a conservative fiscal policy but higher social spending from government measures to alleviate the energy crisis, together with
boosted defence spending, will push the deficit up to a forecast 4.3% of GDP this year at a time when the economy is still stuck in recession and suffering one of the highest inflation rates in the EU.

The government now wants to cut the fiscal deficit to meet the Maastricht criteria of 3% of GDP next year, with Reform favouring spending cuts, while the Social Democrats prefer tax rises.

“We need a moratorium on state spending,” Kallas said last month.

“That is the only way we can climb out of the hole. This also means looking some past decisions in the eye, which is another thing we must decide.”

Here Kallas’ perceived lack of empathy with common people could damage her. The current plans include increased VAT and income tax, but also tax cuts for high earners.

The tax plans have already pushed down the ratings of the newly victorious parties. Support for the Reform Party fell from 29% to 23% between March and April this year, according to an opinion poll last month, though Kallas herself remains consistently more popular than her party.

Whether or not Kallas stays as premier or moves to Nato, the government nevertheless should have plenty of time to turn the economy and budget around.

“They are starting by doing the tough things first and in four years they hope they will be in better shape,” says Kasekamp.

Narva: The EU's eastern output is still looking for an identity

Marco Cacciati in Narva

“There’s no there there,” Gertrude Stein said famously about her native Oakland. She meant to convey nostalgia for her bygone childhood home and desperate longing for a place which had lost every human significance, becoming what modernist anthropologists call a non-place like hotel rooms, border posts and airports.

I arrive in Narva at about 1pm on a May afternoon. It’s snowing, the “colour” palette exhibits all the shades of a monochrome TV set, my phone just welcomed me to Russia, and I see only a handful of old people around the train station, situated by the river. A small railway bridge stands next, covered in haze, giving few clues as to what is on “the other side”.

I travelled to Narva with no prejudice, but what greeted me was so steeped in the stereotype of non-place that Stein’s words came into my head. However, despite the eerie first appearance and a palpably tense atmosphere, there is a reason for Narva to be “there”, on the edge of Europe.

The city has been at the centre of important trade routes between Northern and Eastern European empires since time immemorial.

Narva, the largest easternmost city in the European Union (and Nato), is separated from the Russian Federation by a stretch of 70 metres of placid waters. Fishermen launch their lines undisturbed from the promenade, seemingly in defiance of the border, which runs in the middle of the river. On the other side, you can barely see anyone: just some guards in green uniforms and a few people crossing the bridge on foot. Russia designated Ivangoord – the town which lies across the river – as a restricted zone, freely accessible only by residents, tourists with a special permit or people crossing the border.

Narva is Estonia’s third largest city and sits on the western banks of the eponymous river near its mouth on the Baltic Sea, a three-hour train ride from the hip capital Tallinn; Saint Petersburg is much closer, only 150 kilometres to the east.

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The town is home to 54,000 people – 84% of which are Russian speaking and 35% holding a Russian passport – and a beautiful medieval castle built by the Danes in the 13th century. Its stunning 51-metre tower stands overlooking the river, bearing the scars of invasions by the Germans, Swedes and Russians and, eventually, a Soviet bombing raid in 1944 that severely damaged it.

The Soviets, after razing Narva to the ground, gifted it with an infinite array of prefabricated grey building blocks of dubious quality. Time was not kind to them, so today they make East German plattenbaus look like refined pieces of architecture by comparison.

On the castle’s recently restored tower proudly flies the Estonian flag. On the other side of the river, menacingly close, the Russian one hangs from a massive building: the Ivangorod Fortress, built by Ivan III “The Great” in 1492.

Until 1991, Ivangorod was a detached outpost of Narva, separated from the main town by what is still called the “Friendship Bridge”. Then the Soviet Union collapsed, and the bridge morphed into a border. This split families and relationships, marking a frontier which further hardened when Estonia joined the European Union and Nato in 2004.

In February 2022, after Russia launched its full-scale invasion of Ukraine, it became a symbol of the new “iron curtain” that descended upon Europe.

**The other side**

Across the castle – and next to the Estonian border post which leads to the bridge – is Narva’s town hall. There I’m greeted by Aleksandra Grünvald, the city’s press attaché, who kindly offers me tea or coffee while I wait to meet the vice mayor. I joke: “I’ll take tea. We’re still on the safe side, aren’t we?” She answers, with a grin: “Is it so bad the fear of ‘the other side?’”.

Her words make clear a cultural divide: my “fear” and suspicion towards Russia, shaped during my upbringing in Western Europe and worsened after last year’s events, is not commonly shared in Narva.

Understandably. The “other side” was also Narva, until just 31 years ago. Russian is still the language of choice here, despite the government’s botched attempts to integrate the population by replacing all street signs in Estonian. The majority of Narva’s residents, regardless of their passports, identify as ethnic Russians.

Irina Smirnova is Narva’s vice-mayor: a young woman, full of energy and fluent in English, who lived in Australia and Cyprus but eventually returned to her native land to serve her community.

“We are just normal people, who live a normal life and want our children to grow up here in peace. We don’t see signs on people’s foreheads telling us that they’re Russian or Estonian, we all get along,” she says, betraying some irritation at what she calls a “media obsession” with Narva, too often morbidly depicted as a tense and divided non-place.

Yet tensions do exist here, where an ageing population used to regularly watch Russian TV channels. “That happened with my mom. She staunchly believed all the lies spread by the Kremlin through their TV channels. Culturally that [invasion] was too much of a shock for her: she couldn’t see Russia as an aggressor. She didn’t speak to me for months, our opinions were too divergent and that was painful,” Grünvald says.

“But eventually, she came along. After emotions subsided, she realised that the war was real, that people were dying in Ukraine and started to see things more rationally,” she adds.

Grünvald’s mom embodies the agonising conundrum that faced a large part of Narva’s elderly population, torn between conflicting information about the war. But the way the city responded also created a glimmer of hope. The city started to publish a weekly newspaper in Russian, freely delivered door-to-door, to provide everyone with reliable information in a familiar language.

Some, though, are still struggling to come to terms with reality: Last August, the Estonian government mandated the removal of a Soviet tank on the outskirts of Narva. The move stirred up tensions in town, and today “nostalgic people still go there to lay flowers on the empty pedestal”, Grünvald says.

**Shrinking population**

The city has evidently benefited from consistent EU funding in recent years. Streets and sidewalks are currently undergoing extensive renovation. The waterfront promenade was revamped thanks to a €4mn EU funding programme – which partly also went to Ivangorod in 2019. Narva’s long riverside is pleasant and showcases panoramic spots, children’s playgrounds and a glitzy gym with a view over the fortress.

On the Ivangorod side, barely any modern infrastructure is visible; this
has led to speculation about possible embezzlement of EU funds by the Russian authorities.

“There was never a great deal of cooperation with Ivan gorod, but naturally after the invasion we halted all joint projects,” Smirnova points out.

A shiny, new campus of Tartu University opened in 2012 on Narva’s main square, right next to the recently restored old town hall – the only Baroque building that survived the Soviet WWII bombadments.

“That really helped draw young people from other parts of Estonia, Russia and even Europe to Narva,” Irina says, noting how the city’s biggest challenge today is its shrinking population.

“Narva was planned for 80,000 inhabitants in Soviet times, now we have got 54,000 residents but that number is dwindling,” Smirnova says. “Young people tend to emigrate to Tallinn or abroad due to poor job perspectives, we need to find new ways to entice them here.”

Almost 30,000 Ukrainian refugees, evacuated through Russia, have transited through Narva since last February. Most continued onwards towards other European destinations, but 861 of them decided to make Narva their home, contributing to improving the city’s troubled demographics.

The issues faced by Smirnova are not that different from her colleagues in small rural towns in France or Italy: high unemployment and youth emigrating en masse. Narva’s troubled location, “where Europe ends and the ‘evil’ begins”, does not deprive it of the common problems shared by other disadvantaged European towns.

“Yes, this is where Europe starts. We feel European. I really wish more people would visit Narva to enjoy its culture and peaceful environment,” Smirnova says.

After all, “there” is something. It’s a welcoming city, still reckoning with a painful history, but tirelessly working to improve things. Hopeful for a brighter future.

“We just want peace, like everybody else. We’re trying to be positive and get on with our life. What else should we do?”

When I leave Narva in the evening, the sun is shining. The two majestic fortresses are still there, facing each other with their weight of history, but their sight by the river is now blissfully enchanting. Peaceful, I could almost say.

Slovak president to take legal action against opposition leader Fico after threats to her family

Albin Sybera

Slovak President Zuzana Caputova will take former prime minister and leader of the populist left Smer-SD party Robert Fico to court over the “lies” he keeps spreading, she said on May 10, referring to his claims that she is an American agent and that the technocratic cabinet she is about to nominate is “[American philanthropist George] Soros’s government”.

Caputova said on her Facebook profile she would “use all available legal means” after she and her family faced new death threats which employ the same language Fico used at his press conference on Tuesday, May 9.

The Slovak president stated she does not want to bring her rhetoric “low to his [Fico’s] level” by referring to Fico with “any adjectives” and that she will resort to legal steps “as a mother to protect her children,” and as “a citizen to protect an institution” she “temporarily represents”. Caputova also pointed out that Slovak courts have already ruled in the past that Fico’s accusations towards her are baseless and outside of the boundaries of ordinary political struggle.

“If he or any of his followers continues to use such reckless speech, then we will have no other choice but to take judicial action,” Caputova said.

“I am aware of measures of this kind being a US citizen. Let me stress that the threat was not only in words but also real and concrete. We have to respond to it legally to protect our family,” Caputova said.

“Deputy Fico is aware of this. And he also knows that making somebody a target with hateful lies has led to killings in Slovakia,” Caputova said, alluding to the tragic shooting in Bratislava last autumn when a radicalised teen went out to target Jewish and LGBT+ people, eventually gunning down three people.

“Making somebody a target with hateful lies has led to killings in Slovakia,” said President Zuzana Caputova. / bne IntelliNews

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Hungarian government approves set of justice reforms to access frozen EU funds

Tamas Csonka in Budapest

Hungarian lawmakers approved a set of reforms to improve judicial independence by an overwhelming majority on May 3, with the aim of unlocking vital funds frozen by the European Commission.

The legislation, coming into force on June 1, is part of the 27 super milestones the Orban government has to meet to access EU funds. EU member states decided last December to suspend €6.3bn of EU budget funds for the 2021-2027 budget period and hold back €5.8bn of RRF funds due to concerns over the rule of law, corruption and lack of judicial independence.

The EC made the payout of the €5.8bn in grants conditional on the fulfillment of 27 “super milestones” regarding institutional reforms to strengthen the rule of law. The legislation restores the independence and expands the scope of power of the National Judicial Council (OBT), the self-governing body of judges, reversing some of the changes introduced by the government in the mid-2010s.

