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## INTELLINEWS

April

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With Russia and Serbia distracted, Montenegro takes aim at EU accession progress

Kazakh ex-president Nazarbayev's foundation paid \$5mn fee for fawning Oliver Stone miniseries, investigation finds



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House, one of the LPP brands. / LPP

# Polish fashion giant LPP's stock price collapses after sale of Russian business reported as faked

Wojciech Kosciuszko in Warsaw

**T**he stock price of the Warsaw-listed Polish fashion retailer LPP collapsed 35.8% on March 15 following a report by Hindenburg Research, a business investigation company and short seller, which said that the sale of the LPP's Russian business was staged and it continues to do business in Russia.

The report, titled "Operating behind enemy lines: how fashion powerhouse LPP masked a fake Russia 'sell-off' using front entities and encrypted barcodes", claimed that LPP's excellent financial results after it had announced it was exiting Russia prove that the exit was a "complete sham".

Selling LPP's Russian business to a Chinese entity was "a façade to hide [the] truth of not selling the Russian operations", a "senior LPP employee" told Hindenburg Research.

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"LPP's Russian operations are still 'directly controlled by LPP HQ and board,'" the report also said, quoting the employee. Hindenburg Research said in its report that it took a short position on LPP shares.

LPP fiercely denied the report, which collapsed its stock price nearly 36% in one day, dragging the Warsaw Stock Exchange's main index, the WIG, and the blue-chip index WIG-20, along.

"LPP's Russian operations are still 'directly controlled by LPP HQ and board'"

According to LPP, the report by Hindenburg Research is part of a "planned five-month disinformation attack aimed at lowering the company's stock value" and an attempt at taking control of LPP by external entities.

"The report prepared by Hindenburg Research is a component of a long-standing disinformation attack aimed at reducing the value of the LPP Group's shares. We

informed the Ministry of Foreign Affairs and the National Revenue Administration about this situation," LPP said. Hindenburg Research is an American company founded in 2017, specialising in financial investigations and taking short positions on selected company stocks.

LPP called a press conference on March 18 to address the allegations by Hindenburg Research. ●

## Hungary signs agreement with UAE on construction of €5bn city centre 'mini-Dubai' in Budapest

### Tamas Csonka in Budapest

**H**ungary signed an economic cooperation agreement with the United Arab Emirates on March 14 that paves the way for a €5bn rehabilitation project in Budapest, creating a massive new quarter in the capital.

The agreement was signed by Minister of Foreign Affairs and Trade Peter Szijjarto and the UAE's Minister of State for Foreign Trade Thani bin Ahmed Al Zeyoudi in Budapest.

At a joint press conference after the signing, Szijjarto said the "flagship" project by UAE developer Eagle Hills would give new impetus to the countries' economic cooperation.

Hungary has been courting Asian and Middle East investors to drive its economic development, a policy which has extra importance now that it has been cut off from European Union funds because of the radical rightwing government's violations of the rule of law.

The project dubbed by the press as mini-Dubai would transform a 130-hectare area at the location of a less frequented local train station yard in a northern part of the capital into a new city quarter with tourism, economic, business and sports functions.

According to the government, the investment will elevate Budapest to the ranks of modern global cities, which could bring millions of new tourists, Lazar said.

The investor would have a 60-hectare area to build new offices and residential and commercial properties and is obliged to build 20-25 hectares of green area, the largest contiguous green area in Budapest. Infrastructure development would cover around 30-35 hectares.

A fast railway link would be established between Budapest centre and Ferenc Liszt International Airport.

The government on its own part will carry out €1bn worth of infrastructure investments, which include the reconstruction of transport hubs in the area and the extension of Europe's second-oldest metro in Budapest.

Critics warned that the government gave a free hand to the investors to build skyscrapers in the area lying a few kilometers north of the iconic Heroes Square, which would completely transform the city's skyline.

At the press conference, Szijjarto said enhanced cooperation between Hungary and the UAE could pave the way for investments in other branches of the economy

Bilateral trade between Hungary and the UAE had climbed to over \$1bn a year and pointed to the presence there of Hungarian companies in the food industry and ICT sector.

Mr Al Zeyoudi called the agreement a "milestone" for economic relations with Hungary and said there was potential for further cooperation in the food industry and energy sector, including nuclear and renewables. ●



The €5bn development project by UAE developer Eagle Hills would transform Budapest's skyline. / bne IntelliNews

# Liberty Steel's financial crisis is just the latest blow for CEE's steel industry

Robert Anderson in Prague

**G**lobal steel group Liberty Steel's struggling operations in Czechia, Romania, Hungary and North Macedonia have become collateral damage in the British-based steel group's wider financial crisis.

Liberty Steel, part of industrialist Sanjeev Gupta's GFG Alliance, has been in deep trouble since the collapse of the group's main lender, supply-chain finance group Greensill Capital, in 2021, to which GFG owes a reported \$5bn. Since Greensill's collapse, GFG has been desperately trying to find replacement sources of finance, while fending off creditors and fighting allegations of fraud.

The CEE mills are key to the story, as several were used as collateral for some of the Greensill loans, and they are now being squeezed because of the wider group's financial woes.

They are also the subject of a separate lawsuit by the world's second largest steel group, Arcelor-Mittal, which alleges that Liberty Steel did not stump up the €140mn in deferred payment it owes from when it bought them as part of a wider €740mn deal in 2019.

Yet the woes of Liberty Steel's mills also reflect the struggle of former Communist Central and Eastern Europe's once mighty steel sector to remain competitive.

Soaring energy and coal prices and falling steel demand and prices following Russia's invasion of Ukraine have hurt a sector already struggling to adapt to European Union environmental rules that reduced their competitiveness compared to Asian rivals. Many have had to cut production and shutter blast furnaces.

Liberty Steel's Czech mill in Ostrava says that "soaring energy costs when combined with other input cost rises and high inflation mean that it is almost impossible for it to produce steel at a price which allows it to compete effectively with foreign competitors".

Many CEE mills have received little financial help from their governments – notably with making the transition to a green economy – because of swollen budget deficits or ideological resistance to state aid and scepticism on green issues.

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In Czechia, Liberty Steel's operations are at a virtual standstill and it is under court protection from insolvency. / bne IntelliNews

Many of the region's steel mills want to move away from using coking coal and invest in direct reduction iron technologies such as using gas or hydrogen, as well as modern electric arc steel furnaces using green electricity, which would help reduce their emissions and need for ever costlier carbon credits. However, they lack the finance for this because of continuing losses and a shortage of green electricity and hydrogen sources.

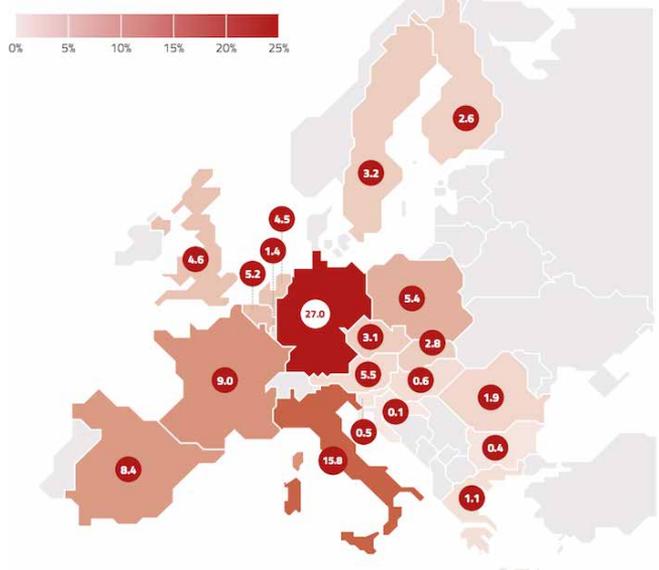
Some mills are also looking to move away from making raw iron altogether but cannot do so because of a regional shortage of scrap iron and the disruption to sourcing semi-finished steel imports from Russia and Ukraine.

Below *bne IntelliNews* correspondents across CEE report on the struggles of the main steel plants in the region, beginning with the four key ones owned by Liberty Steel.

EU COUNTRIES SHOWN BY RELATIVE SIZE OF CRUDE STEEL PRODUCTION

MAP • 2022

SOURCE: EUROFER



## Czechia

In Czechia, Liberty Steel's operations are at a virtual standstill and it is under court protection from insolvency while it finalises a restructuring plan.

But Liberty Steel has managed to antagonise the government and the unions at the country's largest steel mill, formerly known as Nova Hut, as well as suppliers, including its main energy provider, Arcelor-Mittal owned Tameh.

Insolvency is therefore still a very real threat. Unions say up to 30,000 jobs in total are dependent on the plant in what is one of Czechia's poorest regions.

The government accuses Liberty Steel of not communicating with it and also alleges that the group owes money to the Ostrava company. There was an outcry when Liberty Ostrava sold carbon credits to its Romanian sister company, and the government is now reportedly refusing to give it a further reported CZK5bn (€200mn) in carbon credits because of a fear that these too will be moved out of the country.

"If the owner had left the money in Liberty [Ostrava], there would be no problem either with the state, or with the energy supplier, or with other suppliers who supply Liberty with products or services," Finance Minister Zbynek Stanjura told Czech TV recently.

The government has also made thinly veiled threats to take legal action against the company unless it sees a viable restructuring plan and the money is returned to Ostrava. Minister of Industry and Trade Jozef Sikela recently sent a strong letter urging the group to rescue Liberty Ostrava.

"The minister again urged the speedy return of a significant portion of this money back to the Liberty Ostrava company," deputy industry ministry spokesman Marek Vosahlik told *bne IntelliNews*, adding that "Czech legislation requires the members of company bodies to act with economic care, which is key for due and responsible management, especially in the case of financial difficulties such as those Liberty Ostrava faces."

Vosahlik also said that "the minister is pointing to possible legal repercussions for breaching of these duties, including financial responsibility in case of bankruptcy".

He added that "the government continues to expect a credible restructuring plan from representatives of Liberty Steel".

The integrated plant's 6,000 workers have been told to stay at home (on full pay) since December. They have staged a series of protests and many are now seeking alternative employment, fearing the worst.

The Tameh power plant – which is integrated with the mill but was separated from the rest of the company when Liberty Steel bought the Ostrava plant from Arcelor-Mittal – declared insolvency and cut off power to Liberty Steel in December because of the mill's unpaid bills of CZK1.8bn. It said Liberty

Ostrava is not negotiating in good faith over the debts and had petitioned for an end to the company's protection from insolvency, a plea that was rejected on February 27.

Liberty Ostrava needs Tameh to restore power in order to resume operations, but the latter is refusing to do so until it has been paid at least a substantial portion of its debts. The dispute is further complicated by the fact that eventually Liberty Ostrava intends to end its dependence on Tameh, whose energy bills it says are "onerous".

A Liberty Steel Group spokesperson said after the court decision on February 27 that "the court's decision to maintain the general moratorium shows faith in our plans, which provides the best route to keep the business solvent, restart operations, retain thousands of jobs and tens of thousands in the supply chain. It is also the only plan that will repay all undisputed creditors. Last week we provided Tameh with a solution to resolve the impasse on energy supply and we are restarting our downstream operations through the supply of slab feedstock, which will lead to around 1,500 people returning to work."

Liberty Steel says it is finalising its restructuring plan. Once this is done, it then has to be approved by a majority (75%) of creditors, probably in April.

Liberty Steel says its plan is to shift production at the plant – which has a capacity of 3.6mn tonnes per year (tpy) of steel – to higher-valued steel products, and has said that it wants to buy in coke and stop its own coke production, and import semi-finished steel products to use in new electric arc furnaces that it has ordered.

This would require investment of CZK8.6bn over eight years and – partly through building renewable energy plants and a new power line – make the company carbon-neutral by 2030. It says it already has an investor lined up that would inject €200mn.

"Liberty Ostrava's restructuring plan, which has now been shared and discussed with the majority of our creditors and other major stakeholders, shows a clear and achievable path back to profitability and the repayment of creditors, aided by significant support from Liberty Steel Group," Paddy Toyne-Sewell, spokesman for the GFG Alliance, told *bne IntelliNews*. "However, its success depends on the restart of the Tameh power plant, without which we cannot restart Ostrava's blast furnace no.3 and the steel plant."

"Liberty Ostrava's robust restructuring plan, which provides a route to restart operations and repay all creditors, is being blocked by Tameh's refusal to negotiate on the future," he added.

## Romania

The blast furnace at Liberty Galati in Romania has operated on and off for a year already, while the company has faced such serious financial challenges that it was forced to sell emission allowances it needed (forcing it later to buy allowances from Liberty Steel Ostrava).

After closing down in October because of the low water level in the Danube, the furnace resumed operations on December 9, only to stop operations during the Christmas period due to problems with raw material supply. The mill restarted production at its rolling mills and hot-dipped galvanised line in January.

Liberty Galati is subject to tens of insolvency requests filed by small-sized suppliers that report that the payment discipline has deteriorated over the past year, according to Europa Libera (Free Europe). The company claims that these are insignificant cases that are being settled. However, the

“Regrettably, the adverse effects of the global economic crisis, coupled with the economic repercussions of the conflict in Ukraine, continue to significantly impact the industry”

appointment of a lawyer (Radu Ionescu) at the top of the company was interpreted as a precautionary measure ahead of more significant legal complications being anticipated.

The steel mill is also seeking a €150mn state-guaranteed bank loan from Exim Banca Romaneasca under a scheme aimed at helping companies facing problems as a result of the war in Ukraine.

### Hungary

Despite its own financial crisis, Liberty Steel last summer bought Hungary's largest steelmill Dunaferri out of liquidation for about €55mn and recently restarted operations there.

Liberty Dunaujvaros, formerly known as Dunaferri, restarted its rolling mills and the galvanising line on January 8 to fulfil a specific order before production could be ramped up, possibly in the second quarter.

The company intends to shift to green steel production within three years in cooperation with China's state-owned CISDI Engineering Company, which will supply a new 150-tonne capacity electric arc furnace, which will reduce carbon emissions by about 80% and allow for flexibility in charge materials, significantly enhancing the competitiveness of the operation.

“The business will shortly be running a campaign-based production based on around 90,000 tonnes of secured slab,” says Toyne-Sewell.

### North Macedonia

In November, Liberty Steel Skopje decided to diminish its share capital to offset incurred losses. During the initial nine months of 2023, the unit in North Macedonia trimmed its net losses by 34% year on year, reaching MKD667.9mn (€10.9mn).

Following the procedure, the nominal value per share decreased from €5.11 to €1.10.

“Regrettably, the adverse effects of the global economic crisis, coupled with the economic repercussions of the conflict in Ukraine, continue to significantly impact the industry. The decline in income is largely an extension of the prevailing global economic conditions, and our import-export-oriented company keenly feels this impact. Despite stabilised energy prices, the elevated costs of raw materials, particularly the hot-rolled strip, have maintained production costs at a high level. Meanwhile, the prices of finished products have not kept pace with this rise, and reduced demand has led to a contraction in production and sales, resulting in diminished revenues,” the company in Skopje commented.

Liberty Steel Skopje boasts a production capacity of 750,000 tpy for cold-rolled steel, 200,000 tpy for hot-dip galvanised steel and 77,000 tpy for organic-coated steel. Its services cater to construction and industrial clients throughout the Balkans and Southeast Europe. It has approximately 480 employees in North Macedonia.

### Poland

Via its local branch ArcelorMittal Poland (AMP), ArcelorMittal owns Dabrowa Gornicza, one of four steel mills the company operates in Poland.

The mill has been in operation since 1972, being the one-time biggest investment of Poland's communist government. Recently, however, the mill has been struggling in the wake of the global economic slowdown, the decline of the Polish coal industry, increased competition from China, and – last but not least – Poland's political struggle for the release of billions of euros from the EU's pandemic recovery fund.