The OBT will have an opinion on draft legislation affecting the judicial system, but not the right to veto. Opposition parties abstained from the vote as they called for extending OBT’s powers further.

EP Vice President for Values and Transparency Vera Jourova welcomed the adoption of laws but said the legislative package represents only four of the 27 conditions set by the European Commission. Before Hungary could access the first tranches of the transfer, a positive assessment by the European Commission and acceptance by the member states is needed, which will take several months, she added.

The issue of unblocking frozen EU funds was at the centre of talks between Prime Minister Viktor Orban and European Commissioner for Budget and Administration Johannes Hahn a day earlier. Orban was joined by Regional Development Minister Tibor Navracsics, Justice Minister Judit Varga and State Secretary for European Affairs Janos Boka. Neither party released a statement after the talks.

Hungary is one of the five member states that have not received RRF funding, while the delay in the transfer of the funding to Hungary will have a negative impact on competitiveness and growth, Finance Minister Mihaly Varga said. GDP growth, which reached 4.6% last year, would have been over 5% if the country’s EU funding hadn’t been held back, he added.

The freeze on the EU funds has caused serious problems for the Hungarian economy this year, forcing the government to cut spending, while the central bank maintains high interest rates to restrain the highest inflation rate in the EU.

ING bank this week downgraded its growth expectations for 2023 from 0.7% to 0.2% because of subdued consumption and investment. It predicts the current recession, which began in mid 2022, to last until the summer, with a fall of 0.8% y/y in the first quarter and 1.0% in Q2. It says the government budget deficit target of 3.9% of GDP remains realistic.

“Going forward, we anticipate a modest economic rebound in the second half of 2023 as inflationary pressures are alleviated, but domestic demand will remain weak throughout the year,” ING said.
The recent mass shootings in Serbia have left the Balkan region in shock and mourning. The two separate incidents resulted in the deaths of 17 people, mostly minors, and injured 20 others.

On May 3, 13-year-old Kosta Kecmanovic killed eight pupils and a security guard at an elite elementary school in Belgrade’s Vracar neighbourhood. Six children and a teacher were seriously injured in the shootout.

Late the following day, a 21-year-old man used an automatic weapon to carry out a shooting spree in several villages near the Serbian municipality of Mladenovac, close to Belgrade, killing eight people while 13 were injured.

As Serbia observed its third day of mourning on May 7, citizens from Serbia and neighbouring countries have been paying their respects to the victims, who are now being laid to rest.

Three people were buried in the village of Dubona on May 7, after a day earlier four students and a security worker from the school in Vracar were buried at the Belgrade cemetery. Five young men have been buried in Mali Orašje.

But tragedy has sparked discussions about the importance of mental health support for students, the responsibility of society and parents, and the consequences of arms possession.

Who is to blame?
Some have called the juvenile murderer a monster, while others attribute his mental disarray to societal and parental failures.

When the police asked Kecmanovic why he killed the fellow students, he said: “Because I am a psychopath.”

According to media reports, his father, a prominent radiologist, was teaching his minor son to shoot. The police found as many as five guns in his safe. Kosta Kecmanovic brought two pistols to school when he committed the crime. According to Tanjug, the boy also trained at Airsoft – a military-tactical shooting game that has no age limit – with his father.

Kosta’s father, who refused to take any responsibility for his son’s actions, was detained for 30 days. Kosta, being under 14 years of age, cannot be prosecuted under Serbian law, and he was aware of this.

Showing their respects
People in Skopje, the capital of North Macedonia, showed their respect and...
Macedonia's government has taken action by implementing security protocols and preparing a manual for schools on preventing peer violence and strengthening psychological and pedagogical services.

The interior ministry in Skopje informed the public that prevention activities are continuously being undertaken and that protocols for security checks are being implemented for the entry and exit of students in and around schools. Such protocols, which were activated after a series of bomb hoaxes, will now be reinforced with additional policing.

The Ministry of Education is preparing a manual for schools on how to deal with the prevention of peer violence and other types of violence. Peer violence can also be reported via email.

On May 7, North Macedonia's Minister of Education Jeton Shaqiri held a meeting with students from a secondary school in the southwestern city of Struga to discuss the prevention of peer violence. During the meeting, Shaqiri emphasised the importance of frequent discussions with young people both at school and within their families.

"Only kindness, mutual respect and tolerant behaviour can contribute to building a peaceful and harmonious school environment in which you young people will devote yourself to learning and compete with knowledge, instead of accepting trends that can lead to disruption of relations and defocusing from the essence of the educational process," Shaqiri said.

In Slovenia, the High School Students' Organisation has called on the authorities to provide a comprehensive list of measures to prevent similar tragedies in Slovenia. They said that while they appreciate the temporary increase in police presence around schools, they believe that this is not a sustainable long-term solution.

**Security tightened**

Mass shootings are a relatively rare event in Serbia and the region. Before the two shootings in the last week, in the past two decades, five other mass murders have been recorded in Serbia: in Leskovac in 2002 (seven killed), in Negotin in 2007 (nine killed), near Mladenovac in 2013 (13 killed), in Kanjiza, Banat in 2015 (six killed) and in Zitiste, Banat in 2016 (five killed).

Following the two massacres, the authorities have started arresting individuals who glorify murderers, publicly announce their intent to commit crimes and make threats of violence on social media, as well as for illegal possession of weapon.

A minor girl who filmed herself on Tiktok mocking the murders of the eight students and glorifying the 13-year old who committed the crime was taken into custody for an informative interview.

The Serbian police also arrested a 17-year-old from the southern city of Nis who posted a message on his Instagram account threatening that "more than 30 people will be killed tomorrow in Nis".

"There is nothing more valuable than the life of a child and nothing more painful than the loss of a life. I send my deepest condolences to all the parents who lost their children in a terrible school attack in Belgrade, and we pray for a speedy recovery for all injured," Osmani wrote on social networks.

Other political leaders in Kosovo also expressed their condolences, while citizens lit candles as a sign of solidarity with the Serbian people, despite the longstanding tensions between the two countries.

Following the tragic school incident in Belgrade, Slovenian NBA star Luka Doncic, who has a Serbian father, announced that he will cover the funeral expenses of the eight children and the security guard who lost their lives in the school shooting, and will provide financial support for grief counselling services for the affected students and staff.

"I am heartbroken by the tragic school shooting in Serbia and the loss of lives, including those of innocent children," he said.

However, the City of Belgrade later thanked the Doncic family for their condolences and desire to cover the funeral costs, but said that the city will bear all the costs and take care of the arrangements for the funerals.

**Precautions in Skopje**

In response to the tragedy, North Macedonia's government has taken

Three minors, aged 15 and 16, were also arrested for endangering security and causing panic and disorder.

Activists in Belgrade are circulating a petition calling for the licenses of Pink and Happy TV to be revoked, citing the prevalence of crime, violence and prostitution in their programming as having a negative impact on society.

In the meantime, it was reported that Serbian police officers will be present in all schools in Serbia from 8am until the end of classes as a preventive measure starting from May 8. The ministry plans...
to hire 1,200 new police officers this year to ensure that each school has an officer present to ensure the safety of students and staff.

The police officers will focus on student safety in school zones, detection of firearms and psychoactive substances. Additionally, the police presence will be increased in all public places where a large number of citizens gather.

Broadcaster RTS quoted professor Mladen Milosevic from the Security Faculty of the University of Belgrade as saying that these measures will help create a sense of security, but that Serbia needs to take many more measures in the long term.

Milosevic stated that putting all blame on the police is not enough to address the issue at hand since everyone shares responsibility for the recent tragedies. Government officials have already spoken out about the need for tighter gun control. The tragedies have also garnered attention from the international community. The EU ambassador in Podgorica, Oana Cristina Popa, said that arms control is of great importance, and that it is necessary to establish an appropriate legal framework to prevent the misuse of arms.

EU Commissioner Mariya Gabriel nominated as Bulgaria’s next PM

Denitsa Koseva in Sofia

European Commissioner Mariya Gabriel has been nominated for Bulgaria’s prime minister by Gerb-SDS, Gerb’s leader Boyko Borissov said on May 10.

Borissov now plans to hold talks with other parliamentary parties, but so far Gerb has not been able to persuade the other parties in the new parliament – especially the Western-oriented, reformist Change Continues-Democratic Bulgaria (CC-DB) coalition – to join forces and back a new government.

Gabriel, the European commissioner for innovation, research, culture, education, youth and sport, is expected to hold talks with representatives of all parties and coalitions in parliament in an attempt to put together a regular government, Borissov told lawmakers on May 10.

“We warmly welcome the nomination of Mariya Gabriel as prime minister designate of Bulgaria. She has the experience and international authority to overcome the political stalemate in Sofia. Full support for our sister party GERB-SDS for putting the interests of the country first,’’ Manfred Weber, the leader of the European People’s Party (EPP), wrote on Twitter. Gabriel was vice-president of the EPP group in 2014-2017.

A day earlier, Gerb’s leader said he was about to nominate a strong figure that can meet the current challenges and once again urged the second-largest formation in parliament, CC-DB, to back a new government.

However, on May 10, Daniel Lorer of CC said that Gabriel’s nomination does not change the decision of the coalition not to back a government that is nominated by or with the participation of Gerb. The reformist coalition is reluctant to rule together with Gerb due to several major corruption scandals involving Borissov and key party members.

Lorer said that the name of the candidate for prime minister does not change anything as the coalition does not trust the whole Gerb party, not just some of its members. CC-DB will not nominate ministers in a government led by Gabriel.

The smallest party in parliament, There Are Such People (ITN), also said that it would not back a Gerb-led cabinet until all ministerial candidates are revealed.

Meanwhile, the Movement for Rights and Freedoms (DPS), seen as an unofficial coalition partner of Gerb for years, approved the nomination but said it also wants to see the proposed formula for a government and its priorities before deciding whether to back it.

The Bulgarian Socialist Party (BSP) said that Gabriel’s nomination was a mistake by Borissov as it was made before a meeting of the leaders of all parties in parliament.

Borissov has said he would hold such meetings in an attempt to find agreement on a joint government and programme. Despite its criticism, the BSP will meet Gabriel on May 11.

Far-right pro-Russian Vazrazhdane’s leader Kostadin Kostadinov said that his party would not back any government that is not led by Vazrazhdane.

Mariya Gabriel will hold talks with parliamentary parties in an attempt to put together a new government after nomination by Gerb party. / European Commission
Moldova sets 2030 as EU accession target at massive pro-EU rally in Chisinau

Iulian Ernst in Bucharest

Around 80,000 people attended a pro-EU rally in Chisinau on May 21 at the initiative of President Maia Sandu, who set 2030 as the European Union accession target for the country.

The rally comes less than two weeks before the meeting of the European Political Community on June 1, when heads of state and EU bodies are expected in Chisinau. Hosting the meeting reflects the massive support expressed by EU and member states to Moldova in recent years since the pro-EU authorities in Chisinau expressed a firm orientation towards EU accession. The support was and remains essential for helping the country withstand the pressures made by Russia amid the war in neighbouring Ukraine.