The latter is important for the steel mill – the largest in Poland – as it is expected that the funds will fund a number of big investments in Poland that will in turn boost demand for steel.

However, the facility's future is uncertain after AMP said in January that it would be idling production at its blast furnace and steel shop in Krakow – which led to speculation that the Dabrowa Gornicza plant was next in line.

The Polish government has a history of supporting the steel industry but, facing budget constraints, and it is not clear how much support it will be able to provide to AMP, if any.

That said, AMP is not giving up. Late last year, the company announced plans to invest PLN720mn (€150mn) to refurbish blast furnace No. 2 at the mill in Dabrowa Gornicza. The investment is expected to allow the mill to operate for the next 15 years, pointing to AMP's confidence in the continuity of operating in Poland.

### Slovakia

The future of US Steel Kosice – the largest mill in the region, with a capacity of 4.5mn tpy – is currently in limbo because of US Steel's sale to Nippon Steel of Japan.

US Steel had planned a big investment to modernise the plant, partly financed by EU and state funds, but this is now in question because of the transfer of ownership.

The new Slovak government is seeking confirmation that the investment plan can still go ahead but everything is hanging on the finalisation of the sale, which still requires US government approval.

Under the plan, some €1.3bn would be invested in replacing two of the company's three furnaces with electric arc ones with a capacity of 3.1mn tpy, financed by €300mn of EU funds and €300mn in state aid.

US Steel Kosice employees 8,300, making it the largest employer in eastern Slovakia. It produced 3.48mn tonnes of raw steel in 2022, giving it €307mn in net profit that year on €4.5bn in revenues.

Production rose to 3.9mn tonnes last year; however, gross profits sunk to only €4mn. One blast furnace was shut in September as losses piled up.

### Serbia

China's Hebei Iron and Steel Group (HBIS), which acquired Zelezara Smederevo, Serbia's only steel mill, in 2016, already shut down one of its two furnaces in 2022.

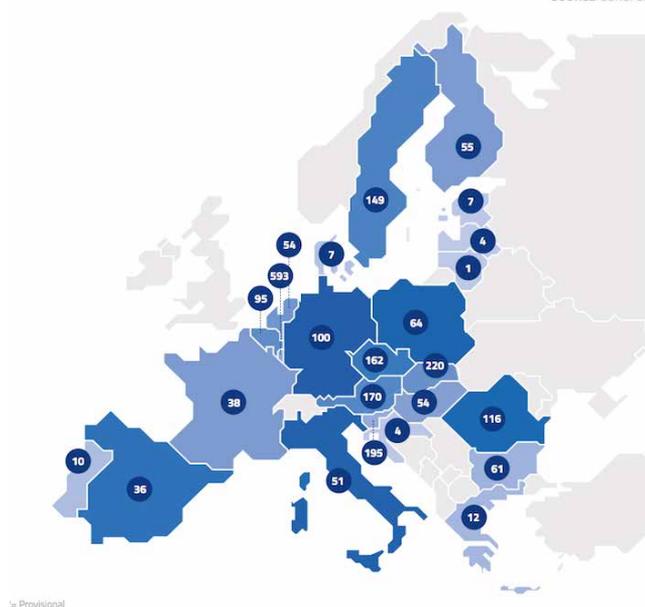
HBIS Group Serbia Iron & Steel has a capacity of 2.2mn tpy of finished products, but steel output is slightly over 1.1mn tonnes of cast slabs, according to an announcement in January.

HBIS Serbia's executive director of operations, Vladan Mihailovic, told state TV channel RTS in January that "the

EMPLOYMENT IN STEEL PER 100,000 PEOPLE

MAP • 2022

SOURCE: EUROFER



Provisional

company is ready to restart blast furnace No. 1 if the steel market and customer needs require it".

Despite this, HBIS remains among Serbia's top exporters. The Ministry of Finance said last year that HBIS' exports reached €374.3mn in the first seven months of 2023. ●

Further reporting by Clare Nuttall in Glasgow, Valentina Dimietrievska in Skopje, Wojciech Kosci in Warsaw, Albin Sybera in Ljubljana and Iulian Ernst in Bucharest.

## INTERVIEW

# Opening up Uzbekistan debt capital market to foreign investors

Ben Aris in Berlin

Uzbekistan is moving towards opening its local debt market up to international investors to create a new source of funding. Similar innovations have already been carried out in several emerging markets in Emerging Europe, with adding Ukraine to the Clearstream international settlements and payments system being the outstanding access. *bne IntelliNews* talks to Bahodir Atakhanov, the chairman of the National Association of Investment Institutions (NAII) about the progress in carrying out a similar reform for the Uzbek capital markets.

### Who is the regulator of the capital market of Uzbekistan?

In September 2023, state regulation of the capital market of Uzbekistan was transferred to the National Agency for Prospective Projects (NAPP), which was formed in April 2022 on the basis of the National Agency for Project Management under the President of Uzbekistan (NAPM). From May 2021 to September 2023, the regulator of the securities market of Uzbekistan was the Ministry of Finance of the Republic of Uzbekistan (later renamed the Ministry of Economy and Finance).



Hooking Uzbekistan to the international financial system that allows foreign investors to buy Uzbek locally issued debt could bring the country billions of dollars of investment every year. / bne IntelliNews

It is worth noting here that the Central Bank and the State Asset Management Agency (SAMA) also have separate regulatory powers.

In case of disagreements between these three organizations, the final decision is taken at the level of the Cabinet of Ministers or the Administration of the President of Uzbekistan. Very rarely do such disputes become known to the public.

Our association is a non-governmental organization, and our rules are applied only to association members. We hope financial industry associations such as NAIL soon will have separate regulatory powers in their sphere, the same as functions granted for associations in auditing, real estate, and appraisal activities. Our vision is to become systemically important organizations following the example of SROs in the USA, the UK, and the EU.

### **What innovations have been made with the transfer of functions for regulating the securities market to the Agency?**

To begin with, I would like to note that in Uzbekistan the legal environment is structured in such a way that most of the regulatory requirements are established by by-laws, i.e. decisions of the President, Government, and ministries and departments. Thus, to enter the Uzbek market it will be absolutely insufficient to know the Constitution, the Civil Code, company law, the law on the securities market, and industry laws.

By the Decree of the President of Uzbekistan dated September 2, 2023, a special legal regime “Regulatory Sandbox” was introduced in the field of the capital market. This Decree defined the basic concepts operating within the framework of this “Regulatory Sandbox”, the rules of activity of foreign participants, as well as mechanisms for ensuring the confidentiality of information about the owners of securities.

At the end of January 2024, the regulator adopted the procedure for providing a special legal regime “Regulatory Sandbox” in the field of the capital market that was developed

with the involvement of the Advisory Council created under the regulator (NAPP) and consisting of representatives of the association, the stock exchange, academia, and foreign experts.

Currently, the regulator, together with the Advisory Council, is working to create a procedure for opening and administering individual investment accounts (IIA), where people can accumulate tax-exempt income, to use it to purchase securities on the local stock exchange. The regulator is also taking measures to resolve the problem of delays in the payment of dividends and coupon income on shares and corporate bonds by introducing centralized payment through the Central Securities Depository and nominal holders (brokerage companies) of these shares and corporate bonds.

In pursuance of the President’s resolution of September 2023, the former and new capital market regulators are working to develop a procedure for applying the preemptive right of employees to purchase stocks of an employer company when it goes public by having an IPO (ESOP). At the same time, employee funds allocated for the purchase of the company shares are subject to exemption from income tax.

In addition, work is underway to develop a procedure for citizens to direct their pension contributions from their salaries to purchase securities, with the right to dispose of income in the form of dividends (interest) until they reach retirement age. Worth mentioning that the pension system in Uzbekistan is centralized and administered by the Ministry of Finance.

### **Why are regulatory sandboxes needed and in what areas are they already used in Uzbekistan?**

Over the past 7 years, incredible administrative reforms have been undertaken in Uzbekistan that catalyzed all political, economic, and social processes in the country.

“By the Decree of the President of Uzbekistan dated September 2, 2023, a special legal regime “Regulatory Sandbox” was introduced in the field of the capital market”

The most significant event in recent years has certainly been the provision of an opportunity for open discussion in the media and social networks of the initiatives proposed by the authorities and the reforms being implemented. I think these discussions have made it clear that entrepreneurs and investors are having difficulty adapting to the rapidly changing legal environment. It is obvious that the legislation of Uzbekistan also does not keep up with global trends in some areas, especially in financial technologies and financial engineering.

In this regard, the government decided to widely apply a preferential legal environment. As far as I know, in the period from 1996 to 2022, such preferential treatment applied only to free economic (industrial) zones (currently the number of SEZs and other special industrial zones in Uzbekistan exceeds 700).

According to the amendment to the Law “On the Central Bank of the Republic of Uzbekistan”, introduced in April 2022, the Central Bank has the right to establish a special legal regime “Regulatory Sandbox” (SLR) for testing new financial transactions, technologies, and services by legal entities in a limited controlled environment (coverage area, testing period, number and (or) volume of transactions and services, number of consumers).

But later, the President of Uzbekistan, by his decree dated November 9, 2022, No. UP-244, agreed to the introduction of SLR starting from January 1, 2023, in other industries and areas. He defined that starting from January 1, 2023:

a) within the framework of the SLR, business entities are allowed to:

- not to comply with the norms of certain legal acts within the limited time, territory, and persons;
- carry out activities without licensing and passing permitting procedures, except for licenses and permitting documents containing state secrets and other confidential information;

b) The SLR is introduced separately for each project by signing an agreement between the authorized state body and the project initiator, which defines the terms and conditions for the implementation of the project, a list of legal norms that do not apply to the initiator, as well as evaluation criteria (indicators) of the project results. At the same time, the longest period of validity of the SLR for each project is three years;

c) upon expiration of the validity period of the SLR, the relevant authorized state body, within a month, conducts an analysis regarding the feasibility of introducing proven products and services, and, if necessary, develops and makes proposals for improving legislative acts.

It should be noted that NAPP introduced the SLR as one of the first in the country - back in 2022, and this regime extended to the crypto-asset market. One of the first projects within the SLR is the introduction of NFTs.

### **What rights do foreign brokerage companies and foreign custodians have within SLR?**

Within the framework of a SLR in the field of capital market :

- foreign investment intermediaries can also act as intermediaries in the securities market of Uzbekistan;
- foreign nominee holders carry out their activities in Uzbekistan without obtaining a separate license or

corresponding permit, creating a branch or a new legal entity, or without participating in the authorized capital of a local legal entity;

- foreign nominee holders can open accounts for securities and carry out their activities in Uzbekistan directly or through an agent;
- foreign nominee holders, including custodian banks, are allowed to open accounts with the Central Bank of Uzbekistan in foreign and national currency;
- Non-resident legal entities selling (buying) securities at trading systems are allowed to open accounts in national currency in commercial banks of Uzbekistan;
- it is allowed to issue corporate bonds denominated in foreign currencies and make related payments in USD, Euros, or other currencies;
- foreign nominee holders are not considered beneficial owners of securities or funds accounted for in their accounts opened in Uzbekistan;
- transfer of securities from a foreign nominee account (or to a foreign nominee account) by free of-payment transfer of securities (FoP) is not considered a sale of these securities and does not create a tax liability for any of the parties if a beneficial owner of this securities doesn't change.

### **May investment companies and foreign investors from any country become participants in the Regulatory Sandbox?**

No, the regulator determined that only a legal entity registered in 36 developed and developing countries, including China and separately Hong Kong, as well as Georgia and Armenia, can be a participant in the SLR in the field of capital markets.

### **Why are Georgia and Armenia included in this list, but Russia, Kazakhstan, and Belarus are not?**

Why Russian and Belarusian companies cannot take advantage of the preferential legal regime in the capital market of Uzbekistan is not difficult to understand, given the restrictive political and economic measures imposed by states and international organizations in relation to Russia and Belarus.

Kazakhstan has its own International Financial Centre - “Astana”, where a special legal regime operates. Astana IFC has its special regulator - Astana Financial Services Authority (AFSA) and AIFC Court. The AIFC strives to become a regional financial centre, and thanks to the conditions created companies from other Central Asian countries, including Uzbekistan, began to use services within the AIFC.

As for providing preferential opportunities in the capital market for Georgian and Armenian companies, I think the regulator has its own vision in this regard.

### **Considering the legal features you mentioned in Uzbekistan, can foreign investors use the mediation or**

### arbitration procedure to resolve emerging disputes as an alternative to proceedings in the economic courts of Uzbekistan?

Certainly. There are three separate Laws of Uzbekistan – on arbitration courts, on mediation, and on international commercial arbitration.

Also, the Law “On Investments and Investment Activities” ( dated December 25, 2019) states that “a dispute related to foreign investment and arising from the investment activity of a foreign investor (investment dispute) in the Republic of Uzbekistan is resolved through negotiations. If the parties

to the investment dispute are unable to reach an agreed settlement of the dispute through negotiations, such a dispute should be resolved through mediation”.

In addition, the Law “On the Privatisation of State Property”, signed by the President on February 14, 2024, stipulates that in the event of non-fulfilment or improper fulfilment of obligations under the purchase and sale agreement of privatised state property, the parties have the right to take measures to conduct mediation procedures.

Certain provisions regarding mediation are also envisaged in the Economic Procedure Code of Uzbekistan. ●

## Azerbaijan developing significant gold, copper and other minerals resources

Seymur Mammadov in Baku

**T**he British company Anglo Asian Mining PLC (AAM), which mines gold, silver, and copper in Azerbaijan, has completed a preliminary assessment of the mineral resources of the Kharkhar copper deposit in the Gedabek district of Azerbaijan, according to the JORC code standards.

The deposit has an estimated 22mn tonnes with a copper content of 106,000 tonnes. In addition, there are assumed to be additional mineral resources amounting to 2.9mn tonnes with a copper content of 12,800 tonnes, according to the AAM report. This means that the assessment according to the JORC code confirms the presence of mineralization at the site of 24.9mn tonnes with an average copper content of 0.48%. The total geological copper reserves at the site are estimated at around 119,000 tonnes.

AAM plans to start mining at the Kharkhar deposit in 2026 and to extract approximately 9,000 tonnes of copper per year over a period of seven years. The terrain of the Kharkhar deposit allows for open-pit mining.

A PSA type contract with the British was signed on August 21, 1997, and involved the development of six deposits in the country. Azerbaijan's share in the contract is 51%, while AAM holds a 49% stake. Under a new agreement signed in September 2021, the company acquired three new contract areas and relinquished rights to one. Thus, the company currently holds rights to develop eight contract areas in Azerbaijan.

According to Azerbaijani media, in January 2024, it was reported that the British company AAM obtained an additional loan of \$5mn from the International Bank of

Azerbaijan (IBA) as part of its existing credit line. The total loan amount received by AAM from the IBA reached \$15mn (AZM25.5mn). The total credit line opened by the IBA for the mining company amounts to \$32.3mn. Last year AAM also secured a loan of \$5.6mn from Access Bank.

According to company experts, the development of this deposit, as well as other contract areas provided for by the contract, promises significant profit.

The mining industry holds one of the key positions in the development of the non-oil sector in Azerbaijan. Currently, the country's mining industry is adapting to new global approaches, issues of cooperation with partners in terms of applying new approaches and technologies, as well as increasing investments in this area, are being considered.

At present, projects related to the development of gold deposits play an important role in the economy of Azerbaijan. Discoveries of gold deposits by Azerbaijani geologists in the regions of Tovuz, Gedabek, Dashkesan, Balakan, and the Nakhchivan Autonomous Republic, as well as in Goygol, has significant potential, say experts. It is expected that more deposits will be discovered in Azerbaijan in the future.

The possibilities of the liberated territories in Nagorno-Karabakh, which have considerable potential, are also being studied. In general, Azerbaijan produces iron, aluminium, chromite, gold, silver, lead, zinc, cobalt, molybdenum ores, iron ores, and others. Iron ores are mainly concentrated in Dashkesan. Gold deposits are most widespread in the territory of the Lesser Caucasus and the Nakhchivan Autonomous Republic.

In March 2020, Azerbaijan approved the State Program for the Geological Study of Subsoil and Efficient Use of the Mineral Resource Base for 2020-2024. In May 2022, changes were made to the State Program to focus more on mining. In accordance with the amendments, a comprehensive database on the geological structure and mineral resources of the East Zangezur and Karabakh economic regions is being created in the country.

According to various estimates, the liberated territories contain 155-165 different types of mineral deposits, including five gold deposits, six mercury deposits, two copper deposits, one lead and zinc deposit, and 19 deposits of facing stones, etc.

A special place here is occupied by the Kalbajar district, where the largest gold deposit in the Caucasus, the Soyudlu deposit, is located. The Kalbajar district is one of the regions of the country richest in underground and surface natural resources. As a result of geological exploration work carried out here since the 1950s, mineral deposits have been discovered, the reserves of which have been calculated and included in the state balance. Up to 1993, the Kalbajar district had reserves of 130 tonnes of gold, 190.33 tonnes of silver, 45.82 tonnes of tellurium, 248.89 tonnes of selenium, and 939 tonnes of mercury. The Soyudlu deposit, partially extending into the territory of Armenia, consists of 23 gold-bearing veins, 17 of which are located directly in Kalbajar. In addition, there are the Agduzdag and Gyzylbulag gold deposits, the Shorbulag and Agyatag mercury deposits, and the Mehmmana polymetallic deposit.

The Lachin district (Shahkerem, Lalabagirli, Garabeyli, Feredzh), as well as Zangilan (Vezhnali), are also rich in gold. The liberated territories are also rich in various types of building materials – marble and marbleized limestone, granite, tuff, basalt, limestone. In the Agdam district, there are large deposits – Chobandag, Shahbulag, Boyahmedli.

Azerbaijani economist Vugar Bayramov, a member of the Milli Majlis Committee on Economic Policy, Industry, and Entrepreneurship commented to *bne IntelliNews* on the prospects of the Vezhnali gold deposit in the Zangilan district, noting that preliminary Soviet estimates made before the 1990s indicated the presence of 6.5 tonnes of gold reserves. He emphasised that thanks to advances in technology, it

“Nagorno-Karabakh contains 155-165 different types of mineral deposits, including five gold deposits, six mercury deposits, two copper deposits, one lead and zinc deposit, and 19 deposits of facing stones, etc”

might be possible to extract additional amounts of gold from these reserves. Bayramov also expressed the view that the Vezhnali deposit would not only boost gold mining but also allow for the expansion of copper and other minerals extraction.

The expert expressed confidence that the development and deepening of resource extraction in the Eastern Zangezur economic region would contribute to the creation of a new processing industry in the country. He added that the extracted gold would be partly directed for processing and subsequent sale on the domestic market, which in turn would help increase foreign exchange reserves and the assortment of local products on the Azerbaijani market.



Best known for oil and gas production, Azerbaijan also has significant deposits of gold, silver, copper and other minerals it is now actively developing.

Bayramov emphasised that these changes are expected in the near future and that the Eastern Zangezur region will have a significant impact on meeting Azerbaijan's gold needs.

Meanwhile, the return of resources from liberated territories to the state balance has opened new opportunities for mining companies.

In January 2023, the Joint Stock Company Azerbaijan Investment Company and StarMining LLC established a new mining company – Shahbulaq Mining LLC. The company was created for the purpose of developing the Shahbulag stone quarry in the Agdam district of Azerbaijan. The founders of Shahbulag Mining LLC contributed AZM5.1mn to its charter

“The gold and silver deposit located in the north of the Dashkesan region near the village of Chovdar has proven reserves of 51.1 tonnes of ore, of which 11.4 tonnes are located on the surface, the rest are underground”

capital to finance the project. Notably, construction work in Agdam is being carried out using materials produced at the Shahbulag deposit. Studies have shown high durability of the white Agdam stone.

At the end of last year, the Azerbaijan International Mining Company Limited (AIMC) held a presentation in Gedabek. The presentation showcased newly acquired underground mining equipment. This equipment is intended for the development and future exploitation of the recently discovered Gilan and Zafar underground deposits. It is noted that this equipment will be used for the first time in the mining industry of Azerbaijan and meets the most modern requirements.

According to the Exploration, Development and Production Sharing Agreement, signed on August 20, 1997, between the Ministry of Ecology and Natural Resources of Azerbaijan and the American company Investment Group Services LLC, as well as an amendment to it dated June 20, 2022, AIMC has the rights to explore and develop gold, copper, and polymetallic deposits. These deposits, Gyzybulag, Demirli, and Vejnali, are located in the liberated territories, in the Eastern Zangezur economic region.

In addition, the largest deposits of iron ore in Azerbaijan are located in Dashkesan. The industrial reserves of the Dashkesan iron ore deposits (by category A+B+C) amount to 250mn tonnes. The Dashkesan iron ore deposit fully

supplied the Rustavi metallurgical plant in Georgia with iron concentrate for many years. The composition of the iron ore, which has reserves sufficient for 90 years, also includes cobalt ore of industrial significance. The Dashkesan region is also known for industrially significant cobalt ores. It is also home to the largest deposit of aluminium ore in Europe.

The gold and silver deposit located in the north of the Dashkesan region near the village of Chovdar has proven reserves of 51.1 tonnes of ore, of which 11.4 tonnes are located on the surface, the rest are underground.

The work on Chovdar is being carried out by the Chovdar Integrated Regional Processing Complex under AzerGold CJSC. Mining at this gold mine began in 2016 and allowed the mining company to become a leader among the exporters of non-oil products of the country.

The export of gold and silver earned about AZM640mn to the economy of the republic. As of July 2021, a total of more than 245,000 ounces of gold and over 434,000 ounces of silver were exported. AzerGold used to receive subsidies from the government but in the last few years is a net contributor to the budget. The gold deposits Agyokhush-1 and Agyokhush-2 included in the structure of the complex were discovered in 2017, and Marakh, located on the border of the Geokchay and Dashkesan districts, was discovered in 2018.

Since 2020, the scope of AzerGold's activities has expanded. AzerGold was also entrusted with the development and management of black metal ore deposits in the country. By the corresponding Order of the head of the state, Dashkesan Iron Ore LLC, started its activity. The main goal of this project is to put the iron ore deposits into operation in a short time and to meet the need to substitute scrap metal raw materials for the production of higher quality metallurgical products.

Copper deposits are also found in Gedabek and Kalbajar. Polymetals are mined at the Gumushlu (Nakhchivan), Mehmene (Agdere), and Filizchay (Balakan) deposits. According to the latest data, geological investigations continue at the Ortakend gold deposit in the Julfa region of the Nakhchivan Autonomous Republic, where there is an estimated 424,000 ounces of extractable gold.

Azerbaijan possesses significant natural resources, including oil and gas, which traditionally occupy leading positions in the country's resource portfolio. Additionally, the mining sector also holds substantial potential. Concrete steps were taken during the Soviet era to exploit these natural riches. However, in the post-Soviet period, the industry faced difficulties due to a lack of necessary investments, leading to delays in its development. Nevertheless, active investment attraction, as well as modernization and reforms in the mining sector, can significantly enhance the efficiency of utilising these resources, contributing to the growth of the national economy. ●

# EU lifts sanctions from Yandex founder

## bne IntelliNews

**T**he EU has lifted sanctions on Arkady Volozh, the founder of Russian internet giant Yandex, according to the latest entries to the official EU journal.

Volozh was sanctioned in June 2022, and immediately resigned from all positions in Yandex.

As followed by *bne IntelliNews*, the lawyers of Volozh had reportedly formally requested for the EU sanctions on him to be lifted back in August 2023. Their arguments are understood to have gained more traction after Volozh publicly condemned Russia's "barbaric war" full-scale military invasion of Ukraine. However, this did not yield any results and sanctions on Volozh remained in place when they were reviewed on September 15.

Since then, Netherlands-based Yandex NV (YNV), which holds all the non-Russian assets, announced its exit from the Russian market on February 5, selling its Russian operations to a consortium led by the local management team for RUB475bn (\$5.2bn). This made it the largest corporate exit from the country since Russia invaded Ukraine in February 2022.

Sources told Reuters previously that "legal arguments in court against Volozh were easing given the proposed full divestment" of his stake in the Russian business of Yandex Russia, which is now a separate entity. Yandex NV, the international part of the business, will soon be rebranded, sources close to the company told *bne IntelliNews*.

Volozh's inclusion in the sanctions lists was explained by the fact that Yandex's shareholders and investors are state banks Sberbank and VTB, while the company itself is responsible for promoting Russian state media and silencing content critical of the Kremlin, including content related to Russia's full-scale military invasion of Ukraine.

According to the latest update to the EU sanctions list, together with Arkady Volozh, the following individuals had the sanctions lifted:



Arkady Volozh had publicly condemned Russia's "barbaric war" full-scale military invasion of Ukraine. / *bne IntelliNews*

- Sergei Mndoyants, former vice-president of AFK Sistema multi-industry investment conglomerate;
- Slovakian citizen Josef Humblek, who heads the European branch of the Night Wolves pro-Kremlin motorcycle club;
- PMC Wagner commander Dmitry Utkin (died in August 2023);
- State Duma deputy Nikolai Bortsov (died in April 2023);
- State Duma deputy Victor Zubarev (died in May 2023);
- Deputy Minister of Defence Gennady Zhidko (died in August 2023).

Notably, the former head of infamous private military company "Wagner Yevgeny Prigozhin, who died in a plane crash in August 2023 shortly after a failed mutiny, remains under EU sanctions.

In July the UK government lifted its sanctions on exiled Russian banker Oleg Tinkov, who published a sharp foul-mouthed critique of the "insane war" in Ukraine on his social media, but then was forced to sell his TCS banking group to Russian oligarch Vladimir Potanin. Some of these lifting decisions, such as lifting the EU sanctions from Kremlin-linked media mogul Grigory Berezkin, have been seen as questionable.

In 2022 some 20 Russian billionaires threatened to contest sanctions imposed on them by the EU following Russia's invasion of Ukraine. This includes the family members of metals and tech tycoon Alisher Usmanov, industrialist and former EuroChem director Andrey Melnichenko. Dmitry Konov, the former CEO of petrochemicals manufacturer Sibur, is also appealing against the sanctions against him. ●

"Their arguments are understood to have gained more traction after Volozh publicly condemned Russia's "barbaric war" full-scale military invasion of Ukraine"

# Turkish terminal freezes Russian oil business



Dortyol's been the subject of complaints from disgruntled US senators. / GTS, globalterminal-tr.com

## bne IntelliNews

**M**id-sized Turkish oil trans-shipment terminal Dortyol – at the centre of controversy in January when US senators claimed that “masked Russian oil” supplied via the facility even ended up in US warships after being processed at a Greek refinery – is reportedly no longer accept Russian imports.

Dortyol, a Mediterranean terminal run by Global Terminal Services (GTS), received record Russian crude volumes last year. GTS' reported move to end such shipments comes amid an increase in Ukraine War-related sanctions pressure applied by the US.

“GTS decided to cut all possible connections to Russian oil and declared accordingly to its customers in late February 2024 that even if there is no breach of any laws, regulations or sanctions, it would not accept any product of Russian origin or any products loaded from Russian ports as an additional measure to the sanction rules in effect,” GTS told *Reuters*.

“In its statement, GTS said that all previous operations were in full compliance with sanctions including the G7's price cap”

Turkey has grown into one of the biggest importers of Russian crude and fuel since February 2022, when the West hit Moscow with sanctions in response to its invasion of Ukraine. Since then, Russia has been re-routing oil away from Europe and the US to Asia, Turkey and Africa.

In its statement, GTS said that all previous operations were in full compliance with sanctions including the G7's price cap.

“GTS's new approach is an additional measure to eliminate the effects of activities that are beyond its reach and control despite the efforts to comply with all applicable sanctions,” GTS added.

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A US move unveiled in December to strike financial firms enabling doing business with secondary sanctions may have chilled Turkish-Russian trade. Turkish exports to Russia were down by a third in the first two months of this year, according to official Turkish statistics, while Turkish payments for Russian oil have been disrupted or slowed in some cases.

The Dortyol terminal imports, exports and stores fuel and crude. It received 11.74mn barrels of Russian crude and fuel last year, data from shipping analytics firm Kpler show.

*Reuters* said the imports made Dortyol Turkey's seventh largest import terminal by volume, up from 10th place in 2021. Its 2023 Russian crude and fuel imports, said the news agency, were around seven times higher than the total volume it received from all origins in 2021.

The terminal's exports also leapt in 2023. They jumped almost fivefold from pre-Ukraine invasion year 2021 to approximately 24.7mn barrels, according to Kpler.

GTS said it would still accept Russian cargoes nominated before its ban took effect in late-February.

Ankara opposes Western sanctions on Moscow, though it has been critical of Russia's waging of war on Ukraine. The Erdogan administration's approach to the Ukraine conflict involves maintaining amicable ties with both Moscow and Kyiv. It argues that in the event of there being an opening for peace talks, Turkey, a Black Sea neighbour of both Russia and Ukraine, could serve as a mediator trusted by both parties.

However, Western capitals have grown increasingly unsettled by the economic opportunities Turkey has exploited as a country not placing sanctions on Russia, especially as regards claims that flows of dual-use technologies – items that can be ostensibly acquired for civilian purposes before being redirected for use in the making of military equipment – to Russian buyers from, or via, Turkey have become important to the Vladimir Putin regime's equipping of its war machine. ●

# Romania wins \$6.7bn litigation over Rosia Montana gold mining project

## Iulian Ernst in Bucharest

The Arbitral Tribunal of the World Bank's settlement centre ICSID has rejected all the claims against Romania by Canada-registered Gabriel Resources, which accused the Romanian government of expropriating its investments in the Rosia Montana gold mining project and breaching two bilateral foreign investment agreements, with the UK and Canada.

Gabriel Resources sued Romania at the World Bank's ICSID back in 2015, citing \$4.4bn losses incurred as a result of Romania's denial of the environmental documents necessary for the development of the project.

The ruling, adopted with a majority of two out of three votes, is final.

Gabriel Resources also has to pay Romania nearly \$10m to compensate the country's expenditures with legal fees.

"The tribunal took into account the multiple environmental, social, cultural and economic challenges faced by the mining project, finding that the Romanian authorities fulfilled their regulatory mandate 'as best they could in these difficult circumstances'," the team of lawyers who represented Romania explained.

The ruling in full is expected after some 20 days and Romanian Prime Minister Marcel Ciolacu insisted on full disclosure of non-confidential information related to the case.

One of the members of the Romanian law firm defending the government, Leaua, Damcali, Deaconu, Păunescu (LLDP), Crenguta Leaua, said that the decision "confirms that Romania has observed its obligations towards the foreign investor, as provided by the mutual protection treaties of investments".

Another member of Romania's team of lawyers, Veijo Heiskanen of Lalive Avocats, Switzerland, said that "justice was served" and as a result, Romania will be able to allocate some \$6bn "to more sustainable and important issues".

## Gabriel Resources reacts

The chair of Gabriel Resources Anna El-Erian, in his turn, said that the ruling was "deeply flawed", pointed to the separate opinion expressed by the dissenting arbitrator and mentioned that "options will be evaluated".

"The company is analysing the tribunal's decision with its legal advisers to evaluate its options, including to challenge

the decision through the annulment process prescribed by the ICSID Convention," Gabriel Resources' press release reads.