European Parliament President Roberta Metsola attended the meeting beside Sandu and addressed the people in Romanian.

“Europe saw your courage, [saw] how you chose freedom over autocracy. The world saw your extraordinary generosity with the Ukrainians, you opened your homes and hearts to them. We are ready to support you as needed,” Metsola said.

In her speech, Sandu admitted that the road to EU membership is long and requires building state institutions from scratch but also praised the country’s resilience demonstrated during the three decades since it declared independence.

“Moldovans know how to make the right choice because there is no family that does not have brothers or grandchildren in Europe. We know that peace and prosperity are in Europe. Moldova will join the European Union, and this must happen by 2030,” Sandu stated.

Speaking of the separatist Transnistria region, seen as an obstacle to the country’s EU integration, Sandu argued for a negotiated solution that should go hand in hand with raising the wealth in the region.

Sandu also called for the constitution to be amended to include EU membership as a target for all political parties that would rule until the target is achieved. Notably, the constitution can only be amended with the vote of at least half of the Moldovan electorate.

Polls indicate support for EU membership from over 50% of the population. But securing a smooth process requires winning at least the goodwill of the Russian-speaking population that is still subject to intense Russian propaganda. The recent elections in Gagauzia, where the pro-EU parties did not participate, leaving the two pro-Russian parties to compete for Moscow’s support, showed that much has to be done to turn ethnic diversity into an asset for Moldova.

The size of the rally in Chisinau was a record for the country of 2.7mn people, out of which around 1mn are working abroad. It was replicated in some 30 European cities where Moldovans are working to support their families at home.

In response to the pro-EU rally in Chisinau, the pro-Russian party headed by convicted businessman Ilan Shor organised protests in the cities of Ohei and Balti in the northern part of the country and Comrat in the semi-autonomous Gagauzia region. Shor, who recently was given a 15-year prison sentence but is still in hiding in Israel, addressed the participants and promised to initiate a referendum to establish whether the country’s population really supports EU membership.

“Moldovans know how to make the right choice because there is no family that does not have brothers or grandchildren in Europe. We know that peace and prosperity are in Europe.”
While there is no end in sight yet to the war in Ukraine, attention has already turned to the post-war reconstruction of the country. This will take years, as Russian attacks have destroyed critical infrastructure and millions of Ukrainians have left their country. A reconstruction that works well could see the country emerge as a high-tech success story, as Japan did after the Second World War.

The European Bank for Reconstruction and Development (EBRD) compared countries at war to countries with similar population size, income per capita and economic growth at the start of the conflict to assess the progress of reconstruction. New research published by the EBRD finds that a rapid recovery is not the norm for economies emerging from armed conflicts and few fully recover to their pre-war level of income per capita, even in the long term.

According to the EBRD’s Regional Economic Prospects report, just 29% of economies manage to reach their pre-war level of GDP per capita within five years. Moreover, few of the economies assessed by the development bank experience 25 years of peace following a conflict.

“Tragically during wars many people lose their lives but we also see population growth slows after a war … countries don’t catch up with the trend in their population size for at least five years after the war is over,” Beata Javorkik, EBRD 2023: Will post-war Ukraine look like Japan or like Iraq?

“A reconstruction that works well could see the country emerge as a high-tech success story, as Japan did after the Second World War”
EBRD chief economist, told a panel at the EBRD’s annual meeting and business forum in Samarkand on May 16.

“Capital stock gets destroyed during wartime. On the one hand destruction of the capital stock makes countries poorer, but on the other hand the fact they are not locked into existing technology means countries can leapfrog. Having said that, countries do not on average catch up with the pre-war trend five years after the war is over.”

Similarly, half of the countries assessed did not return to the income per capital trend – as achieved by the control group – even a quarter of a century later.

Harold James, professor of history at Princeton University, told the same panel that there are enormous differences among post-war economies. “There are cases where there’s a long malaise after wars, particularly lost wars, but there are also cases where there were rapid bounce backs including, for instance, by Japan and Germany.”

He argued that the post-war reconstruction might be a chance for Ukraine to catch up with richer post-socialist countries such as Poland.

“If you think of the background to 2022, one of the striking features is that Ukraine since the collapse of the Soviet Union has not been a very effective economic performer, compared to Russia or Poland, which has really soared ahead. Ukrainians look at that with some kind of envy, because in 1990 the GDP per head was roughly the same in Poland, what became the Russian Federation and Ukraine,” James said. “There is immense potential, in terms of the human capital, for Ukraine to catch up with what Poland has done. That looks like the kind of post-1945 boom Europeans countries had.”

What post-war Ukraine needs
The cost of the reconstruction has already been estimated at several hundred billion dollars.

Noting that the war in Ukraine is the largest conflict in Europe since the Second World War, Fiona Hill, senior fellow, foreign policy, at The Brookings Institution, said: “At the end of this war Ukraine is going to look very different from in 1991 when it regained independence, and 2021, a year before the outbreak of this war. We are going to see demographic impact, destruction of critical infrastructure. We are going to have to build forward.”

“First it will be a question of how the war ends,” said Peter Frankopan, professor of global history at Oxford University. He argued that recoveries are very hard to model against previous wars and there is “no quick fix”. However, he and other panellists pointed to reasons to be hopeful, notably Ukraine’s nuclear power capacity, its large agricultural sector and IT expertise.

Nonetheless, achieving a five-year recovery would necessitate additional investments of approximately $50bn per year from foreign capital inflows, including private investments, according to the EBRD report.

For Ukraine to achieve recovery within a five-year timeframe, its economy would need to grow by an annual rate of 14% throughout that period. This level of growth would raise the average GDP from around $150bn in 2022 to $225bn in constant prices, the EBRD projected.

Javorcik outlined the challenges to Ukraine’s post-war recovery, including the fall in population, the loss of capital stock and increase in debt. However, she added: “Probably most important is finding a stable solution to the conflict. Peace tends to be elusive. Wars between states are frequently followed by another war.” Indeed the report shows that only in 20% of cases did peace last for 25 or more years after an armed conflict.

Another issue is how funding is used. “Money matters, but when it comes to what determines success, availability of funding explains only 10% of the return to prosperity. There were massive amounts of money for Afghanistan and Iraq, but not much happened. We also need to think about how to use external funding effectively,” said Javorcik.

Doubling Ukraine’s investment levels as a share of GDP would necessitate a substantial increase in the country’s absorption capacity, including the establishment of governance structures required for designing and contracting complex projects, said the EBRD report.

The EBRD report also highlighted the importance of striking the right balance between private-sector and public-sector participation, along with the crucial role played by external assistance from bilateral and multilateral agencies, in earlier post-conflict reconstructions.
BOAK is a Russian anarcho-communist collective inside Russia that has taken up arms and has organised a string of sabotage attacks that target government buildings and place bombs on railway tracks.

Made up of young, educated Russians determined to overthrow Russian President Vladimir Putin, BOAK is fighting against his illegal invasion of Ukraine.

“We think that persons who are responsible for killing or torturing people deserve death. Because killing them means they can’t harm good people anymore,” an anonymous representative of BOAK told bne IntelliNews in an exclusive interview.

“But we have strong moral principles. We are strongly against “random victims”; we always plan our attacks in such a manner to make this possibility as small as possible,” the spokesman added.

Low profile and almost entirely ignored by the Russian state-controlled media, the existence of Russia’s anti-government partisan groups has suddenly gained a high profile by the drone strike on the Kremlin on May 3.

Mykhailo Podolyak, advisor to the head of Ukraine’s Presidential Office, blamed “local resistance forces” for the attempted assassination of President Vladimir Putin. Ilya Ponomarev, a Russian opposition politician living in exile in Kyiv, made the same claim in an interview with CNN, attributing the attack to “Russian partisans” active in Russia.

Podolyak pointed out that low-tech drones can be brought from any “military store”, and denied Kyiv’s involvement in the May 3 strike, instead pointing to “guerrilla activities” of Russian partisan groups.

Ukraine’s President Volodymyr Zelenskiy gave a particularly clear denial of Ukraine’s involvement in the attack: “We don’t attack Putin or Moscow. We fight on our territory. We are defending our villages and cities,” he said, speaking during a visit to Finland on the same day.

No one has claimed responsibility for the May 3 drone strike and some experts speculate it could be a false flag operation by Russia’s own Federal Security Service (FSB) to boost recruitment into the army or prepare the ground for a new escalation in the war. But at the same time Moscow has warned of an “unprecedented” wave of sabotage coming from Ukraine, Russia’s own partisan groups operating within Russia are growing more active. The Kremlin could soon find itself facing down radical resistance movements that are taking up arms.

BOAK is one of several groups operating in Russia and made headlines in recent months following an interview with independent media platform Popular Front.

The group is already credited with documented attacks on government facilities, primarily focused on military infrastructure such as military railways and recruitment centres, police stations and administrative buildings. In one incident, the group derailed a military cargo train, delaying artillery deliveries to the front line. The spokesperson told bne IntelliNews: “We are also willing to carry out targeted assassinations,” although the group has not yet done so.

BOAK believes that the longer the war carries on, the more Russians will sympathise with partisan activity. The collective says this small-scale guerrilla war is spreading and they are aiding those who want to participate, sharing crucial advice and instruction manuals on how to make explosives.

“People understand that fascism cannot be overthrown by legal actions, and you need to take responsibility and stand up against it, even if it means breaking the law,” the spokesman stated.

“People understand that fascism cannot be overthrown by legal actions, and you need to take responsibility and stand up against it, even if it means breaking the law”
Known partisan groups are operating in Russia are made up of both Russian and Ukrainian citizens. Last year, bne IntelliNews reported on the mysterious fires burning across Russia, engulfing warehouses, shopping malls, military facilities and critical infrastructure facilities. Already in the first three months of 2023, 212 fires were recorded across the country, with February alone seeing 78, according to the Ukrainian open source intelligence group Molfar.

Storage facilities, factories and shopping centres were amongst the most targeted objects, whilst the regions of Moscow, Leningrad and Sverdlovsk suffered the most fires between January 2022 and March 2023. Last year, there were 414 cases and Molfar predicts this year will be far hotter.

The attacks are designed to have an impact on Russia’s economy. Burning down businesses means less tax for the state, which results in less money for the war effort. Targeting energy facilities and military production units also has detrimental consequences for Russia’s invasion. But the main objective is to invoke fear in Russia and deter citizens from supporting the war, according to Molfar.

“The main idea is psychological,” explained Molfar’s CEO Artem Starosiek in an interview with bne IntelliNews.

“These fires make people feel the same as us, because Russia is shelling us a lot and we feel this and it’s very scary. When something starts to burn near you, you start to understand how bad this war is, so probably it’s mostly to change people’s mind in Russia (about the war).”