"We will be studying the Tribunal's decision in detail before evaluating our next steps," said Dragos Tanase, CEO of Gabriel Resources.

The expropriation was allegedly carried out through multiple actions, including the politicisation of the case, Gabriel Resources claimed.

Romania did not issue a recommendation on the Environmental Impact Assessment (EIA) for about nine years (2006-2015) and unnecessarily placed the area supposed to host the gold mine under UNESCO protection thus hindering the development of the project, Gabriel Resources claimed. Furthermore, the investor accused Romania of unnecessarily drafting and later not adopting in parliament a bill that would have accelerated the project.

Romania answered in its defence that only Gabriel Resources and its project company are responsible for failing to obtain the environmental permit and the "social license" (public approval) for the project.

Furthermore, according to the answer pleading quoted by CursDeGuvernare, Romania claims that none of its actions (and particularly placing the project's location under UNESCO protection) hinders the investor's capacity to request all the necessary permits. This in principle means that Gabriel Resources can go ahead with the project, if the mining license, which expires this year, is prolonged.



Gabriel Resources sued Romania at the World Bank's ICSID over the stalled Rosia Montana project back in 2015.

### Rosia Montana's project timeline

The mining license was issued in 1999 with no competitive procedures to state-owned Minvest. Gabriel Resources is the majority owner (80%) of Rosia Montana Gold Corporation (RMGC), a joint company formed in the same year with Minvest, which holds 20%. Under the joint venture with Gabriel Resources, Minvest transfers the license to RMGC.

RMGC filed the project's Environmental Impact Assessment (EIA) in 2005.

In 2007, then environment minister Attila Korodi suspended the issuance procedure for the permit requested by the company, because RMGC failed to submit the urban planning document (PUZ) for the area. Korodi was part of a government formed in 2007 by the Social Democrats (PSD) and Liberals (PNL) – thus with the same structure as the current (2024) ruling coalition.

The PUZ was suspended and later annulled by a court, after objections were made by green NGOs.

Gabriel Resources sued Korodi and one of his subordinates for their actions but lost the case in court.

In 2013, the Romanian government, led by Social Democrat PM Victor Ponta, drafted a bill aimed at accelerating the Rosia Montana gold mining project. However, faced with massive protests organised by green NGOs, the bill was not endorsed by lawmakers.

In 2017, the technocratic Romanian government filed a request to place the Rosia Montana region including the mining site under UNESCO protection. The request was accepted by UNESCO in 2021.

### Minister criticised

Finance Minister Marcel Bolos claimed that the lawyers defending the Romanian government estimated the odds of a ruling in favour of Romania as “very slim”.

His constant pessimistic comments doubled the price of Gabriel Resources's shares on the Toronto Exchange, the opposition said – implying insider trading.

In the litigation initiated in 2015, Gabriel Resources asked for compensation of up to \$6.7bn, Bolos announced in early February, quoting Romania's lawyers, Lalive and LDDP. ●

## Romanian hypermarket chain La Cocos expands in market dominated by foreign players

### Iulian Ernst in Bucharest

**R**omanian hypermarket chain La Cocos has announced the opening of its fourth store, in the central Romanian city of Brasov. The Brasov La Cocos store is the first unit officially announced as part of La Cocos' expansion plan, which includes the opening of five more units in 2024 and 2025.

Romania's retail market is dominated by foreign players, primarily Lidl and Kaufland. La Cocos' turnover reached RON1bn (€200mn) last year, behind the RON1.5bn reported by the tenth-largest foreign player – Cora, taken over by Carrefour in 2023 – the previous year.

Before opening the store in Brasov, La Cocos was operating three hypermarkets – two in Ploiesti and one in Bucharest.

The new store, opened with an investment facilitated by the real estate consultancy firm Cushman Wakefield, will have an area of approximately 10,000 sqm, and is located in the Brintex-Braşov retail complex, in the densely-populated Bartolomeu neighbourhood.

La Cocos reported €144mn in revenues in 2022 and €111mn in revenues in 2021. The company has constantly recorded profits since 2014, its first year of operations.

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La Cocos is a new concept in the Romanian market, a retail format which offers three price levels to its customers, depending on the quantity purchased. These stores operate in large urban areas, providing approximately 12,000 of the best-known and best-selling products in the country.

The expansion plan began in November 2020 with a move to Bucharest, where the second store opened in the Vitantiss Shopping Center, with an area of approximately 11,400 sq. m. The third unit was inaugurated in November 2023, also in Ploiesti, with a sales area of around 13,000 sq. m, being the largest store operated by an independent retail food chain in Romania.

The largest retail chains by turnover, as of 2022, were the local operations of German retailers Lidl (RON18.5bn) and Kaufland (RON16.0bn).

Third placed was Romanian Profi, which also had the most extensive retail chain in the country in terms of outlets. In 2023, Profi was taken over by global food retailer Ahold Delhaize, which already operates the Mega Image brand in Romania, from private equity investor MidEuropa. The €1.3bn deal was the largest exit by a private equity fund in the food segment in Central and Eastern Europe. ●



bne:Bond

# Croatia, Montenegro issue bonds to high investor interest

bne IntelliNews

**B**oth Croatia and Montenegro tapped international markets with new bond issues, reporting high levels of interest from investors.

Croatia's finance ministry said on March 6 it has successfully issued a 10-year Eurobond with a nominal value of €1.5bn on the international market with demand from investors exceeding €8.5bn.

The annual coupon was set at 3.375%, with an achieved yield to maturity of 3.421%, the finance ministry said in a statement on its website. The Eurobond will mature in 2034.

"The strong demand and the achieved final conditions of the issue are a strong confirmation of Croatia's credibility as issuer on the international market, and of investors' trust in the Croatian economy and public finances, especially after the entry in the eurozone and Schengen," the ministry said.

Croatia picked Deutsche Bank, J.P. Morgan, Morgan Stanley and UniCredit's Croatian unit Zagrebacka Banka as agents for the issue.

The finance ministry said that the subscription for the bond was held the previous day and 180 investors from areas including Austria, Benelux, Central and Eastern Europe, Denmark, Germany, Switzerland and the UK showed interest in the issue.

## Montenegro makes US dollar debut

Also on March 6, Montenegro's Finance Minister Novica Vukovic said the government raised \$750mn from its first US dollar bond issue, above its initial plan for up to \$700mn amid significant

interest from investors. The demand totalled \$4.6bn.

The seven-year bond will cover Podgorica's previous bonds that mature in 2024 and 2025.

"We do not borrow for spending on administration but because of earlier debt that must be repaid regularly," Vukovic said.

He was referring to accusations by the opposition that the government of Prime Minister Milojko Spajic is increasing the country's debt to finance higher wages and pensions.

In 2024, Montenegro has to repay debt worth €656.7mn.

Vukovic added that the budget law for 2024 allows the government to borrow up to €1.15bn this year.

The finance minister noted that the country's first US dollar bond has attracted new investors and will save to the country around €35mn as a hedging in euro was agreed.

The yield was 5.88%, below the 6.5% yield on secondary market of existing bonds. At the same time, thanks to the hedging arrangement, Montenegro will repay the bond in euros.

Earlier in March, Gojko Maksimovic, head of the financial markets division of Hipotekarna Banka, leaked information about the planned bond, saying that Montenegro intended to sell between \$500mn and \$700mn depending on investors' demand.

Montenegro targeted a yield of 7.5%, according to Maksimovic. ●



The finance ministry in Zagreb said the high investor interest was "strong confirmation of Croatia's credibility as issuer on the international market"



# OKX announces launch of crypto exchange in Turkey

bne IntelliNews

**O**KX on February 27 announced the launch of a crypto exchange in Turkey, OKX TR. Company president Hong Fang said: "The official launch of OKX TR is a significant milestone in our global expansion strategy.

"With a crypto adoption rate close to 50%, Türkiye represents a very dynamic and promising market for the industry as it continues to develop. The population's high level of engagement and understanding of digital assets makes it an ideal environment for OKX, and we're strongly committed to helping continue to grow this already vibrant ecosystem."

Given the collapse of the Turkish lira (TRY) in recent years, many Turks have invested in crypto in an effort at protecting their assets.

In May last year, research firm GWI said ownership of digital currencies in Turkey stood at the highest level in the world at 27.1% followed by Argentina's 23.5% – both percentages were well above the global crypto ownership rate figure estimated at 11.9%.

Ahead of the GWI figures, Bank of International Settlements (BIS) data showed Turks held the world number one spot for crypto currency exchange app adoption.

Crypto took a blow in Turkey in April 2021 when the Thodex exchange ceased operations as Turkish prosecutors issued a red notice to Interpol for the arrest of CEO Faruk Fatih Ozer amid reports he had fled with a fortune in investors' money. Last September, Ozer and a sister and a brother were imprisoned for 11,196 years each for swindling investors of millions of dollars.

On OKX TR, users will have access to enhanced localised features, including TRY direct deposits and withdrawals from banking partners Fibabanka, VakifBank, Ziraat Bankasi, Is Bankasi, Sekerbank and Türkiye Finans, Seychelles-headquartered OKX said.

The platform will enable trading in cryptocurrency pairs including USTD/TRY, BTC/TRY and ETH/TRY.

In October last year, OKX commercial chief Lennix Lai told City A.M. that more digital asset exchanges should be made to publish proof of reserves to shore up trust. Crypto exchanges, he said, should be made to prove they can cope with a flood of withdrawals from customers. The comments came as certain regulators tightened the screws on the crypto sector in the wake of the FTX collapse in 2022. ●



OKX announces the arrival of its Turkey exchange on the market. / @okx

# Chinese online marketplace Temu under scrutiny by Hungary's competition watchdog

## bne IntelliNews

**H**ungary's Competition Office (GVH) announced the launch of a procedure against Whaleco Technology, the European operator of Chinese-owned online marketplace Temu on March 13, two weeks after launching a probe.

Ecommerce Hungary (ECH), an association of Hungarian e-retailers, filed a complaint against the company after it cut off a huge market share with its aggressive pricing strategies and potential below-cost selling practices. ECH said the company's business practices distort the market and harm European and Hungarian online businesses.

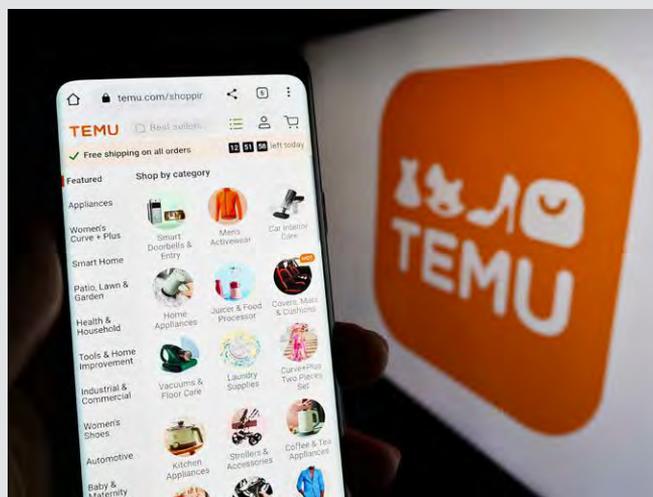
GVH experts assessed reports and collected information, and the oversight procedure was launched on that basis. Messages on the Temu platform urging consumers to "hurry up" with their purchases because a limited number of the products are left, or touting products rated "five stars" by earlier buyers is likely a form of "psychological pressure", while promises of discounts of "as much as 95%" could be misleading, GVH said.

With the launch of the procedure, GVH aims to clarify the facts and determine whether violations indeed took place.

The initial timeframe for the procedure is three months. GVH noted that fines levied in oversight procedures are capped at 13% of global, consolidated revenue.

Head of ECH, Istvan Zabari told *Forbes* that they do not want to stifle competition, just a level playing field, as local businesses have to adhere to many regulations currently disregarded by Temu. Companies like Kifli.hu, the Hungarian unit of Czech online retailer Rohlík.cz has brought in the best of innovation to the market.

Temu's predatory pricing has raised alarm bells among local online marketplace operators. Since its launch six months ago, the company carved out a 25-29% market share within



Chinese online marketplace Temu has carved out a significant market share in Hungary in less than six months. / bne IntelliNews

foreign e-commerce sites from just 0.5% in September, which made it the second-largest online marketplace in the entire market. It also boasted an HUF18,000 (€45) average basket value in January, which is considered sizeable, according to figures by online market researcher GKID.

GVH pays close attention to the practices of tech companies and online market platforms that affect the interests of large numbers of consumers and businesses, and has required Google and PayPal to take remedial measures and sanctioned Apple and Booking.com in recent years.

A year ago, e-commerce platform Wish agreed to modify its business practices to avoid a fine after a GVH probe, and GVH closed a probe of TikTok in November that achieved a global impact.

Temu also released a statement saying the company is "fully" cooperating with the inquiry and is ready to take "all necessary steps" to "ensure that operations meet the highest standards of compliance". ●

“Ecommerce Hungary (ECH), an association of Hungarian e-retailers, filed a complaint against the company after it cut off a huge market share with its aggressive pricing strategies and potential below-cost selling practices”

# US sanctions Intellexa consortium entities in Hungary and North Macedonia for spyware development

## bne IntelliNews

The US Department of the Treasury's Office of Foreign Assets Control (OFAC) said on March 5 it imposed sanctions on five companies associated with the Intellexa Consortium, a developer and distributor of spyware software, including entities from North Macedonia and Hungary.

Among the targeted entities are Cytrox AD from North Macedonia and Cytrox Holding from Hungary, along with Greek company Intellexa S.A., as well as Intellexa Limited and Thalestris Limited from Ireland. Additionally, two individuals linked to the consortium have also been placed under sanctions.

The sanctions were imposed due to the consortium's role in developing, operating, and distributing commercial spyware technology that has been used to target Americans, including US government officials, journalists, and policy experts.

The proliferation of such commercial spyware presents a growing security risk to the United States and has been exploited by foreign actors for human rights abuses and the targeting of dissidents worldwide.

Under Secretary of the Treasury for Terrorism and Financial Intelligence Brian E. Nelson stressed the importance of the sanctions, stating: "Today's actions represent a tangible step forward in discouraging the misuse of commercial surveillance tools, which increasingly present a security risk to the United States and our citizens."

He mentioned the US commitment to establishing clear guidelines for the responsible development and use of such technologies while safeguarding human rights and civil liberties globally.

Since its establishment in 2019, the Intellexa Consortium has acted as a marketing label for various offensive cyber companies offering commercial spyware and surveillance tools.

[www.bne.eu](http://www.bne.eu)



OFAC says companies in Hungary and North Macedonia sanctioned for developing Intellexa's Predator spyware. / bne IntelliNews

The flagship product, known as the Predator spyware suite, is capable of infiltrating electronic devices through zero-click attacks, requiring no user interaction for infection. This software has been deployed by foreign actors in covert surveillance campaigns targeting US government officials, journalists, and policy experts.

The Predator spyware, once successfully installed, allows operators to access sensitive information, including contacts, call logs, messaging data, microphone recordings, and media from the infected device.

As a result of the sanctions, all property and interests in property of the designated entities and individuals within the United States or under the control of US persons are now blocked and must be reported to OFAC. Furthermore, any entities owned 50% or more by the sanctioned individuals or companies are also subject to the same restrictions.

Cyrox AD, situated in North Macedonia was the developer of the consortium's Predator spyware. Meanwhile, Cyrox Holdings ZRT based in Hungary, is another entity within the Intellexa Consortium which was initially responsible for developing the Predator spyware, with production subsequently shifting to North Macedonia's unit. ●

"The proliferation of such commercial spyware presents a growing security risk to the United States and has been exploited by foreign actors for human rights abuses and the targeting of dissidents worldwide"

# Tirana-based Dev.al acquires Rubicon to enter financial services market

## bne IntelliNews

**T**irana-based software development company Dev.al has acquired a controlling majority of Rubicon, an electronic money institution (EMI) licensed by the Bank of Albania, and a principal member of Mastercard.

Dev.al has a client base of over 20,000 trading entities in Albania, and is recognised for its software solutions and customer-centric approach. With the takeover of Rubicon, the company is expanding into the financial services sector.

“The purchase of the Rubicon control pack marks an important culmination in the Dev.al journey, entering the realm of financial technology electronic payment solutions,” the company said in a press release posted on its Facebook page.

Rubicon, known for its popular instant payment app Pago.al, offers various services, including debit card issuance and POS devices for both in-store and e-commerce transactions.

“We’re excited to finalise this agreement,” said Igli Gjelshti, founder and director of Dev.al. “Expanding into payment solutions was a logical step for us, given our expertise in billing and sales solutions. This move allows us to deepen our presence in the financial services sector and better serve our clients.”

“We see great potential in partnering with Dev.al,” commented Eno Kotmilo, CEO of Rubicon. “This collaboration strengthens our market position and enables us to offer comprehensive solutions to our clients. Together, we’re well-positioned to lead the evolution of electronic payments in Albania and beyond.”

Under the Dev Group umbrella, Rubicon and Pago will continue operating under their existing brands. According to the press release, “Synergies between the two companies will pave the way for improved product development, higher market penetration and better customer service”. ●

“The purchase of the Rubicon control pack marks an important culmination in the Dev.al journey, entering the realm of financial technology electronic payment solutions”

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# Romania refuses to license Huawei equipment for 5G applications

## bne IntelliNews

**R**omania has officially rejected a request filed by the Chinese telecommunications group Huawei, which wanted its equipment to be used in the 5G network in Romania, according to a decision published in the Official Journal.

The government explained that this decision was taken “based on law 163/2021 regarding the adoption of measures related to information and communication infrastructures of national interest and the conditions for the implementation of 5G networks”.

The law stipulates that communication providers will be able to use in 5G networks only technologies, equipment and software from manufacturers authorised in advance by the decision of the prime minister, based on the approval of the National Defence Council (CSAT).

The decision was also based on the evaluations carried out by the institutions with responsibilities in the field, from the point of view of the risks, threats and vulnerabilities to the national security and defence of the country and by referring to the obligations assumed by the Romanian state within the framework of cooperation at the level of international organisations of which Romania is a part, of the European Union and bilateral strategic partnerships.

A study commissioned by Huawei, carried out by the law firm Dentons and the consultancy Audytel, showed in 2021 that the Chinese company would lose €2.7bn if it were excluded from the telecommunications market in Romania with the implementation of the 5G law. ●



Neighbouring Hungary, Poland and Slovakia all have battery plants for electric vehicles either operating or in preparation. / bne IntelliNews



bne:Green

## Czech giga factory greenlighted by environmental organisations

Albin Sybera

**P**lans to build an electric vehicle battery factory in Dolni Lutyně near Karvina in the northeast Czech Moravian-Silesian region have been greenlighted after environmental organisations signed an agreement with the state. This has unblocked the preparatory works on the location.

“Contracting parties are interested in enabling preparations and realisation of the industrial zone in Dolni Lutyně”, the introduction to the agreement on cooperation signed by the Czech state, the Moravian-Silesian Region and several environmental organisations was quoted as saying by Czech Radio.

The news of the plans to build the CZK200bn (€7.9bn) giga factory near Karvina appeared in the news last week. The Czech state received an offer from an international company, but it declined to give further details.

Spokesperson of the Ministry of Industry and Trade Vojtech Srnka described the location as “meeting demanding criteria of the mulled end investor of the project”, adding that it

“has a sufficient size, it is close to the electricity plant Detmarovice, which enables sufficient connection to technical infrastructure” and that highway and railroad connection is near.

The state owns about 60% of the location, and the “ownership unification” is part of the preparatory works, the spokesperson of the Moravian-Silesian region, Nikol Birklenova, told *Czech Radio* last week.

Czechia has one of the world’s largest car-making industries per capita, but it is struggling to transition to electro-mobility without a battery plant, which produces the most significant component of electric vehicles. Neighbouring Hungary, Poland and Slovakia all have battery plants either operating or in preparation.

The previous plan to build a giga factory near Pilsen ended after Volkswagen, the parent company of Czech Skoda Auto and a potential investor of the giga factory, shelved the plans.

The works on the location near Karvina are still subject to a positive assessment of the state environmental agency AOPK, since an environmentally protected area borders the planned location.

The signed agreement stipulates that the state will carry out a biological survey, an assessment of the impact on land and nature, an assessment of the impact on the protected bird

zone, and water quality analysis and geological examinations.

“If the feasibility study works conclude that realisation of the Industrial zone Dolni Lutyne would lead to the annihilation of the bird zone [...] the parties won’t make [...] steps in further preparations” on the location, the signed agreement states. The project could end also if the signed parties failed to agree on compensation measures. ●

## Energy-related CO2 emissions increased last year, but slower than in 2022, says IEA

### bne IntelliNews

In 2023, global CO2 emissions from energy rose at a slower pace compared with the previous year. Despite a surge in total energy demand growth, analysis from the International Energy Agency (IEA) indicates that the expansion of solar PV, wind power, nuclear energy and electric vehicles (EVs) helped limit the reliance on fossil fuels.

Clean energy technologies played a crucial role in curbing a potentially larger increase in CO2 emissions over the past five years, said IEA.

Emissions saw a 1.1% uptick in 2023 totalling 410mn tonnes, in contrast to the 490mn tonne increase in the preceding year. This most recent rise brought emissions to a new peak of 37.4bn tonnes.

An unprecedented decline in hydropower, caused by severe droughts in China, the United States and other economies, led to more than 40% of the emissions rise as countries turned predominantly to fossil fuels to compensate. Were it not for reduced hydropower output, global CO2 emissions from electricity generation would have actually decreased, mitigating the overall rise in energy-related emissions, said the agency.

These insights stem from the IEA’s yearly assessment of global energy-related CO2 emissions, alongside the debut of its Clean Energy Market Monitor. This new series offers up-to-date monitoring of clean energy adoption for specific technologies, shedding light on broader implications for global energy markets.

Advanced economies witnessed a historic drop in their CO2 emissions in 2023 despite economic growth. Their emissions reached a 50-year low, accompanied by a decline in coal demand to levels not seen since the early 1900s.

The reduction in emissions within advanced economies stemmed from increased deployment of renewables, a shift from coal to gas, enhancements in energy efficiency and a softer industrial output. Last year marked the first time

in which low-emissions sources such as renewables and nuclear accounted for at least half of electricity generation in advanced economies.

“The clean energy transition has undergone a series of stress tests in the last five years – and it has demonstrated its resilience,” said IEA executive director Fatih Birol. “A pandemic, an energy crisis and geopolitical instability all had the potential to derail efforts to build cleaner and more secure energy systems. Instead, we’ve seen the opposite in many economies. “

He continued: “The clean energy transition is continuing apace and reining in emissions – even with global energy demand growing more strongly in 2023 than in 2022. The commitments made by nearly 200 countries at COP28 in Dubai in December show what the world needs to do to put emissions on a downward trajectory. Most importantly, we need far greater efforts to enable emerging and developing economies to ramp up clean energy investment.”

Between 2019 and 2023, clean energy growth outpaced fossil fuels twofold, said IEA. The agency’s recent analysis indicates



Global energy-related CO2 emissions rose less fast in 2023 than 2022, in part because of the use of more renewable energy. / GWEC

that adopting clean energy tech over the past five years significantly restrained fossil fuel demand, hastening the shift away from them this decade.

Wind and solar PV deployment in global electricity systems since 2019 circumvented yearly coal use equivalent to India and Indonesia's electricity sectors combined, and diminished annual natural gas demand akin to Russia's pre-war exports to the EU. With electric cars making up one-fifth of new global car sales in 2023, oil demand – in terms of energy content – stayed below pre-pandemic levels.

The Clean Energy Market Monitor underscores the imbalance in clean energy deployment, primarily in advanced economies and China, emphasising the need for greater global efforts to boost clean energy investment and deployment in emerging markets. In 2023, advanced economies and China dominated 90% of

new solar PV and wind power installations globally, and 95% of EV sales. However, not all clean energy sectors progressed equally; heat pump sales dipped slightly, underscoring the necessity for ongoing policy support for fair transitions.

China's clean energy deployment surged, with it adding as much solar PV capacity in 2023 as the entire world did in 2022. Nevertheless, a dismal year for hydropower output and post-pandemic economic resurgence drove up China's emissions by approximately 565mn tonnes.

In India, robust GDP growth propelled emissions up by about 190mn tonnes in 2023. A weaker than normal monsoon boosted electricity demand and reduced hydropower output, contributing a quarter to India's emissions hike. Despite this, India's per capita emissions remain well below the global average. ●

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## EU wants fossil fuel companies to help pay to fight climate change

Roberta Harrington in Los Angeles

**T**he European Union plans to urge the fossil fuel industry to aid in combating climate change in less affluent nations under a United Nations objective, a preliminary document reveals. This comes as nations gear up for discussions this year at the UN's COP29 regarding a worldwide financial objective.

Reuters, in an exclusive, reported on the document. The initial EU statement, outlining the bloc's focal points for climate diplomacy this year, may undergo modifications before its formal adoption by EU foreign ministers later this month.

This year's UN climate talks, scheduled for November in Baku, Azerbaijan, serve as the cutoff for nations to establish a fresh objective regarding how much prosperous, industrialised nations should allocate to assist less affluent ones in adapting to the severe impacts of a warmer planet.

Given the escalating expenses linked to deadly heatwaves, droughts and the rising sea levels, the anticipated new climate finance objective is likely to surpass the existing UN commitment by wealthy countries to expend \$100bn annually from 2020 – a target they missed.

A preliminary statement for a forthcoming meeting of EU foreign ministers towards the end of this month indicates that the 27-nation bloc intends to advocate for the inclusion of the oil and gas sector in contributing to these efforts.

"Recognising that public finance alone cannot provide the quantum necessary for the new goal, additional, new and

innovative sources of finance from a wide variety of sources, including from the fossil fuel sector, should be identified and utilised," said the draft statement, which was seen by Reuters.

At COP29 in Baku, nations face a choice: whether the new climate finance objective will rely solely on public funds or involve private enterprises and global institutions to meet the escalating needs of developing nations.

The OECD has projected that the genuine climate investment requirements of poorer nations could amount to \$1 trillion annually by 2025.

Wopke Hoekstra, the EU's climate policy leader, aims to garner backing for international levies on fossil fuels. However, achieving consensus on such a pact poses a considerable challenge, given the widespread support necessary for a global initiative.

The EU aims for climate neutrality by 2050.

According to the preliminary document, the EU will persist in demanding that major emerging economies and countries with significant CO2 emissions and per-capita wealth, such as China and Middle Eastern nations, contribute to the new UN climate finance target.

China has vehemently opposed this stance in prior UN climate negotiations. The issue of which nations should contribute is poised to be a central point of contention at this year's COP29 climate summit. ●

# Jellyfish invasion threat to Turkey's tourism ambitions

## bne IntelliNews

The seas of Turkey are experiencing an onslaught of invasive jellyfish. The country's difficulties with enormous swarms of the unsightly stingers pose a threat to its real prospects of leapfrogging France to become Europe's second most popular tourist destination after Spain, in tandem with unbearable summer temperatures increasingly besetting Mediterranean resorts as part of climate change.

Rising water temperatures caused by the climate crisis, as well as pollution, create a favourable environment for jellyfish proliferation. Jellyfish populations along Turkey's coastline have surged in recent years, particularly in the Marmara and Mediterranean Seas, *Hurriyet* reported on February 27.

Swimmers and beachgoers are told not to touch jellyfish as they are poisonous and can pack a nasty sting.

Turkey's National Jellyfish & Gelatinous Organisms Watch Programme lately advised "sea lovers and marine enthusiasts" that in recent years there has been an "increase in the jellyfish blooms in the Mediterranean and Black Sea due to the changes in climate and food chains. Furthermore, the new alien jellyfishes, like 'Lessepsian species' that entered our seas via the Suez Canal cause current and important problems in the Eastern Mediterranean Basin.

"These jellyfish and gelatinous organisms clog fishing nets and damage our fisheries. On the other hand, some venom-

ous species may cause nuisance to bathers and especially may become a real health hazard for babies and elderly individuals. So, this has a negative impact on tourism. It is known that thousands of people both in Europe and in our country have been hospitalised due to jellyfish stings in recent years."

Turkish daily *Hurriyet* talked to an academic, Melek Isinibilir Okyar, who is leading a project investigating the reasons behind the jellyfish surge. She pointed out that jellyfish proliferation is often a precursor to the formation of mucilage in the sea, a dilemma those looking to protect the environment of the Marmara Sea have wrestled with in recent years in Turkey's infamous battle against a "sea snot" crisis.

"There's a mucilage risk with warmer temperatures in winter months. Jellyfish also play a catalytic role in mucilage formation. When jellyfish multiply and die, they begin to disintegrate, leading to decreased oxygen levels and the accumulation of dissolved organic matter," Okyar said.

"When temperature accelerates this process, mucilage forms in the environment. If there is organic matter to stick to in that environment, it starts to accumulate and eventually turns into masses," she added.

The southern city of Mersin, a tourist destination on the Mediterranean coast, is one location that has seen its beaches inundated with jellyfish, alarming locals and tourists. ●



Not everyone's idea of a favourite holiday companion. / Palickap, cc-by-sa 4.0

# NGO warns Bulgaria over plans to swap coal for fossil gas

bne IntelliNews

**B**ulgaria's plans to replace coal-fired with gas-fired power plants to meet the EU requirement to shut down the coal industry are not feasible from an economic point of view, the CEE Bankwatch NGO said in an analysis emailed to *bne IntelliNews* on March 14.

Bankwatch noted that Bulgaria currently has no strategy or financial plan but is considering the full replacement of coal plants with gas-fired ones, which would secure it a full capacity substitution.

In Bulgaria, the existing coal-fired power plants have committed to transition to gas by utilising CCGT units and a medium-scale project based on gas engines is underway.

The NGO focused its analysis on two existing projects – a 1000 MW CCGT at the Maritsa East 2 power plant and a 39 MW gas-engine installation at the Bobov Dol plant.

“Our analysis shows that, from an economic point of view, both projects are unfeasible based on current market conditions. All financial indicators remain strictly negative when their sensitivity is tested against reasonable variations in the main input parameters: capital expenditure (CapEx), electricity sale price, gas price, CO<sub>2</sub> emissions price, availability capacity price, utilisation factor electrical efficiency,” CEE Bankwatch noted.

It added that the 1000 MW project at the Maritsa East 2 power plant would require €1.3bn in financial support until 2040 and, taking into account the capex, the financial burden reaches €2.1bn.

The scenario which is being looked at is not based on existing investment proposals, but is based on the most likely scenario for the TPP should it transition to gas in order to understand whether it makes economic sense, the NGO said.

The 39 MW project at Bobov Dol would require around €68mn in capacity or other form of support, which exceeds by 200% the estimated project capex.

By contract, the NGO suggests that several renewable energy options can replace the coal industry, including photovoltaic and wind farms, pumped storage hydro power plants and biomass plants. Renewable hydrogen and geothermal are also viable options for the country.

Nearly 40% of the energy in Bulgaria is produced by coal-fired power plants with more than 95% of the fuel being lignite. The biggest coal-fired power plant is the state-owned Maritsa East 2 with capacity of 1.61 GW of the total 3.85 GW capacity of all coal-fired power plants.