**The Black Box**

The investigative group has confirmed that Russian partisan groups are behind some of the arson attacks, but also highlighted the role of Ukraine’s “Black Box” project. Details about the mysterious operation have been kept under wraps, but it is run by the Come Back Alive foundation alongside Kyiv’s military intelligence. It raised $6.23mn through public donations last year and could explain some of the mysterious attacks that have gone unanswered.

In the case of the May 3 drone strike on the Kremlin, it could well have been an attack launched from Ukraine and not Russian partisans. In February, a deadly wave of Ukrainian drones struck several regions in western Russia and reached as far as the town Gubastovo, less than 100 km from Moscow. A separate drone attack destroyed missiles in occupied Crimea intended for Russia’s Black Sea fleet. Explosions also rocked the Crimean peninsula last summer, forcing thousands of Russians to flee. Kyiv did not claim responsibility for any of those attacks.

Molfar does not know what the “Black Box” contains, but Starosiek noted that the number of fires in Russia doubled once the project completed its funding. “Sometimes military intelligence says a fire in Russia is connected to the “Black Box” project,” the CEO stated, but he could not provide further details.

He believes that the funding for the operation will result in more fires this year and did not rule out the possibility of attacks on government buildings or the homes of Russian politicians.

**Partisan groups in Russia**

Around a dozen partisan groups are working with Ukrainian intelligence and are responsible for some of the acts of sabotage in Russia, according to Volodymyr Zhemchugov, the former commander of a partisan cell in Donbas.

“The most successful operations take place either with the help of our intelligence and sabotage groups, or with the help of Russian citizens who co-operate with our special services,” Zhemchugov stated, as cited by Glavred reported.

The Freedom of Russia Legion and Ateš, both working with Ukrainian intelligence, regularly announce their successes via Telegram and are behind some of the most effective sabotage operations in Russia.

Atēš, made up of Crimean Tatars, Russians and Ukrainians, confirmed in March it had carried out almost 100 successful actions within the Russian army, neutralising dozens units of military equipment and several railway infrastructure facilities.

“Atēš has already taken responsibility for the sabotage of the railway between Kherson and Zaporizhzhia in March, amongst other actions. However, not all partisan groups are working with Kyiv.
Kremlin crackdown
Partisans are clearly getting under the skin of the Russian government. Officials have denounced “national traitors” and passed a law on “diversion activity and teaching it”. The Russian state has gone to extreme lengths to capture the partisans, resorting to torture of those they get their hands on, according to BOAK. “We think they take us as a serious danger,” the BOAK spokesperson told bne IntelliNews.

But Russia’s vast size and thinly spread population means preventing future attacks will be impossible, said Molfar’s Starosiek. Although the government has increased security measures, it cannot put security next to every warehouse and plant in the country, meaning there will always be an open target for partisans.

Catching partisans is no easy feat either. Groups like BOAK operate through cells, communicating anonymously via Telegram without having to meet in person. Infiltrating one cell does not guarantee the Kremlin will be able to neutralise the entire collective, and new cells can easily pop up.

Moscow is faced with the reality that its protracted war in Ukraine is pushing more Russians to radical resistance. Even if partisans weren’t behind the attempted May 3 Kremlin drone strike, the anti-government movement is only growing. With Ukraine hoping to make major gains through its counter-offensive this year, guerrilla activities by partisan groups could be the golden ticket to ending the war more quickly and with a decisive Ukrainian victory.

No suspicious activity was reported in any of these cases, but when an explosion derailed a freight train not far from the border with Ukraine on May 1 there was no question that it was caused by a bomb.

What is also not clear is to what extent Russian partisans are co-operating with Ukrainian intelligence, but also to what extent individual and independent Ukrainian groups are acting within Russia’s borders. There are over 3mn long-time resident Ukrainians living in Russia – the largest group in Ukraine’s diaspora.

US intelligence reported that an independent pro-Ukrainian group was behind the mysterious explosions that destroyed the twin Nord Stream gas pipelines in the Baltic Sea in September that was unaffiliated with the government in Kyiv.

Sabotage
The drone strike was not the first suspicious incident. In the months following the start of the war last summer there was a string of major fires at refineries and factories across Russia that were dismissed as “accidents” by the authorities. In December there were three major fires in Moscow on the same day that included the destruction of the German-owned OBI shopping mall complex not far from the capital’s main airport as well as one of the Pushkin museum buildings in the heart of the city, which some speculated could have been a string of arson attacks, but officially was ascribed to coincidence.

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Belarusian President Lukashenko appears in public after rumours of serious illness

Minsk has released photographs and video footage of Belarusian President Alexander Lukashenko following a week of speculation about his health and whereabouts.

The photographs and video released by state news agency Belta on May 15 showed Belarusian President Alexander Lukashenko visiting a military command centre, dressed in military fatigues, with his left arm heavily bandaged.

The footage also appeared to confirm rumours of his declining health, as his speech was strained with frequent pauses, and his voice sounded hoarse.

Lukashenko, who has ruled Belarus with...
an iron fist for nearly three decades, disappeared from public view following his attendance at the Victory Day military parade in Moscow on May 9. Online speculation quickly emerged suggesting that he may have been hospitalised upon his return to Minsk, as he appeared visibly unwell, bloated, and unstable on his feet on Moscow’s Red Square.

The absence of Lukashenko from subsequent scheduled events only served to intensify the rumours circulating on social media regarding his health. This speculation gave rise to numerous theories about his well-being, with some suggesting that he is suffering with cancer, while others claimed that he was poisoned by the Russians. Pavel Latushka, a former government official and current opposition activist, alleged that Lukashenko is suffering from a viral infection leading to myocarditis, which is an inflammation of the heart muscle.

Minsk’s decision to release images of Lukashenko followed a message from opposition leader Sviatlana Tsikhanouskaya, urging her supporters to be prepared for all future scenarios. Tsikhanouskaya, a critic of Lukashenko’s regime, now spends her time travelling the West, attempting to whip up international support for Belarusian democracy. The potential illness of Lukashenko holds significant implications for the country’s political stability, considering his brutally repressive and personalistic regime. The exiled opposition leader cautioned that in dictatorial countries like Belarus, the system begins to crumble when the leader vanishes.

“There are many different rumours about the health of dictator Lukashenko, and for us it means only one thing – we need to be well-prepared for any scenario,” Tsikhanouskaya told The Associated Press.

Lukashenko, who has ruled Belarus since 1994, is often labelled as “the last dictator in Europe”. Over the decades, his regime has grown increasingly repressive, especially following the 2020 protests that were triggered by disputed elections. Tsikhanouskaya, Lukashenko’s electoral rival, was prevented from taking part, and her husband was jailed.

Belarusian opposition leader Viktor Babariko hospitalised with collapsed lung after apparent beating in jail

Babariko has been hospitalised on April 27 after reportedly having been badly beaten, causing his lung to collapse, the Kyiv Independent reported on May 4.

Babariko is serving a 14-year sentence on politically motivated charges. He was the front-runner to defeat Belarus President Alexander Lukashenko in the highly charged August 2020 presidential elections that were massively falsified and led to months of mass protests.

Babariko was leading in the polls and collected four times the necessary signatures for his petition to run for president. His campaign manager was Maria Kolesnikova, who went on to join Svetlana Tikhanovskaya to challenge Lukashenko in the vote after all the leading opposition candidates were arrested, including Tikhanovskaya’s husband, who also remains in jail.

Kolesnikova was also later arrested and is also serving a long prison sentence on politically motivated charges. She has also fallen ill and was hospitalised in an intensive care unit in November, but remains in jail.

The former head of Belgazprombank, a local affiliate of Russia’s state-owned Gazprombank, Babariko was also an active philanthropist and art collector, who had broad appeal to Belarusian middle classes. He helped finance the publication of books by Belarusian Nobel Laureate Svetlana Alexievich and the return of original paintings by Belarusian artists, among other things.

Babariko would have been a good compromise candidate, as he was well-known in Moscow and while he was for liberal reforms he also made it clear that he believed Belarus’ future was in a close relationship with Russia and not the EU.

However, Lukashenko, threatened with losing the election, jailed Babariko on trumped up charges before the election, unleashing a wave of repression as he started to lose control of the situation.

Babariko relatives confirmed that he was admitted to a surgical ward with a collapsed lung after apparently being beaten by prison guards.

Russian military bloggers had previously reported that two fighter jets and two helicopters were shot down in the Bryansk oblast. Wagner boss Yevgeny Prigozhin said Russian air defence was behind the downing of the helicopters and aircraft in a Telegram message on May 14.
Xi presents grand development plan for Central Asia

bne IntelliNews

A grand development plan for Central Asia was presented by Chinese President Xi Jinping on May 19.

The unveiling took place at the milestone China-Central Asia 5+1 summit, which for the first time in-person brought together the Chinese leader with the five presidents of Central Asia to thrash out a blueprint for relations. Russia was, notably, not invited. Analysts saw the meeting as an attempt by Beijing to make new inroads in Central Asia at a time when Moscow is distracted by the Ukraine war and overcoming challenging political and economic consequences of the Western backlash to the conflict. Some observers, however, were not impressed with the outcome of the summit, concluding that it produced lots of rhetoric and little substance, and a curious offer from one-party state China to help Central Asia’s ‘Stans develop political parties.

Xi’s presented strategy ranges from building infrastructure to boosting trade with Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Strategic coordination that would promote the modernisation of all was a primary objective, Xi said in an address to the summit in Xian, northwest China.

“This summit has added new impetus to the development and revitalisation of the six countries, and injected strong positive energy into regional peace and stability,” Xi said later at a press conference with his Central Asian counterparts, as reported by Reuters.

“We will jointly foster a new paradigm of deeply complementary and high-level win-win cooperation,” he added.

The South China Morning Post quoted Xi as calling in his keynote speech for the “brethren in Central Asia” to unite against attempts to divide them in the face of unprecedented turmoil and build

“This summit has added new impetus to the development and revitalisation of the six countries, and injected strong positive energy into regional peace and stability”
themselves as the bridge connecting Asia and Europe. “The world needs a harmonious Central Asia. Brotherhood is better than all wealth,” Xi added.

Another factor in Beijing’s decision to increase focus on Central Asia was the August 2021 pullout of the US and its allies from Afghanistan, which borders Kyrgyzstan, Tajikistan and Uzbekistan. China has a short border with Afghanistan, as well as borders with Kyrgyzstan, Tajikistan and Kazakhstan. It is wary of conflict-torn Afghanistan, undermined by ongoing severe economic and humanitarian crises, generating instability that could spread into Central Asia and Muslim-majority parts of northwestern China.

Xi emphasised that China and the Central Asian countries should deepen trust and offer “clear and strong support” on essential interests such as sovereignty, independence, national dignity and long-term development.

“China is ready to help Central Asian countries improve their law enforcement, security, and defence capability construction,” he also said. Beijing has previously announced that it was working on establishing a regional anti-terrorism centre to train Central Asian security forces.