These units have become increasingly important for the country's energy stability since the end of April last year when Gazprom stopped deliveries of natural gas. ●



CEE Bankwatch has urged Sofia to consider replacing coal power with renewables. / bne IntelliNews

# Slovenia's GEN-I eyes €50mn green bond issue

## bne IntelliNews

**S**lovenian energy group GEN-I is exploring the issuance of a green bond in the second quarter of 2024, anticipating a total nominal value of €50mn. This would be the second green bond issuance by a GEN-I Group company, with the primary objective of supporting transformative green projects,

GEN-I intends to host presentation meetings for potential investors as part of the public offering of its upcoming green bond, with local bank NLB providing professional advice and services for the offering.

The GEN-I Group aims to fortify its position as the leading energy trader in the region, the primary electricity supplier in Slovenia, and a key advocate for the green energy transition, the company said in a bourse filing.

Projections for 2024 include sales revenue of €3.5bn, gross profit at €120mn, and a net profit exceeding €23mn, contingent on regulatory relaxations and effective risk management.

Recognising the significance of sustainable activities, the GEN-I Group plans to direct investments towards sustainable production sources and storage facilities, contributing to the EU taxonomy-defined green initiatives. Approximately €100mn will be allocated to green transformation investments from 2024 to 2026.

Despite a 29% drop in revenue to €2.9bn in 2023, attributed to lower energy product prices and temporary regulatory restrictions, the GEN-I Group remains profitable, although net profit fell by 16.5% to €24.8mn in 2023.

Slovenia is one of several countries from the Central and Eastern Europe (CEE) region to have embraced green finance, as reported by *bne IntelliNews* in an article 'CEE surfs the green bond wave'.

Slovenia, where protection of the environment is part of the national identity, was the first country in the Southeast Europe region where a green bond was issued.

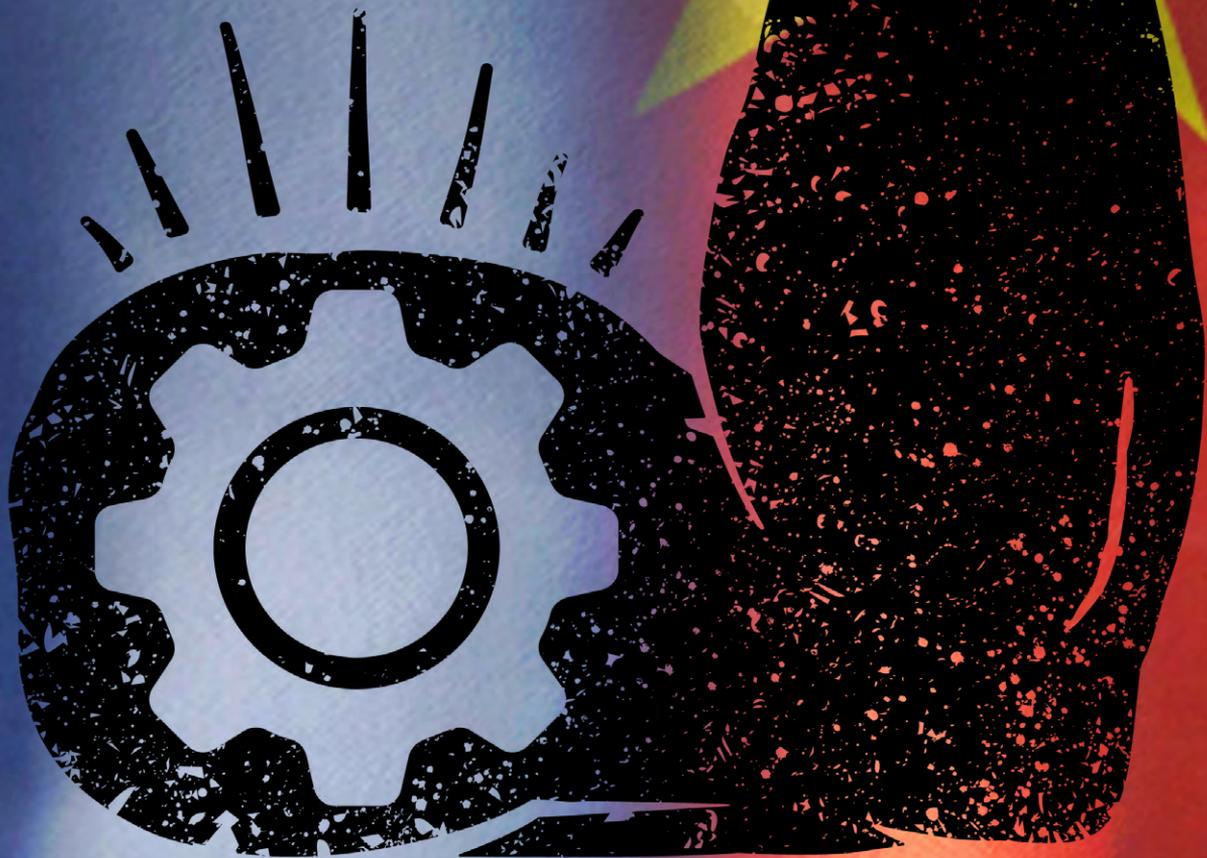
In December 2018, SID Bank became the first Slovenian lender to issue green bonds, getting away a €75mn green bond private placement on the international capital market. Demand for the bonds totalled €172mn. Another major bank, Slovenia's biggest bank NLB announced its issue of €500mn of four-year green bonds in 2023.

In June 2021, Slovenia became the first sovereign in the wider CEE region and the second in the EU to issue a sustainability bond. Slovenia successfully issued its debut 10-year sustainability bonds worth €1bn on June 23. ●

“In Bulgaria, the existing coal-fired power plants have committed to transition to gas by utilising CCGT units and a medium-scale project based on gas engines is underway”



Gen-I



# CHINA AND RUSSIA, THE INDUSTRIAL PRODUCTION SUPERPOWERS THAT COULD WIN A WAR

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Ben Aris in Berlin

China is now "the world's sole manufacturing superpower" and Russia's productive capability is greater than that of Germany's, according to recent studies on the changes to the world's manufacturing make-up.

The nominal sizes of Russia and China's economies are dwarfed by those of the G7 richest countries in the world, but after drilling into their manufacturing power, then the picture that emerges is China is the most powerful manufacturer in the world and Russia is the most productive in Europe. Winning a war is not about how much money you have; it's about how many bombs and planes you can make, and how fast you can do so.

A war at the heart of Europe and China aligning with Russia in a militarily charged showdown with the West has focused attention on industrial production abilities and capacities as the prospect of WWIII, which the Kremlin recently said would be "inevitable" if Nato sends troops to Ukraine, is no longer a zero-probability event.

Russian President Vladimir Putin has put Russia's economy on a war footing and ramped up military production to supply his forces in Ukraine. As *bne IntelliNews* has been reporting, Moscow's production of the crucial 155mm artillery shells has become a major factor in the conflict and Russia is not only massively out-manufacturing Ukraine in shell production but it is also out-manufacturing all of the EU as well.

Despite two years of a hot conflict in Ukraine on the EU's borders, the member states and the US have failed to invest into expanding their military production and can't keep up with Russia, which will expand its shell production this year from 2mn rounds to just under 3mn, according to the Kremlin. In general, Russia's industrial capacity utilisation rate has risen to 81% – a modern history all-time high.

The only arms firm in Europe that has significantly stepped up its production, even without concrete government contracts, is the German arms maker

Rheinmetall that has been investing in increasing its capacity and has outstripped even the US.

"Some crucial segments of the European defence industry are now performing better than US defence industry...Rheinmetall in Germany is producing way more 155 artillery shells than the entire US defence industry combined," Czech defence policy chief Jan Jires said at the end of February, highlighting the lack of investment that has gone into expanding military production despite two years of open warfare in Ukraine.

Rheinmetall is moving into Ukraine, where it has a two-year plan for the supply of weapons to Ukraine and a joint venture agreement to build

**"Moscow's production of the crucial 155mm artillery shells has become a major factor in the conflict and Russia is not only massively out-manufacturing Ukraine in shell production but it is also out-manufacturing all of the EU as well"**

a factory there. Rheinmetall said this month that it is the only Western defence contractor capable of supplying the Ukrainian military with many new medium- and large-calibre ammunition, including supplies for the Marder infantry fighting vehicle, Leopard 1 and Leopard 2 tanks as well as the badly needed shells.

Europe's Centre for Economic Policy Research (CEPR) found in a study that although it's widely perceived that "the US is the world's sole military superpower", spending more on its military than the ten next highest spending countries combined, when it comes to industrial production capacity it is trailing far behind China.

The US even trails Russia in terms of shell production. Pre-war the US was manufacturing some 1,000 155mm

shells a month, which has doubled to about 2,000 now. But Russia was making ten times as many 155mm shells pre-war and is currently manufacturing over 150,000 shells a month, which is due to increase by a third over the course of this year.

"China's industrialisation is unprecedented. The last time the 'king of the manufacturing hill' got knocked off the throne was when the US surpassed the UK just before WWI. It took the US the better part of a century to rise to the top; the China-US switch took about 15 or 20 years. China's industrialisation, in short, defies comparison," CEPR said.

Part of the reason for this growing mismatch are consequences of

globalisation, where rich Western countries exported much of their manufacturing capacity to the cheaper countries of SE Asia. In parallel is that Western countries are increasingly driven by services, not production, leaving them without either factories or the staff to work in them.

Germany is the most productive country in Europe, with manufacturing accounting for a quarter of its GDP – twice as much as the next closest large EU power. But as *bne IntelliNews* reported last August, Russia overtook Germany to become the fifth biggest economy in the world in PPP terms, which better captures the benefits of production capacity.

Indeed, in another *bne IntelliNews* deep dive on Putin's big bet on the Global South Century that compared developed

## GDP Distribution by Sector in Selected Countries

	2011	2012	2013	2014	2015	2016	2017	2018	Average
<b>United States</b>									
Agriculture	1.20%	1.20%	1.40%	1.20%	1.10%	1.00%	1.00%	0.90%	1.10%
Industry	16.60%	16.30%	16.40%	16.30%	15.30%	14.60%	14.90%	15.10%	15.70%
Construction	3.50%	3.50%	3.60%	3.80%	4.00%	4.10%	4.30%	4.30%	3.90%
Services	78.60%	78.90%	78.70%	78.70%	79.60%	80.30%	79.90%	79.70%	79.30%
<b>Germany</b>									
Agriculture	1.00%	0.90%	1.00%	1.00%	0.80%	0.80%	0.90%	0.80%	0.90%
Industry	25.80%	25.90%	25.40%	25.50%	25.60%	25.90%	25.80%	25.40%	25.60%
Construction	4.40%	4.50%	4.40%	4.50%	4.60%	4.70%	4.70%	4.90%	4.60%
Services	68.80%	68.70%	69.20%	69.00%	69.10%	68.60%	68.60%	68.90%	68.90%
<b>France</b>									
Agriculture	1.80%	1.80%	1.60%	1.70%	1.80%	1.60%	1.70%	1.90%	1.80%
Industry	14.00%	14.10%	14.10%	14.10%	14.30%	14.10%	13.80%	13.70%	14.00%
Construction	6.00%	5.90%	5.90%	5.70%	5.50%	5.40%	5.50%	5.60%	5.70%
Services	78.10%	78.30%	78.30%	78.50%	78.50%	78.90%	78.90%	78.80%	78.50%
<b>Italy</b>									
Agriculture	2.10%	2.20%	2.40%	2.20%	2.30%	2.10%	2.20%	2.20%	2.20%
Industry	18.60%	18.50%	18.60%	18.70%	18.90%	19.30%	19.50%	19.70%	19.00%
Construction	5.60%	5.30%	4.90%	4.50%	4.30%	4.30%	4.20%	4.20%	4.70%
Services	73.70%	74.00%	74.10%	74.60%	74.50%	74.20%	74.10%	73.90%	74.10%
<b>China</b>									
Agriculture	9.50%	9.40%	9.20%	8.90%	8.70%	8.40%	7.80%	7.30%	8.60%
Industry	40.00%	38.80%	37.50%	36.20%	34.10%	32.90%	33.10%	32.80%	35.70%
Construction	6.80%	6.90%	6.90%	7.10%	6.90%	6.90%	7.00%	7.10%	6.90%
Services	43.80%	45.00%	46.40%	47.80%	50.30%	51.90%	52.20%	52.80%	48.80%
<b>Russia</b>									
Agriculture	3.60%	3.40%	3.40%	3.90%	4.30%	4.30%			3.80%
Industry	26.30%	25.90%	25.20%	25.20%	26.80%	26.00%			25.90%
Construction	7.60%	7.70%	7.00%	6.80%	6.30%	6.40%			7.00%
Services	62.40%	63.00%	64.40%	64.10%	62.50%	63.40%			63.30%

Source: OECD and Rosstat. Agriculture also includes forestry and fishing.

world economies with those of the Global South in PPP terms, most of the developing world is rapidly catching up with the big Western countries, or in the case of the biggest emerging markets, have already overtaken them. Economists say that the Global

South will overtake the developed world in nominal GDP terms as well by 2075. Most of this growth is based on the expansion of manufacturing, not services, although these play an important role too.

One of the constraints of expanding weapons production in the US over the last two years has been the shortage of qualified skilled labour to work the new factories, which requires arms makers to train new staff, and that takes at least a year.

The global pandemic in 2020 has reversed this trend and encouraged companies to unwind their globalised production and “nearshore” their industrial capacity, or even bring it back home, but that is proving to be a slow process.

**Russian production capacity**

In a war, having a large industrial base is a big advantage, as the rate a country can produce arms is a key factor in the fight. In these terms Russia is even bigger than Germany, itself no mean industrial country, according to research by Jacques Sapir, director of studies at École des Hautes Études en Sciences Sociales (EHESS) in Paris.

“Simple GDP statistics have arguably lulled the West into a false sense of security. By GDP, Western economies appear dominant and their capacity to impose sanctions decisive. But the West’s reliance on service sectors – and the relative weakness of directly productive sectors like manufacturing, mining and agriculture – introduces critical vulnerabilities in goods production and supply chains. In times of peace and unimpeded trade, such vulnerabilities may seem insignificant. In periods of deglobalisation, geopolitical competition and state-versus-state conflict, however, these weaknesses can have profound impacts, while basic productive sectors take on greater importance,” Sapir said.

Russia was famously roasted by the late Senator John McCain as a “gas station masquerading as a country,” as it has a GDP that is smaller than either Italy or California. But that fails to take account of its ability to make things; one of Russia’s Soviet legacies and its heavy emphasis on industry is that it has a lot of factories.

Looking at just nominal GDP, Russia’s share of the global economy was 1.9% in 2019, against US’ 24.4% and China’s 16.4%, according to the International Monetary Fund (IMF). In PPP terms Russia does better with a 3.1% share of adjusted global GDP, with the US falling into second place with 15% against China’s 17.3% as the world leader.

But looking at productive capacity skews the picture even further towards Russia and China.

“During wartime, services lose their importance relative to agriculture, industry and construction. It then becomes necessary to calculate the share of the goods-producing sectors across different economies in order to have an accurate understanding of how they really compare,” says Sapir.

Russia is between China, where services represent only 49% of GDP, and countries like the United States, France

China is even further ahead, with Germany equivalent to only 11% of China’s productive industry, and even the US is only 34% of China’s productive power, according to Sapir.

Of course it’s not only about the number of widgets you can make. The quality of the widgets is also very important, and on this score Russia falls down, as it remains heavily dependent on Western technology, as *bne IntelliNews* reported in a deep dive into Russia’s precision tools sector, the Kremlin’s soft sanctions underbelly. Following the collapse of the Soviet Union, Russia missed out on

“Simple GDP statistics have arguably lulled the West into a false sense of security. By GDP, Western economies appear dominant and their capacity to impose sanctions decisive”

and Italy, where services represent at least 75% of GDP. Germany occupies an intermediate position, with 69% of its GDP coming from services.