In trade and trade transit, China and Central Asia would like to see more development of the network of East-West transport corridors that link China and the region to Europe, as well as destinations including the South Caucasus, Turkey and Iran. Xi also talked of Beijing encouraging Chinese-funded businesses in Central Asia to create more jobs, build warehouses and launch a special train service aimed at expanding tourism.

“To bolster our cooperation and Central Asian development, China will provide Central Asian countries with a total of 26 billion yuan ($3.8bn) of financing support and grants,” Xi also stated.

Two-way trade between China and Central Asia hit a record $70bn last year. Kazakhstan was top-ranked at $31bn. Xi also said the building of Line D of the China-Central Asia natural gas pipeline that would bring more gas to China from Turkmenistan should be accelerated. Turkmenistan is already the biggest supplier by pipeline of gas to China, but has no other major customers for its gas, thus is intent on selling more to China if the option becomes practicable.

Xi further said that China and Central Asia should increase their oil and gas trade, develop energy cooperation across industrial chains and boost cooperation in the energy transition and civilian use of nuclear energy.

In cargo transport, China would in the longer term back the construction of a cross-Caspian Sea international transport corridor, Xi said.

The next China-Central Asia summit will be held in Kazakhstan in 2025, with all six countries agreeing the summits should be held on a bi-annual basis.

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**Threat posed by Taliban’s huge canal project to Central Asia farmland causing mounting anxiety**

**bne IntelliNews**

Anxiety is quietly mounting among Taliban-ruled Afghanistan’s Central Asian neighbours at the large-scale damage that could be wrought to farmland by the Qosh Tepa canal project that will divert waters of the Amu Darya border river.

Once fully constructed and put into operation by the Taliban to irrigate Afghanistan’s dry northern plains, the enormous canal risks destabilising relations between Kabul and downstream Uzbekistan and Turkmenistan.

“The Qosh Tepa canal has already begun to cause regional tensions,” Eugene Simonov, international coordinator of the Rivers Without Boundaries environmental coalition, told The Third Pole. The publication said it found that this view was shared by multiple experts in Uzbekistan and Turkmenistan that it spoke with.

Simonov, however, was also reported as pointing out that, though Afghanistan – beset by severe economic and humanitarian crises since the US and its allies pulled out of the country in August 2021 – is not included in regional water agreements, it has a right to a share of Amu Darya resources.

The Qosh Tepa project has been under discussion in Afghanistan since at least the 1970s, but the commencement of it by the Taliban (who released a video, above, about the construction) appears to have almost come out of the blue for officials in Uzbekistan, Turkmenistan and also Tajikistan, the Central Asian neighbour least affected by the canal given its route.
The Qosh Tepa canal, say experts, might divert up to a third of the Amu Darya. It is thus becoming the subject of rising international interest and concern.

“It is our own fault that we are not prepared for such a situation,” Yusup Kamalov, an Uzbek ecologist who is chair of NGO the Union for the Defense of the Aral and Amu Darya, told The Third Pole – a multilingual platform dedicated to promoting information and discussion about the Himalayan watershed and the rivers that originate there.

Speaking on condition of anonymity, an unnamed official in Uzbekistan told the platform in April that the country’s authorities were trying to resolve the Qosh Tepa situation peacefully.

“Negotiations with the Afghan side are held on a regular basis, but in a closed mode so as not to disturb society. Their government is behaving quite adequately to our proposals. But, unfortunately, we have no guarantees as to what will happen after the Qosh Tepa canal is completed,” he was quoted as saying.

To avoid future conflicts, said the official, Afghanistan should join international agreements and conclude bilateral and multilateral transboundary agreements on water use in the Amu Darya basin.

The first phase of building the canal, wider than the length of three Olympic swimming pools, has already cost 8.2bn Afghan Afghanis (about $94mn) of public money, with the Taliban aiming to “turn 550,000 hectares of barren land into much-needed farmlands” for growing wheat and vegetable oil.

In making diplomatic approaches to Afghanistan – a country totally dependent on foreign aid, with local food output greatly inadequate for feeding the population – Central Asian officials will need to call for more attention to the aridification crisis that has long troubled the Amu Darya basin.

Experts are also concerned that the extraction of more water from the river will mean the restoration of aquatic ecosystems in the Aral Sea region will become impossible, with the critically endangered false shovelnose sturgeon, also called the Amu Darya sturgeon, likely to die out completely and other fish species imperilled.

The operation of the canal could lead to widespread salinisation of agricultural land both in Afghanistan and across the region due to the disruption of the drainage of groundwater into the Amu Darya, according to experts spoken to by The Third Pole. Similar difficulties have been observed around the Karakum Canal in Turkmenistan.

As bilateral and multilateral attempts to negotiate with the Taliban on the Qosh Tepa canal pick up, it seems that all the Amu Darya basin countries should be ready to revise their water resource development plans and step up water conservation efforts such as by introducing water-saving technologies like drip irrigation.

“The first phase of building the canal, wider than the length of three Olympic swimming pools, has already cost $94mn, with the goal of turning 550,000 hectares into much-needed farmlands”
Uzbek President Mirziyoyev has called a snap presidential election on July 9, to establish a fresh mandate following a controversial change to the constitution.

The president said the election was needed to give him a fresh mandate "to deal with the complex issues affecting the world today", as cited by Reuters on May 8.

Mirziyoyev said that he required a renewed mandate to implement further reforms despite serving less than two years of his current term.

Mirziyoyev pushed through changes to the constitution that lengthen the presidential term from five to seven years and reset the clock to allow him to serve another two terms. Mirziyoyev took over from Uzbekistan's first, and till then, only president, Islam Karimov, in 2016. He won re-election for his current second, and nominally last, term with a landslide victory in October 2021.

The president has won praise for opening up the country and pushing through many liberal reforms that have begun to bear fruit, as bne IntelliNews surveyed in a special report Uzbekistan Rising. Amongst the most radical changes was his decision to totally privatise the cotton sector, once the country's main source of foreign exchange, and ban the export of raw cotton, forcing the textile sector to rapidly develop.

And the economy has responded well to the changes, putting in an average of 6% growth every year except 2021, when despite a pause in its rapid expansion, Uzbekistan remained only one of two countries in the world that still recorded positive, albeit small, economic growth. With the economy flourishing, unemployment has fallen and incomes are up.

However, Mirziyoyev has been widely criticised in the West for ignoring political reforms or undoing the state structures that were set up by his predecessor. There are no significant opposition parties or opposition candidates running in the elections against him.

However, during vox pops conducted by bne IntelliNews in the streets of Tashkent in the 2021 election, support for Mirziyoyev was almost universal thanks to the rapidly improving quality of life in the country. Respondents also reported that the government had become more proactive in dealing with local problems through the expansion of Mahalla, a form of local residents council that regularly meets the local administration to make demands and ask for government assistance to fix local problems. Most Uzbeks seem unconcerned with the lack of political plurality and told bne IntelliNews that they wanted more of the same: to allow Mirziyoyev to continue to do what he has been doing.

Despite the progress so far, the main body of reforms remains ahead. The banking, mining and other large state-owned enterprises need to be privatised and reformed, and although incomes in Uzbekistan have risen, they remain far behind those of its peer in the region, Kazakhstan.

“During vox pops conducted by bne IntelliNews in the streets of Tashkent in the 2021 election, support for Mirziyoyev was almost universal”
Armenian Prime Minister Nikol Pashinyan was the odd man out among the dictators from former Soviet republics who attended the traditional Victory Day Parade in Moscow’s Red Square on May 9.

Armenia, a nation deeply intertwined with Soviet history, always commemorates Victory Day with reverence. Pashinyan praised the invaluable contributions of Armenians in defeating Nazism, highlighting the significant number of Armenian recipients of prestigious awards for their involvement in World War II.

But at the same time, Pashinyan—who led the democratic protests that brought down the previous Armenian regime—has been openly critical of the passivity of the Russian peacekeepers in checking Azerbaijan’s steady ratcheting up of pressure on its ethnic Armenian enclave of Nagorno-Karabakh. Recently Azerbaijan established a checkpoint in the Lachin corridor, which was supposed to be controlled by Russia only.

He has also criticised the failure of the Russian-dominated Collective Security Treaty Organisation (CSTO) security pact to intervene to protect Armenia from Azerbaijan’s incursions.

Pashinyan again voiced concerns over the CSTO’s failure to fulfil its obligations during a recent trip to Prague. “We think that the CSTO has failed to fulfil its obligations with regard to Armenia,” Pashinyan told the Center for Transatlantic Relations.

Russia has expressed displeasure about Armenia’s public criticisms, particularly of the CSTO. Russian Foreign Ministry spokeswoman Maria Zakharova recently expressed perplexity at Armenia’s desire to discuss organisational issues externally, emphasising the existence of established channels for dialogue within the CSTO framework. She alluded that Yerevan is well aware of Moscow’s good intentions but is unwilling to accept them.

“Frankly speaking, the Armenian leadership’s desire to discuss issues of the organisation’s effectiveness outside...
the organisation itself is bewildering. Especially since the CSTO has all the necessary formats and established channels of interaction. The most important thing is that the members of this organisation are not only willing to listen to all that but also to work in that direction,” said Zakharova.

To Moscow’s annoyance, Pashinyan has also prioritised Western mediators in Yerevan’s disputes with Baku. These include a meeting of foreign ministers with US Secretary of State Anthony Blinken last week, and a meeting between Pashinyan and Azeri President Ilham Aliyev with European Council President Charles Michel this coming weekend.

But by his attendance in Red Square, the Armenian leader appears to be trying to play a delicate balancing act, in which he criticises Russia and dallies with the West, while also making gestures to Moscow to show that his country remains beholden to it. Armenia is still very dependent on the Russian economy, not least in energy.

There are also signals that the Western-mediated peace talks are not going as well as the US has claimed. Afterwards Pashinyan said significant differences still exist in the phrasing of a potential peace agreement. “While the gap between the two sides was one kilometre before, it has now narrowed to 999 metres. It is indeed progress, but there remains a significant divide,” Pashinyan explained.

Pashinyan cannot afford to alienate Moscow when Armenia remains so dependent on its big neighbour and at a time when the outcome of the peace talks remains so uncertain and a renewed outbreak of fighting remains highly possible.

The 2020 conflict between Armenia and Azerbaijan ended with a Russia-brokered ceasefire and the deployment of Russian peacekeepers. But border skirmishes continue to erupt intermittently, underscoring the fragility of the situation not only in Nagorno-Karabakh but also on the borders of Azerbaijan and Armenia.

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**ECHR orders Russia to pay €130 million to Georgia for crimes during 2008 war**

**Tornike Mandaria in Tbilisi**

The European Court of Human Rights has ordered Russia to pay Georgia €130mn as compensation for crimes committed during the war between them 15 years ago. The court ruled that Russia violated six articles of the European Convention on Human Rights against Georgian citizens, including the right to life, torture, burning, and destruction of private property.