Looking at the share of productive industry then Germany is only 90% of Russia’s in terms of productive industry, while France is a mere 44% of Russia’s industrial power.

two revolutions in machine tools that has left it impossibly far behind the developed world. China, on the other hand, has been investing heavily into R&D and is rapidly closing the gap with the West.

And Russian industrial power is no idle boast; the Kremlin has been putting all those factories to good use, which

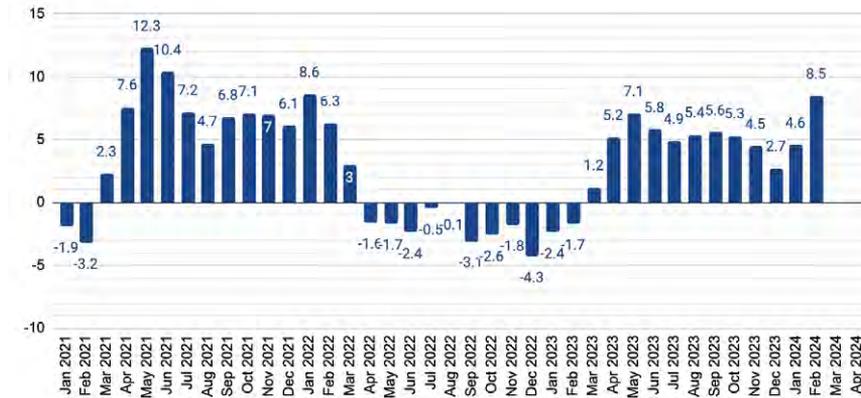
**Russian Productive Sector Comparison**

	PPP GDP % of world economy, 2010-19 average	Share of the productive sector in GDP points in PPP	Share of the productive sector compared to Russia
France	2.50%	0.54%	44.31%
Germany	3.50%	1.09%	90.01%
Russia	3.30%	1.21%	100%

**Chinese Productive Sector Comparison**

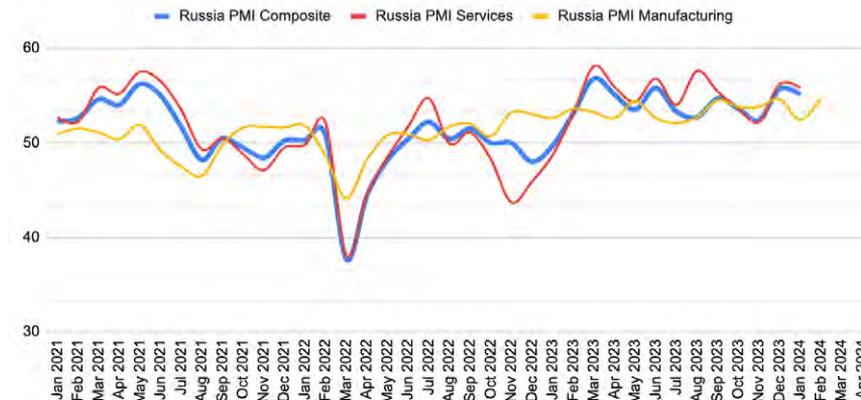
	PPP GDP % of world economy, 2010-19 average	Share of the productive sector in GDP points in PPP	Share of the productive sector compared to China
Germany	3.50%	1.09%	11.45%
United States	15.70%	3.25%	34.14%
China	18.60%	9.52%	100%

**Russia Industrial Production**



Source: Rosstat

**Russia PMI**



Source: S&P Global

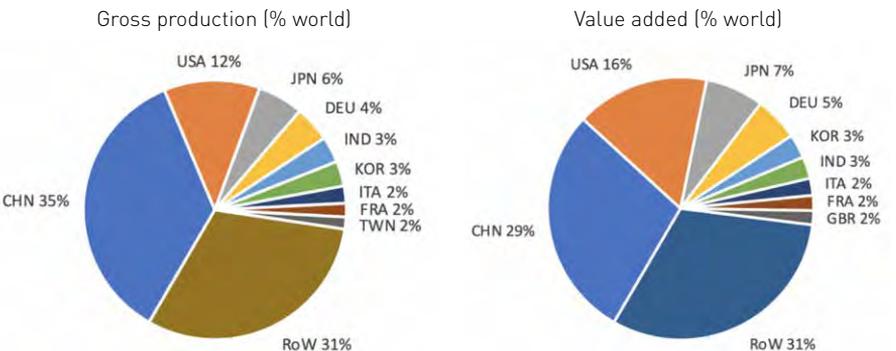
has caused a military Keynesianism economic boom.

Russia's industrial production has been running hot all of last year and, after a dip in December, expanded by 4.6% in January, RosStat reported on February 29. (chart), Russia's manufacturing PMI has done even better, surging in February to post 54.7, up from 52.4 in January, putting in its biggest gains in 13 years, S&P Global reported on March 1, driven by massive state fixed investment into military production. PMIs in the rest of Europe remain deeply in the red, with Germany doing worst of all, although analysts say the bulk of the slowdown may be already over. Russia is on course to spend a whopping 8% of GDP on defence this year, far outstripping most of Europe, which has yet to reach the 2% of GDP mandated by Nato membership.

**China is the new manufacturing superpower**

China is also putting its industrial might to work. It has been building two coal-fuelled power plants a month in the last year and the Chinese People's Liberation Army – Navy (PLA-N), is now the world's largest. It has been growing

**World's biggest manufacturing economies**



Source: Author's elaboration of OECD, IMD

feverishly, leaving India and the US far behind in terms of ship construction capability, adding the equivalent of the entire French navy to its fleet every four years. Between 2017 and 2019 China reportedly built more vessels than India, Japan, Australia, France and the United Kingdom combined.

China's fleet is now bigger than America's. The Pentagon's annual report to the US Congress on Chinese military and security developments estimates that the Chinese Navy had 350 warships compared to 293 warships in the US Navy battle force. And now the PLA-N is ramping up its submarine production. China's civil-industrial system supports what is now the world's largest shipbuilding industry by funding facilities, training, employing and rotating workers to create a huge machine that can pump out destroyers and corvettes on a monthly basis. Last year Chinese shipyards completed the first indigenously built aircraft carrier in a record three years from scratch.

CEPR used the recently released 2023 update of the OECD Trade in Added Value database to paint an eight-chart portrait of China's journey to superpower status and the asymmetric impact that its dominance has had on global supply chains, according to note from Richard Baldwin, Professor of International Economics at IMD Business School, Lausanne, et al.

The chart below shows in the left panel world shares in terms of gross production; in the right panel, the same

is shown in terms of value added. Six countries manufacture at least 3% of the world total, says Baldwin. China is followed by the US, Japan, Germany, India and South Korea.

From this list, only three of these countries are long-established industrial economies; the other three are newly industrialised economies and four of the G7 don't make the cut, a point that Putin was rubbing in during his State of the Nation Speech this week.

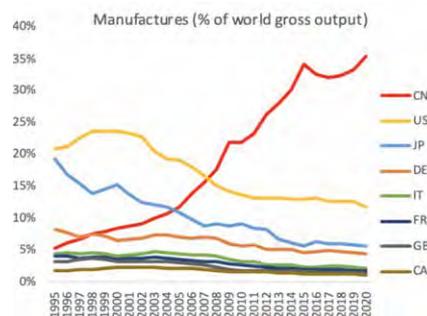
"The BRICS countries will generate about 37% of global GDP already in 2028, taking into account the states that have become the association's members recently, whereas the G7 figure will drop below 28%. These figures are very convincing, considering that the situation was quite different some 10-15 years ago. I spoke about that publicly. But these are the trends, do you understand?" Putin said.

The chart separately identifies nations with shares of at least 2%, and on the left, this includes Italy, France and Taiwan (two of the G7, the UK and Canada, don't make the cut). In the right panel (value-added basis), the UK makes an appearance with a share just above 2%, according to Baldwin.

"When it comes to gross production, China's share is three times the US' share, six times Japan's, and nine times Germany's. Taiwan, Mexico, Russia and Brazil now have higher gross output than the UK. Canada is further down the ranking, in 15th place," says Baldwin.

**World Shares of Gross Production**

G7 shares declined sharply (gross production)



Source: OECD Tiva 2023, PROD.

The OECD data only goes back to 1995, when China started the race a bit ahead of Canada, Britain, France and Italy. China passed Germany in 1998, Japan in 2005 and the US in 2008. Since then, China has more than doubled its world share, while the US's share has fallen by another three percentage points. Today China's share now exceeds that of all the next largest manufacturers combined.

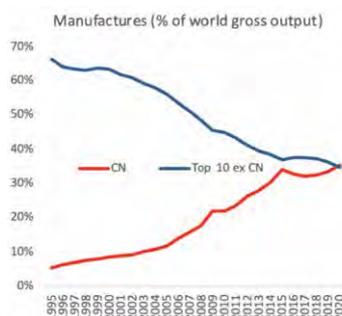
China's dominance in exports of manufactured products is less strong, but still large. In 1995 China had just 3% of world manufacturing exports;

**"When it comes to gross production, China's share is three times the US' share, six times Japan's, and nine times Germany's"**

by 2020 its share had risen to 20%. The corresponding fall in the G7 share was less dramatic than for its share of production. At the same time, China's export to production ratio, having peaked at 18% in 2004, is 13% in 2020 – almost back to its 1995 level of 11%.

Where you export to is also an important vector and China is and always has been more reliant on sales to the US than the other way round. In the mid-2000s China's dependence on the US was ten times the reverse dependence, but the asymmetry has narrowed substantially in recent years. China's economy has matured and it has

China's share rose sharply (gross production)



been transitioning away from being "the world's factory" to being a more modern service-reliant economy.

The growing interdependencies as the trade flows become more balanced suggest that decoupling from China would be difficult, slow, expensive and disruptive – especially for G7 manufacturers. The same is true for the Russo-Europe relationship, where it is becoming increasingly transparent that Europe was a lot more intertwined with the Russian economy than was first appreciated. As *bne IntelliNews*

has reported, the extreme sanctions on Russia have been bouncing back in a boomerang effect that is hurting Europe more than it is Russia.

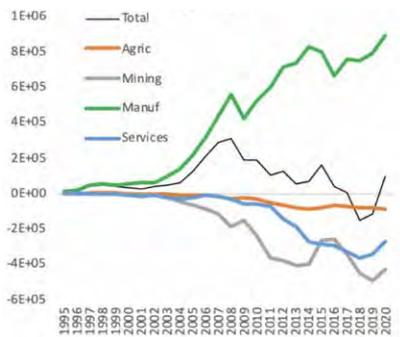
China is a net exporter of manufactured goods and a net importer of everything else – agriculture goods, mining goods and fuels and services. Both the positive and negative net balances have been growing quickly. It ran surpluses in the late 2000s, which then decreased and turned negative in 2018 and 2019.

"Until the mid-2000s China was a typical offshore destination: a net importer of intermediate inputs and a net exporter of final goods that embodied the imported inputs. From about 2002 China became a large net exporter of intermediate goods as well as final goods," says Baldwin, highlighting the growth of China's manufacturing power and its move up the added-value chain.

The sectoral shares for 1995, the first year in the OECD's database, to 2020 show how China's manufacturing has moved up the value chain, from being relatively reliant on simple manufacturing sectors like textiles and clothing to more sophisticated sectors

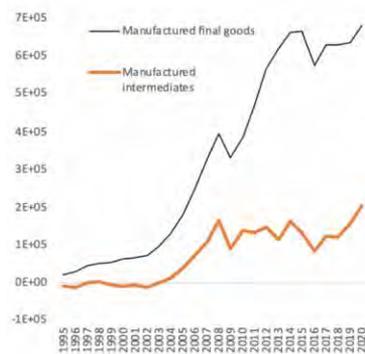
**Evolution of China's balance of trade by sector**

China, Balance of goods trade by sector (\$m)



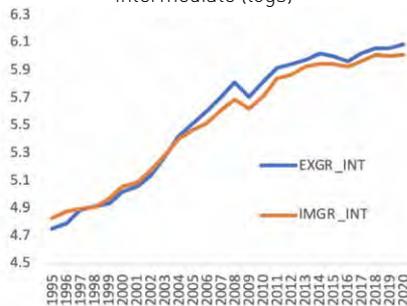
Source: OECD Tiva database 2023, Gross trade.

China, Balance of goods trade by sector (\$m)



**China's trade in intermediates & final goods**

Chinese export and imports of industrial intermediate (logs)

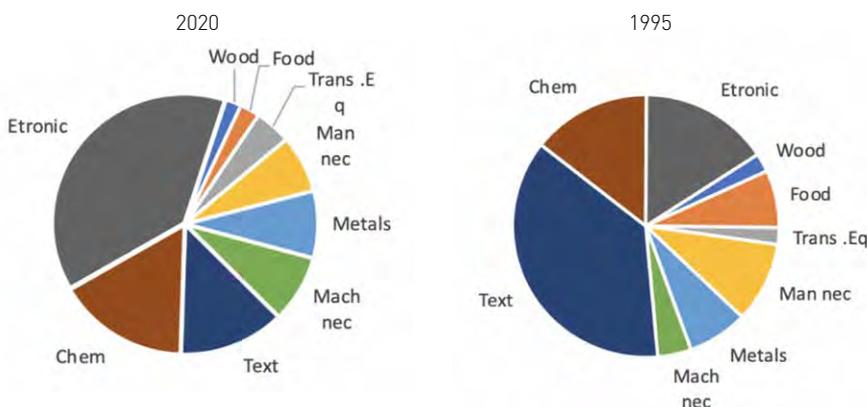


Source: OECD Tiva 2023.

Chinese export and imports of manufactured final goods (logs)



**China's export composition manufactures by sector**



Source: OECD Tiva 2023, PROD.

“During China’s rise to manufacturing superpower status, China’s gross globalisation ratio rocketed up – almost doubling – in the first decade of the data”

like electronics, basic and fabricated metal products, and chemicals and pharmaceuticals.

All of the emerging markets are on the same trajectory. In Uzbekistan, President Shavkat Mirziyoyev banned the export of raw cotton several years ago, long the country’s main foreign exchange earner, and has in effect forced the entire sector to invest into value-added production of textiles. Central Europe has long since completed this journey, travelling from investments into cheap production in light manufacturing to more sophisticated medium weight production of things such as plasma TVs and building up extensive automotive sectors. And now the same revolution is underway in the Balkans. China has also more or less completed this switch: textiles accounted for the biggest share in 1995, but electronics did so in 2020.

China’s globalisation ratio shows the country’s gross globalisation ratio (GGR) in manufacturing is the share of manufactured production that is sold abroad, where simple production is measured as the total sales of all China-based manufacturers. It differs from manufacturing GDP since it includes all sales, not just final good sales.

“During China’s rise to manufacturing superpower status, China’s GGR rocketed up – almost doubling – in the first decade of the data,” says Baldwin. “Indeed, most of the action came between 1999 and 2004. That period was an extraordinary feat of globalisation, and it is probably why so many think of China as an economy that is incredibly dependent on exports.”

But as the chart shows, since 2004 China’s GGR has been falling steadily as the country’s manufacturing sector matures and domestic demand becomes increasingly important and a middle class emerges. By 2020 the ratio had fallen back to about where it started in 1995.

“Chinese manufacturing, in short, is no longer as dependent on exports as

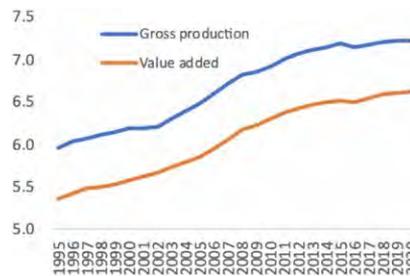
many might believe. True, the first part of the rapid growth period involved exports growing faster than production (so the GGR rises). But then production grows faster than exports, implying that domestic sales were becoming relatively more important, compared to export sales – even though domestic and foreign sales were both booming throughout the high-growth episode,” says Baldwin. “This dispels the myth that China’s success can be entirely attributed to exports. From around 2004, China increasingly became its own best customer.”