Moscow fought a brief war with Tbilisi over the breakaway region of South Ossetia in 2008, citing the protection of the Ossetian ethnic minority from Georgia as a pretext. The result of the conflict was Russia’s effective control over 20% of Georgia’s internationally recognised territory. It recognised the regions of South Ossetia and Abkhazia as independent countries, though only a handful of other countries following suit.

The crimes committed during the war included the killing of civilians by separatist forces, arson, and looting of homes, torture of prisoners of war, and preventing displaced persons from returning to their homes. Russia failed to fulfill its procedural obligation to conduct an adequate and effective investigation of crimes committed during the active conflict or after a ceasefire.

The compensation was distributed among several categories of victims.

Russia was ordered to pay €3,250,000 for the administrative practice of killing citizens in villages and the “buffer zone” of the occupied South Ossetia/Tskhinvali region, and the failure to fulfill the procedural obligation to adequately and effectively investigate the murders of 50 people.

Russia was also ordered to pay €2,697,500 for non-pecuniary damage inflicted on at least 166 victims, including inhuman and degrading treatment and illegal arrests.

Additionally, Russia was ordered to pay €640,000 for at least 16 victims of the administrative practice of torturing Georgian prisoners of war by separatist forces in Tskhinvali.

Furthermore, Russia was ordered to pay €115,000,000 for preventing at least 23,000 victims from returning to their homes in the occupied Tskhinvali region and Abkhazia.

The ECHR ruling follows the 2021 decision by the International Criminal Court in The Hague, where judges found that Russia was responsible for committing “inhumane” acts against Georgian citizens after the conflict.

In 2022, the ICC concluded its investigation into the crimes committed during the 2008 war, focusing on crimes against humanity and war crimes. The court issued warrants for the arrest of three former South Ossetian officials who were identified as responsible for unlawful deprivation of liberty, torture, inhuman treatment, humiliation of human dignity, hostage-taking, and illegal displacement of civilians, all in the context of crimes against humanity and war crimes.
Poland’s geostrategy

A D M Collingwood in London

This is an area of the world where geopolitics have real, immediate and visceral effects on peoples, in a way that is difficult to understand for Britons and Americans.

In recent years, and especially since the beginning of the war in Ukraine, Poland has emerged as one of the most prominent European nations in international affairs. But what are its strategic interests? What are its security concerns? And how are these likely to drive Polish foreign policy in the years to come?

Poland’s position has always been extremely precarious, as it sits at the wide-open end of the North European Plain, flat land between the Carpathians and the Baltic, with few natural barriers from the West or East (it is not, for instance, protected by Alpine mountains or a sea). It is, however, even worse than that for Poland, because it is sandwiched between the two 800lb gorillas of European power, Russia and Germany.

Because of this, Poland has been blotted from the map entirely (from 1772, with the first Partition of Poland, until the establishment of the Second Republic in 1918; and then again after 1945, when its borders were shifted westward and the country was reconstituted west of its original boundaries as little more than a Soviet satellite state, designed as a gumshield for Moscow).

Poland also sits in a region, though, where vast empires can emerge as quickly as they vanish. Before the late 18th century partitions, Poland had been the centre of a sprawling empire from Poznan in the west almost to Moscow in the east, and from the Baltic in the north, well into the currently infamous Kherson and Zaporizhzhia regions of Ukraine, all of Belarus and most of the modern Baltic nations.

After the collapse of the Soviet Empire – a process in which the Poles played a leading role – Poland sought to secure its independence by joining Nato in 1999. It further sought to cement its exit from the Russian sphere of influence by joining the EU, a crypto-German sphere of influence, in 2004.

Note that in addition to bringing it inside the US defence perimeter (and nuclear umbrella), Nato accession meant help modernising Poland’s armed forces at a time when the Former Soviet Union was falling behind.

Likewise, EU accession meant that, in addition to integrating into the German economic supply chain, Poland secured
significant inward investment and private and public aid for modernisation.

The country thus negotiated the 1990s far more comfortably than Russia. Yet geopolitical reality is reality, and Poland must always fear being subsumed by one of Russia and Germany – or both in a nightmare scenario in which the two form a loose alliance, as they have done in the past given their natural trade synergies.

Thus, while Poland has used Germany and America as a shield against Russia, and remained implacably opposed to Moscow, it has also not fully integrated with Germany in the way the Netherlands or Czechia and Balts have. It has never adopted the euro, for example. It has also led the formation of the Visegrad Group – of Poland, Czechia, Slovakia and Hungary – intended to give these new EU nations a greater voice against Franco-German domination of the EU.

Further, Poland has also fought ferociously to prevent increased Russo-German economic co-operation (that old worst nightmare) through its opposition to the Nord Stream pipelines. Increasingly it has directly opposed Germany on the EU response to the Ukraine crisis, and even has gone so far as to demand trillions of dollars of reparations for WWII.

So where next? A simplified view of Poland’s geopolitical imperatives would be as follows:

1. Secure an outside power capable of doing what Poland cannot: guaranteeing Polish independence;

2. Significantly weaken Russia – for at least a decade or two, but preferably permanently, through breakup or internal strife;

3. Extend Polish influence and power, primarily southward towards the Black and Adriatic Seas (preferably at the centre of an alliance), but also eastward towards and as far into the Russian heartland as possible; and

4. Use this security and power to balance against Germany, and gain independence and protection from it.

How do these likely aims fit with Poland’s present actions? First, Poland has used the Ukraine crisis to strengthen ties with the USA as the aforementioned outside power that can guarantee Polish sovereignty. This was a trend that was already well underway. For instance, Polish exports to the US have almost doubled since 2015.

This was the year that the Three Seas Initiative was launched, itself heavily influenced by the Intermarium idea conceived by Józef Piłsudski in the interwar years. The Intermarium was essentially an effort to use the fall of the German and Russian empires to reconstruct the Polish-Lithuanian Commonwealth – to create a multinational federation with the economic

(and thus military) power to secure independence from the inevitably great powers either side of Central and Eastern Europe, Germany and Russia.

The Three Seas Initiative is essentially the Intermarium for the 21st Century, focusing first on economic integration before imperial cohesion. It seeks to create a greater dialogue between the nations involved, and also secure investment for greater North-South infrastructure in an area where East West links predominate. To this effect, continuous motorways, gas pipes and rail connections and lines are being constructed or are planned. Tellingly, the US has invested since the beginning, most recently agreeing to a $300mn deal to fund energy infrastructure.

Key to Poland’s ability to both construct and project power through such a block, and even more importantly, securing the USA as a guarantor, will be its military capacity (the Queen behind the advancing pawn, as Policy Tensor might say). In this sphere, Poland appears to be going for broke (perhaps literally, as we shall see). It has plans to hugely increase its military capacity, and if it achieves its goals, it would undoubtedly be the second most powerful land force in Nato (after the US) and perhaps the most powerful army in continental Europe.

Two points should be noted here. First, while the Ukraine war has contributed to the greater urgency, these plans predated it by a couple of years: this is a considered plan, not a knee-jerk reaction. Secondly, note that the main purchases are from the US and South Korea, not Germany, a traditional supplier.

It also seems likely that Poland sees the war in Ukraine as an opportunity as much as it is a threat. Defeat for Russia and either the neutering of Russia as a threat, or its outright disintegration, would allow Poland to secure many of its long-term aims in the east through rapid diplomatic tour de force. In the event of total Russian disintegration, Poland would become the main power in Belarus (where we are only two years removed from a significant Western-backed attempt at revolution, which would instantly reactivate amid post-bellum Russian weakness) and Ukraine (which has already passed laws that allow for remarkable degrees of integration between the two nations).

Further, by making itself the US’s best friend on this matter, it fits not only with Washington’s short-term needs, but also its longer-term requirements to ensure that no alliance between Russia and Germany forms. Such an alliance would make perfect economic and geopolitical sense for Berlin and Moscow (as it always has) but would be a disaster for Washington and Warsaw. Thus, even if the war ends in stalemate or – especially – a defeat (partial or total) for Ukraine, Poland has made itself the only game in town as far as countering Russia, given (at best, from Washington’s perspective) a geopolitically exhausted Western Europe, or (at worst) a Germany keen to restart economic relations.
with Russia. Here, Nord Stream’s destruction is crucial: any gas that goes from East to West will have to transit inimical Poland, just as, Washington hopes, any economic trade or army would have to.

So far, so good. The elephant in the room, though, is can Poland afford all this? Philip Pilkington, the economist and financial analyst, suggests that here things are at risk of going seriously off the rails. With inflation at 20%, and a large current account deficit set to be made worse by those aforementioned mega arms purchases from abroad, Poland, as a small, and not yet fully developed economy, risks a classic currency-inflationary spiral into economic collapse, à la Argentina.

To avoid this Poland will likely need support from the US in the form of financial account funding to match the current account deficit. In essence, geopolitical services would be its main export. Poland might also get help from a significant increase in population from the influx of Ukrainians, as well as profit from its position as a funnel for the post-war rebuilding process.

Yet even here there are risks: being so reliant on the US risks making Poland a US client state, forced to act in Washington’s interests ahead of its own. Meanwhile, absorbing such a huge number of Ukrainians (and there were already millions pre-war) brings its own issues, despite the close cultural match.

The stakes are therefore as high as they could be for Poland: complete subsumption into the German sphere of influence; an economically ruined nation sandwiched between a co-operating Russia and Germany; internal strife and bordered by a failed state; US client state; regional superpower controlling Europe’s Eastern Approaches. They’re all on the cards.

‘Twas ever thus in this neighbourhood.

A D M Collingwood is the writer and editor of BritanniQ, a free, weekly newsletter by Bournbrook Magazine which curates essays, polemics, podcasts, books, biographies and quietly patriotic beauty, and sends the best directly to the inboxes of intelligent Britons. This article first appeared in Bournbrook.

KABANOVSKY

Russia after Putin – a grim legacy

Alexander Kabanovsky in Berlin

A post-Putin Russia will be a land of blood, toil, tears and sweat, but not of victory or a future.

A près nous, le déluge!” has been attributed to Madame Pompadour, commenting on financial and political problems inherited from Louis XIV and exacerbated by Louis XV and Louis XVI, leading to the French Revolution in 1789.

As the long-anticipated Ukrainian counter-offensive looms, Putin’s grasp on power appears increasingly precarious. While prognosticating when the war in Ukraine will end is a thankless task destined to make a fool of the prognosticator, I will, nevertheless, venture to predict that contrary to the prevailing expectation of a prolonged conflict, the war in Ukraine will end before the New Year, if not the autumn of 2023. Yes, I believe that this summer may likely mark the end of Putin’s rule.

Of course, there are contingencies to this, with the major one being that Ukraine must achieve several meaningful victories on the battlefield in the coming month. If this happens, the demoralised, poorly led and inadequately equipped Russian army will collapse and, with it, Putin’s regime. Even if we hedge our bets on the exact timing, Putin’s demise is a historical inevitability; whether this year or next, he is a dead man walking.

The critical question the West must consider is what comes after Putin and how we can prepare for the ensuing consequences. Considering the sad state of the economy, infrastructure, education and military, the post-Putin period promises to be one of blood and the complete dissolution of Russia as we know it today. Are we ready for the ride? The vultures are circling, despite Russia’s propaganda regime ramping up, and dissatisfaction with the war and Putin’s pervasive kleptocracy has seeped into the upper echelons of the governing elite. While long-standing criticism of Putin has come from Russian “liberals,” denunciations from the “elites” who remained in Russia, let alone from extreme Russian nationalists, were previously unheard of – until now.

Recent leaks of phone conversations involving high-profile individuals criticising Putin and his regime are noteworthy for their content and timing – just before the anticipated start of Ukraine’s counter-offensive. Oligarchs Roman Trotsenko, with a fortune estimated at $3.8bn, generated chiefly through high-profile infrastructure projects, Nikolay Matushevich, who developed popular cultural venues such as Moscow’s “Flakon,” infamous music producer Iosif Prigozhin, and

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former Senator Farkhad Akhmedov, who ranks 98th on Forbes’ list of wealthiest Russians, are just the tip of the iceberg, representing the escalating internal discontent and disillusionment.

Evidence of growing rifts among Putin’s acolytes is everywhere. Ramzan Kadyrov has retreated to Grozny with his army, preparing for whatever comes after the war. Igor “Strelkov” Girkin, a vehement Russian nationalist who spearheaded Russia’s encroachment into eastern Ukraine and was convicted for his role in shooting down flight MH17, has openly criticised Putin for corruption, incompetence and weakness. Even Alexander Dugin, the ultra-nationalist ideologue of Russian fascism, rumoured to be one of Putin’s more influential advisors, has published calls to replace Putin if Russia’s military fortunes in Ukraine do not significantly improve. The head of the Wagner Group, Yevgeny Prigozhin, is positioning himself as an ultra-hardline option for the top job, with Dugin anointing him as a potential saviour of the Russian empire and a private army wholly loyal to him for the task. However, his running feud with Shoigu and the Ministry of Defence may put him into early permanent retirement if Putin is no longer in the picture.

Even propagandists are voicing their outrage at what they perceive as excessive softness from Putin. Vladimir Solovyov, one of the Kremlin’s most vitriolic propagandists, leads a chorus of pundits demanding the return of SMERSH (a counter-intelligence umbrella formed in 1942 under Stalin) to combat internal enemies and the reintroduction of Stalinist repressions to quell internal dissent, which is growing with every day the war drags on.

This cauldron of disaffection has been brewing for some time. Russia’s failure to capture Bakhmut, mounting losses on the battlefield, and tightening of conscription laws in a desperate attempt to enlist more young men into the meat grinder while anxiously awaiting the Ukrainian counter-offensive have all contributed to increasing unrest. The tinder has been laid and is waiting for a spark to ignite it. Losses on the battlefield and retreat from occupied territories will set Russia ablaze.

What comes after? Whatever ideological differences the Russian right and left may have, they agree that Russia’s troubles begin and end with Putin. Both peddle the thesis that once Putin is gone, Russia can rebuild itself into a global power, either with a democratic or fascist tilt, but within its current geopolitical framework. However, while modern Russia’s troubles may have begun with Putin, they certainly will not end with his departure.

I feel justified in my scepticism because aside from vast natural reserves, Putin and his regime will leave nothing from which a nation can be reborn. This war has exposed the extent of the destitution that will be the legacy of this regime. Putin’s Russia cannot produce anything of value. It has exhausted the remnants of the industrial system left behind by the USSR. It has not invested in developing a technological knowledge base. There is no infrastructure to speak of. The glitz and shine of Moscow end at its borders, where desolation, infirmity and poverty prevail.

The education system, once the pride of the country, which consistently churned out mathematicians, physicists,

"Après Putin, le déluge!" If Putin faces a significant defeat in Ukraine during the mooted counter-offensive his regime could collapse. His political foundations are already starting to crumble. / bne IntelliNews
The war against Ukraine is criminal. Russian troops must be withdrawn from all occupied territories. The internationally recognised borders of Russia must be restored, war criminals must be brought to justice, and compensation must be paid to victims of aggression.

2. Putin's regime is illegitimate and criminal. Therefore it must be eliminated. We see Russia as a country in which the rights and freedoms of the individual are guaranteed and in which the possibility of usurpation of state power is excluded.

3. The implementation of imperial policies within the country and beyond is unacceptable.

4. Political prisoners of war must be released, forcibly displaced persons must be able to return and abducted Ukrainian children must be returned to Ukraine.

5. We express solidarity with those Russians who, despite the monstrous repressions, have the courage to speak from anti-Putin and anti-war positions and with those tens of millions who refuse to participate in the crimes of the regime.

Finally, the war has shown that Russia lacks an army capable of securing its borders and propping up a failed dictatorship. For 23 years, Putin and his cronies invested in yachts, private planes, expensive horses, wine, watches (lots of watches) and innumerable villas, mostly in much-hated Europe and the US. There was not enough left over for the country and its people.

In conclusion, let's play a game. Pretend that only 50% of what I describe above is accurate. Now imagine you are magically transformed into the Russian presidency tomorrow. You are sitting atop a gargantuan bureaucracy populated by incompetents you cannot trust. You depend on a 2mn-plus strong military and security apparatus consisting of the former KGB, GUR, MVD and Rosgvardia, to name a few of the “power ministries” you will need to tame. You have an ageing, unmotivated and primarily unskilled workforce. You cannot rely on the legal system because Russia never developed the rule of law. The entire system is drowning in corruption, and your best and brightest minds, the flower of the youth, live and work abroad. Finally, you have almost 100 nationalities with varying degrees of thirst for independence that have always failed to deliver at the critical juncture, whether in 1905, 1917 or 1991. They always start with generalities and peddling simple ideas and superficial solutions, they have a poor history of delivering on their vision.

Over the last twenty-three years, they have proved unable to subjugate their overblown egos in the interests of a nation. That is why Putin had such an easy time dividing and conquering.

Any hope that there is a political force capable of leading Russia to a future other than breaking apart on the one hand or transforming into a larger version of North Korea under an even more brutal tyrant than the venerable Putin is, in my opinion, a misplaced pipe dream. Indeed, there is only one conclusion to be drawn: “Après Putin, le déluge!”

On May 1, the coalition of “Russian Democratic Forces” met in Berlin to try to frame a potential vision for Russia after Putin. Their efforts resulted in a declarative petition consisting of five points diluted in generalities. The points are:

1. The war against Ukraine is criminal. Russian troops must be withdrawn from all occupied territories. The internationally recognised borders of Russia must be restored, war criminals must be brought to justice, and compensation must be paid to victims of aggression.

2. Putin’s regime is illegitimate and criminal. Therefore it must be eliminated. We see Russia as a country in which the rights and freedoms of the individual are guaranteed and in which the possibility of usurpation of state power is excluded.

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Alexander Kabanovsky is a formerly Russia-based banker and entrepreneur. This article first appeared on his substack “Thinking Out Loud”.

“Politics, history, culture and whatever strikes me as important or interesting. For the time being, highly focused on the war in Ukraine.”
Aft months in which Ukrainian officials and their Western cheerleaders talked up the chances of a quick victory, now they are trying to manage expectations. Defence Minister Oleksiy Reznikov has warned that “the expectation from our counter-offensive campaign is overestimated in the world,” while President Volodymyr Zelenskiy has suggested that the counter-offensive is not imminent, and that while they could “go forward, and, I think, be successful,” with what they already had, “we’d lose a lot of people. I think that’s unacceptable. So we need to wait. We still need a bit more time.”

Of course, just as earlier boosterism was intended to encourage Western allies to pledge military assistance in the hope of a quicker end to the war, there is likely to be a degree of deliberate disinformation at work now: why let the Russians know when you’re coming for them? It also reflects, though, a genuine uncertainty about the outcome.

The unavoidable operation
No one is ever completely ready for a military operation: there is always room for more men, more materiel, more planning, more preparation. Ultimately, it is often a question of balancing ‘ready enough’ with the wider context, given that all wars are ultimately political acts. Indeed, according to the Russians, the Ukrainians have already started their counter-offensive, even if we can hardly take Moscow at face value.

Nonetheless, Kyiv does have to launch some kind of spring or summer offensive. Domestic politics require it, and it is also necessary to demonstrate that all the billions of Western financial and military assistance are being put to good use. Nato leaders unlocked more assistance, including providing modern tanks, precisely with the hope or expectation that this could bring forward the end of the war. As a British diplomat admitted, “the coalition can probably hold together for another year of war, but if this starts to look indefinite or unwinnable, then it’s going to get harder and harder.” With an eye on Donald Trump’s campaign and his refusal to state that he wants a Ukrainian victory, a US colleague was even more downbeat: “it’s going to be crucial that the Ukrainians are clearly winning before we get into our presidential campaigns,” fearing that “it’s hard to campaign on a good money after bad ticket.”

Ideally, then, Kyiv wants some kind of dramatic turnaround. Wars are rarely all about lines on the map, but territorial gains have a powerful symbolic political value, and the kind of breakthrough that was achieved last year from Kharkiv or liberating a city would be hard to ignore. Less dramatic but perhaps of even greater operational value would be shifting the nature of the conflict from a grinding attritional struggle, which favours Russia’s larger population base, into a more fluid war of manoeuvre, in which Ukrainian elan and Western heavy metal could be put to the fullest use.

The chance of a breakthrough
On paper, this is unlikely. The Russians have taken heavy losses, but these have been more than offset by the mobilisation of 300,000 reservists last year, and even as the Wagner mercenary group is being ground away in Bakhmut, new mercenary forces are being established, even by corporate giants such as Gazprom. Rather than a sign that they expect some Mad Maxian future for Russia of warlordism and anarchy, this in in effect an indirect tax. In Putin’s mobilisation state, those who have benefited from the patronage of the regime – or who hope to maintain their fortunes – are being expected to play their part in the ‘Great Patriotic Military Operation.’

Furthermore, the Russians know that the Ukrainians are coming, even if not necessarily when or where. Beyond Bakhmut and a few other particular hotspots, they are largely moving into a defensive stance, in their newly-built lines of trenches. It is always dangerous to underestimate the tenacity of Russian troops in defence; however, it is equally foolish to forget the crucial role of morale. Many of these troops are poorly trained, badly disciplined and recalcitrant draftees. Do they have enough food and ammunition? Do they know what they are there for? Are their officers working with them to form coherent units? On past showing, the answer is likely to be in the main, no. General Gerasimov’s ill-conceived early spring offensive, presumably launched to

The anticipation of Ukraine’s mooted counter-offensive is palpable, but the timing and outcome remain opaque. / www.shutterstock.com
There is no sign yet that Putin’s grip on the security apparatus is weak enough that any challenge would succeed – or even be launched.

Although a comprehensive collapse of the Russian lines in Ukraine might perhaps pose the kind of systemic challenge which could force the elite to reassessing their support for him, there is no sign yet that Putin’s grip on the security apparatus is weak enough that any challenge would succeed – or even be launched. Besides, even if Russia is driven out of these regions, it still has the means to attack and subvert Ukraine, and many Western countries would be deeply resistant to supporting a further campaign into Russian territory.

Really, it is Crimea that is key. This is the one part of Ukraine that most Russians genuinely believe is rightfully theirs, whose annexation helped revive Putin’s fortunes, and a peninsula whose strategic importance outweighs all the rest of the occupied territories. Although much is written about his so-called ‘red lines’ – which, time and again, prove to be no more than pale pink when challenged – the risk of a quick loss of Crimea probably is about the only likely scenario which might push a panicked Putin into some dangerous escalation, whether nuclear or not.

Mindful of this – and of Western worries – Kyiv is unlikely to make such a direct strike at the peninsula. Instead, their strategy is likely to be closer to how they liberated Kherson. After an initial and bloodily unsuccessful bid to storm the city, they instead settled down in a campaign of isolation and harassment, using their new, Western-supplied long-range artillery to break supply lines, shatter command centres and generally make it clear to the Russians that they were no more than sitting ducks. Eventually, the generals prevailed on Putin and were allowed to withdraw.

Of course, Crimea is not Kherson, but if the ‘land bridge’ is broken, the Kerch Bridge would no doubt soon follow. Civilians and soldiers on the peninsula alike would need to be supplied by vulnerable air and sea links, which would be unequal to the task. It could be that eventually Putin accepts that it is better to try to strike a deal than see a hungry and hopeless Crimea surrender on its own initiative. Even so, that may not be enough to save his presidency, as ‘turbopatriots’ and technocrats alike ask themselves for what did Russia invade in the first place, and at what cost?

No guarantees

Of course, this is just one potential future scenario, and the most positive one from Ukraine’s point of view. Ukraine has also suffered heavy losses, which has especially thinned out its experienced junior and field officers, and it still lacks proper air support, and is having to adapt quickly to new tactics and new equipment. In many ways, this will be a clash of unknowns: Russian morale in defence in depth against Ukraine’s capacity to defeat it.

As a result, one could as easily posit minimal territorial gains, Ukrainian forces being held away from Melitopol and the other urban centres, which are, after all, generally harder targets for frontal assault, as the Russians demonstrated with Kherson, and autumn rolling round with the war still in near-stalemate. This is the working assumption of most professional analysts at the moment, as opposed to the armchair generals who have staked out social media as their playpen.

Russia will still face serious challenges, not least in the tough political decision of when to launch another mobilisation wave to replenish its depleted forces (doing so before the September gubernatorial elections would seem to be asking for trouble), but it may also be contemplating 2024, with elections due in both Ukraine and the USA, with a little more confidence.

So much, it seems, will rest on this counter-offensive.

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Azerbaijan has adjusted its foreign policy agenda to target the Balkan region that is more vulnerable to the energy crisis than the states of Central and Western Europe.

Energy has long been the core element of Azerbaijan’s pragmatic foreign policy, and recently it gained more impetus as European nations sought additional energy suppliers to replace Russian fossil fuel exports. Although the EU’s leading member countries are able to compensate for energy shortages by using energy reserves, employing alternative energy sources and importing additional gas volumes from alternative suppliers, the less developed Balkan states are struggling to adapt to the energy deficit.

More gas for the Balkans
On April 26, a signing ceremony for the memorandum of understanding on encouraging cooperation among Bulgartransgaz (Bulgaria), Transgaz (Romania), FGSZ (Hungary), Eustream (Slovakia) and the State Oil Company of the Azerbaijan Republic (SOCAR) was held in Sofia. The memorandum paves the way for additional Azeri gas volumes to flow to the Balkans amid the unprecedented energy crisis in Europe caused by Russia’s invasion of Ukraine. Moreover, the document highlighting Azerbaijan's strategic partnership with the Balkan nations will ease the cooperation between the local authorities and the transmission and distribution system operators.

With the expansion of multilateral ties, President Ilham Aliyev’s recent visits to Albania, Bosnia & Herzegovina, Bulgaria and Serbia – with which Baku has established individual partnerships – fit into a broader framework, with Azerbaijan increasingly pivoting toward the Balkans.

The cooperation is along similar lines to Azerbaijan’s engagement with the EU, which is based on energy. Substituting for Russian gas

According to the recent EU-Azerbaijan deal signed in February 2023, Baku plans to double natural gas exports by 2027, while the first steps are being made to start exporting green energy to European countries. Moreover, Azerbaijan’s natural gas export increased from 19bn cubic metres (bcm) to 22.6 bcm in 2022.

Despite Azerbaijan’s increasing exports and its natural gas reserves, it is not able to fully substitute for Russia at the pan-European level in terms of gas supply. However, it can play a crucial role in promoting the energy security of individual states, both in the European Union and in the EU’s immediate neighbourhood, by reducing their dependence on Russian gas. Before the Ukraine war, Russia provided roughly 40% of all imported gas to the EU, while recently the exports fell around 30% last year. In 2022, European nations mainly compensated with LNG from the US, which accounted for 64% of Europe’s LNG imports.

Baku plans to pump additional gas volumes to Europe after extracting the first gas from the Absheron gas field, which will be a key step in increasing gas production in Azerbaijan. According to estimates, the gas field possesses around 350 bcm of natural gas and 45mn tonnes of gas condensate. Various forecasting models indicate that gas production in Azerbaijan will be about 49.2 bcm in 2024 and 49.7 bcm in 2025.

Shared resources
It is questionable whether Azerbaijan would be able to increase gas flow simultaneously to the EU and the Balkans and meet growing domestic consumption.

Moreover, considering the EU’s strong commitment to peace and stability in the European continent, it supports Azerbaijan’s engagement with the economically vulnerable Balkan states.

Moreover, Azerbaijan’s activities in the Balkans are welcomed due to natural gas exports and its capability to help boost the development of green energy and transmission of energy from renewable sources to the European market. According to local media, Azerbaijan plans to increase the share of renewable energy sources in the country’s overall energy production to 30% by 2030.

In this regard, a new agreement between Azerbaijan, Georgia, Hungary and Romania was signed in December 2022 to develop the 1,100-kilometre-long Black Sea strategic submarine electricity cable aimed at transporting energy from Azerbaijan to the European Union through Georgia.

Azerbaijan’s rapprochement with the Balkan countries is not limited only to fossil fuel exports and green energy but also to large investment projects in the region. In 2023, Azerbaijan is set to invest significantly in gas infrastructure in Albania amid the ongoing expansion into the region’s gas distribution network, as the country currently mainly relies on hydropower.
Russian budget deficit passes full-year target in 4M23 to RUB3.4 trillion, but the Ministry of Finance won’t be in trouble this year

Russia’s budget deficit expanded further to RUB3.424 trillion ($45bn) in January-April, sailing past the target for the full year of RUB2.9 trillion, the Finance Ministry reported on May 10, but the monthly deficits are already moderating.

Revenue shrank by 22% on the year in the period to RUB7.782 trillion, while the crucial oil and gas revenue dropped by half (52%) to RUB2.282 trillion but non-oil and gas revenue was up modestly by 5% to RUB5.5 trillion.

Ukraine’s inflation dropped to 17.6% y/y in April

Annual inflation in Ukraine dropped to 17.6% in April, down from 21.3% in March, Interfax Ukraine reported on May 10.

Core inflation fell to February levels of 0.5%, down from 1.5% in March. The prices of consumer goods slowed down to 0.2%, dropping from 1.5% in March.

Albanian lek reaches new record high against the euro

Albania’s currency, the lek, continued its rise against the euro in the first five months of 2023, reaching new highs against the European single currency.

On May 11, the exchange rate was around ALL110 to the euro, central bank data showed, as the lek rose above the ALL113 to the euro recorded at the end of December 2022.

War, de-dollarisation and high inflation drive gold prices over $2,000

Gold prices have risen to break through the psychologically important $2,000 per troy ounce mark as emerging markets (EMs) buy up record amounts of the yellow metal to try to insulate themselves against the unfolding polycrisis.

EMs have added impetus to the gold price as countries around the world sell off their dollar assets, usually US treasury bills, as part of a growing de-dollarisation drive after the US decision to weaponise its currency as a sanction against Russia. Persistent high inflation has also increased the appeal of gold.
Number of Russians living below poverty line falls to under 10% for the first time in 20 years

bne IntelliNews

Russia reported record low poverty rates at the end of 2022, with the number of people living below the poverty line falling to 14.3mn, or 9.8% of the population, according to RosStat data.

The figure has not dropped below 10% since 1992. The population was also less differentiated by income levels, with the ratio of the income of the richest 10% to the poorest 10% at the lowest level since 1998, at 13.8 times, reports Vedomosti.

RosStat’s regional data indicated that poverty rates rose in only four regions, with Ingushetia showing the highest rate of 30.5%. The greatest decline in poverty was recorded in the Jewish Autonomous Region, where the rate fell by 2.1 percentage points to 20.3%. The poverty rate in Moscow and St Petersburg declined by 0.5% pp to 5% and 4.5% respectively.

The government has set a target of reducing poverty to 6.5% by 2030, with the 2023 goal of 10.1% almost achieved. At a meeting of the deputy prime ministers in March, Deputy Prime Minister Tatyana Golikova reported that 3.6mn Russians have lifted their incomes above the subsistence level over the past five years.

In related news, the Central Bank of Russia (CBR) has improved its forecast for inflation and the rate of recovery of the Russian economy in 2023.

The regulator now anticipates GDP growth of 0.5-2%, although back in February it predicted a range of -1% to +1% growth in 2023.

The upper estimate of the range is even more positive than that of the Ministry of Economic Development – they forecast GDP growth at the end of the year by 1.2%. Presidential Aide Maxim Oreshkin, speaking at the educational marathon “Knowledge. First”, estimated economic growth in 2023 at 1-2%, reports Vedomosti.

The CBR also expects inflation to be lower than expected in February – at the level of 4.5-6.5% against 5-7%.

The Ministry of Economy predicts price growth at the level of 5.3%.

Russia’s poverty rates have fallen to a record low of 9.8%, below 10% for the first time since 1992. The government hopes to reduce poverty to 6.5% by 2030.
Someone bombed Saudi Arabia’s biggest oil production facility knocking out 5.7mbpd of production – the biggest oil supply outage ever. Oil prices in Asia opened 20% higher the following day – the largest single increase ever. Investors had to scramble to keep up.

Was a return to $100 oil on the cards? Was a supply-side squeeze coming? Would the US bomb Iran, who was being blamed for the attack?

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