“The takeaway is simple: China’s openness, as measured by the GGR, has fallen rapidly. By 2020 it was only slightly more dependent on export sales than it was 1995,” concludes Baldwin.

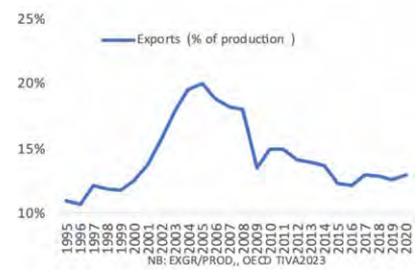
The shift from a low-cost export-oriented growth model to one where rising incomes have created a substantial domestic market and goods production goes up the value-added chain is well underway in both

**China production growth and export ratio**

China’s manufacturing production (gross and value added bases im logs)



China’s gross exports to gross production ratio

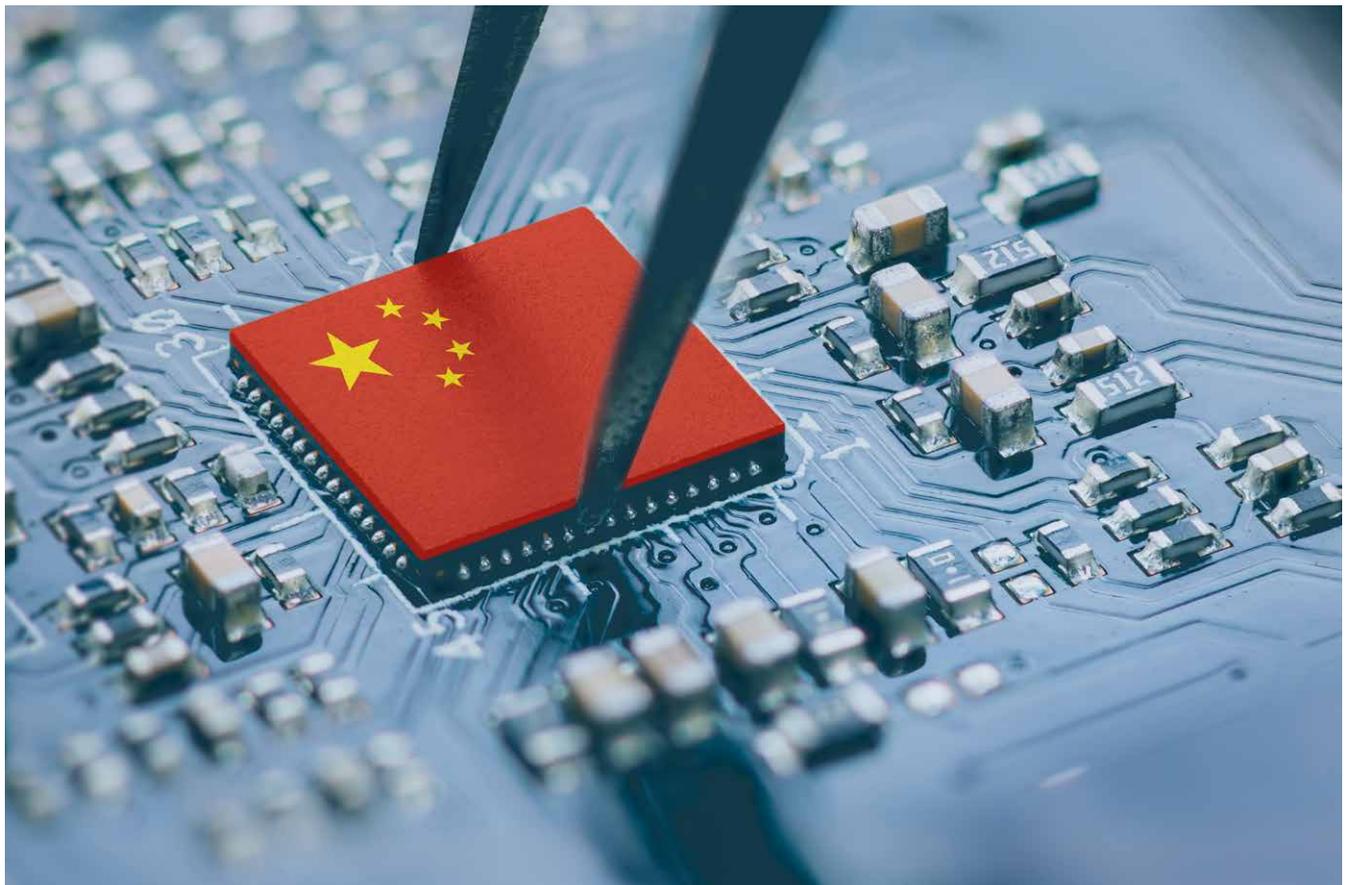


Source: OECD Tiva database 2023.

China and Russia. It sanction-proofs their economies as their own internal markets are increasingly able to drive economic growth, and reduces their dependence on imported inputs and technology.

The increasingly wide and deep industrial bases can help the countries gain a competitive edge in virtually

all sectors, especially in China, which remains technologically well ahead of Russia. The exceptions are the most advanced sectors, where the G7 countries still dominate, but as *bne IntelliNews* has reported, the technology sanctions have more or less failed thanks to partners in the Global South that are happy to act as trade intermediaries. ●





After dithering for two years, the EU member states are finally ramping up investment to expand their military production capacity just as Ukraine slides into an acute ammo shortage / bne IntelliNews

# EU finally boosts defence investment into arms production as Ukraine runs out of ammo

bne IntelliNews

European Nato countries are ramping up their defence investments, with plans to collectively spend almost \$500bn this year. The European Commission (EC) has already allocated €500mn to increase ammunition production capacity, aimed at bolstering Ukraine's defences, and should be producing 2mn shells annually by 2026.

"Make no mistake about it, the European Union is now in the defence business," reported *Politico* on March 15. NATO Secretary General Jens Stoltenberg highlighted the urgency of the situation, emphasising the need for NATO countries to arm themselves adequately, as well as provide support to Ukraine.

The promise of ramping up production comes not a minute too soon. Ukraine may be forced to try and down only one in five missiles targeting cities due to an acute ammunition shortage, Ukraine officials admitted on March 17. Munitions for some of Ukraine's air defence systems may be nearly used up by the end of March, the *Washington Post* reported on March 15, citing unnamed Western officials.

After the initial country-wide bombardment in the early days of the war, Ukraine has successfully built up a comprehensive air defence system that effectively protected most of its major cities and power stations that down the bulk of inbound Russian missiles.

This system has been largely supplied with Nato-made missile systems but as supplies of fresh ammo dry up one of the first victims will Ukrainian cities that will be once again vulnerable to long-range attacks by Russian missiles.

While Ukraine's military productive capacity has dwindled to next to nothing, Russia has put its entire economy on a war footing and increased its annual put of shells from two million rounds a year to three. Russia now massively outguns Ukraine allowing it to pound Armed Forces of Ukraine (AFU) troops on-the-ground with impunity.

Stoltenberg announced that this year, European NATO countries will invest

a combined \$470bn in defence, reaching the long-sought-after target of 2% of GDP for the first time. He called for expedited provision of ammunition to Ukraine, stressing the importance of enhancing its defensive capabilities. However, according to the *Financial Times*, NATO members in Europe still need to find an additional €56bn annually to meet their defence spending target.

The move comes amidst Russia's substantial defence spending, with Moscow allocating 10.7 trillion rubles (approximately \$118bn) in its 2024 budget, equivalent to about 6% of its GDP. According to a report by CNN, Moscow is currently manufacturing 3mn artillery shells a year.

To address Ukraine's immediate needs, leaders of the Weimar Triangle – France, Germany, and Poland – have agreed to establish a coalition to provide Kyiv with long-range artillery. German Chancellor Olaf Scholz announced the decision following a meeting with French

President Emmanuel Macron and Polish Prime Minister Donald Tusk in Berlin. The coalition will utilise proceeds from frozen Russian assets to finance the purchase of arms for Ukraine.

Additionally, within the Ramstein coalition, EU leaders will form another coalition to acquire long-range rocket artillery for Ukraine. Scholz reiterated

running out of ammo as early as January 2023 and the problem was only exacerbated when Europe was slow to sign long-term defence contracts. While planning to deliver 1mn artillery shells by March 2024, Europe ended up only hitting a figure of 170,000 after a failed Ukrainian counteroffensive. By February, Ukraine was outgunned 5-to-1 by Russia. Eventually Ukrainian

“Make no mistake about it, the European Union is now in the defence business”

that EU countries have committed to providing €5bn in military aid to Ukraine, with a focus on preserving Ukrainian independence rather than engaging in a direct conflict with Russia.

The moves come as Ukraine faces an increasingly bleak situation on the front lines: its army was already

President Volodymyr Zelensky announced a strategy of turning his country into a European military production hub.

Meanwhile, the US recently announced it had run out of money to help Ukraine until Congress passes a stalled \$61bn aid package. ●

## Europe has €56bn shortfall to meet Nato 2% of GDP spending pledge

### bne IntelliNews

European nations within Nato are facing a €56bn shortfall in meeting the alliance's defence spending pledge of 2% of GDP this year, the *Financial Times* reported on March 16.

Few members of Nato meet the non-binding expectation to spend at least 2% of GDP to maintain their military, with the most egregious deficits seen in countries like Italy, Spain, and Belgium.

European powers have been happy to rely on the US for security and have underspent on the military to free more money to meet the burden of high debt levels and budget deficits in recent years. However, following the

outbreak of war in Ukraine and with a possible second military clash between the US and China on the table, that thinking is now changing.

Germany, Europe's largest economy, has the biggest financial gap, falling short by €14bn last year, although Berlin has been quickly increasing its spending in the same period.



“In 2023, the US accounted for two-thirds of Nato's total defence outlay of €1.2 trillion, starkly overshadowing the combined spending of EU members, the UK and Norway”

Spain, Italy and Belgium trail closely behind, with shortfalls of €11bn, €10.8bn and €4.6bn respectively. These nations are among the six EU members whose debt exceeded 100% of their GDP last year, complicating their fiscal manoeuvrability. Italy, in particular, faces a steep challenge with a budget deficit of 7.2% and rising interest costs projected to surpass 9% of government revenue this year.

Countries with high debt levels and high interest costs do not have much room to raise more debt, so the only real way to do it is to cut spending in other areas. This is not easy, as seen when Germany tried to cut subsidies on agricultural diesel, sparking widespread farmers protests.

The US has acknowledged improvements in European defence spending efforts, with State Department spokesperson Matthew Miller noting that most European Nato members are now on track to increase spending up to the 2% GDP expenditure target. Europe has been accused by presidential candidate Donald Trump of freeloading on US security spending and he has vowed not to come to any country's aid that was attacked if they haven't been spending at least 2% of GDP on their own defence.

In 2023, the US accounted for two-thirds of Nato's total defence outlay of €1.2 trillion, starkly overshadowing the combined spending of EU members, the UK and Norway. The introduction of new EU fiscal rules next year is expected to enforce further budgetary discipline, complicating the path to higher defence funding.

Poland and several Baltic states, which already meet the 2% target, along with Italy, which doesn't, successfully

lobbied for a more favourable treatment of defence spending under the impending fiscal regulations, potentially easing the compliance burden for countries exceeding the defence expenditure thresholds.

Jens Stoltenberg, Nato's Secretary-General, optimistically reported that two-thirds of the alliance's members are on track to achieve the 2%

spending goal this year, a significant improvement from just three members in 2014. This momentum is part of a broader European commitment to bolster defence capabilities in response to growing security challenges, exemplified by Norway's announcement that it will meet the 2% target a year ahead of schedule.

However, public sentiment towards increased military spending remains mixed across Europe, with notably low support in countries facing the largest funding shortfalls. For instance, only 28% of Italians advocate for higher defence budgets, reflecting broader concerns over prioritising military investments over welfare and social programmes. ●

Nato members, excluding the US, had a total defence spending gap relative to the 2% target of €44bn last year

Difference between defence spending and Nato target of 2% of GDP (€bn)



FINANCIAL TIMES

Source: Ifo Institute • 2014 figures adjusted to current prices



Prime Minister Donald Tusk promised farmers last week he would push the EU to revise or give up on some of the Green Deal's provisions affecting agriculture. / bne IntelliNews

## Farmers' rally clashes with police in front of Polish parliament

Wojciech Kosc in Warsaw

**A** rally of several thousand farmers clashed with police in front of the parliament in Warsaw on March 6, as protests against the European Union's Green Deal continue to rock Poland and Europe.

Polish farmers once again took to the streets after Prime Minister Donald Tusk promised them he would push the EU to revise or give up on some of the Green Deal's provisions affecting agriculture.

The protesters have leverage over the Tusk-led government, which is campaigning ahead of local elections on April 7, hoping it can erode the support for the opposition's Law and Justice (PiS) party in its traditional rural strongholds. The government has long said now that it is sympathetic to farmers' demands, wary that their anger could cost them votes in the April elections.

Farmers want the EU to cancel the Green Deal and end the imports of Ukrainian agricultural products, which, they claim, has depressed prices on the Polish market.

The rally began peacefully but soon descended into scuffles with the police, as it reached the parliament buildings.

The police said some protesters threw cobblestones at the policemen. "A few policemen were injured. Several dozen people have been detained," the police said on X after containing the rally's most violent part.

The rally took place as the parliament was in session. As the sounds of tear gas being fired reached the plenary, the ongoing debate on the rule of law detoured to a fierce argument between the ruling majority and the opposition about the unrest.

The government said provocateurs nudged the crowd to start the scuffles, as the farmers had no reason to get violent in the wake of PM Tusk's promises made last week. The

opposition lashed out at the police for bringing down the protesters, including one man with a Polish flag, and allegedly throwing stones and cobblestones at the rallying people.

"The opposition, which campaigned under the slogan of 'standing firm for the Polish uniform', is now in love with those who throw paving stones at the policemen," Home Minister Marcin Kierwinski said on X.

Meanwhile, the EU's Agriculture Commissioner Janusz Wojciechowski – who is Polish – told private broadcaster Polsat News that the Commission was about to "bin the Green Deal".

The Commission appeared to deny Wojciechowski's comments, saying in a statement he only spoke as a "private person in a way that does not reflect the Commission's official position". ●

"A few policemen were injured. Several dozen people have been detained"



Political rally by former Fidesz insider Peter Magyar draws 40,000 people in Budapest on national holiday on March 15. / bne IntelliNews

## Former Fidesz insider draws tens of thousands for protest against Orban regime

### Tamas Csonka in Budapest

Tens of thousands of people joined a protest on March 15 called by an emerging figure of the Hungarian opposition, Peter Magyar, a former Fidesz insider, who announced the set-up of a new political force to topple the ruling Fidesz party.

On the same day, Prime Minister Viktor Orban, in what may be one of the most radical speeches by Hungary's radical rightwing leader in years, railed against the EU and called his opponents traitors. "If we want to retain Hungary's freedom and sovereignty, we'll have no other choice but to occupy Brussels," Orban said.

The contrast between the commemorations of the 1848 revolution could not be more different. Only those who pre-registered could watch the prime minister in the garden of the National Museum after a strict screening. The audience primarily consisted of older people, largely representing Fidesz's core base, many of whom were transported from rural areas to the vicinity of the museum. Dozens of buses were parked nearby, indicating the extent of the organised attendance.

Despite the limited time frame, Magyar's rally, held at the iconic Andrassy Boulevard, was professionally organised. Individuals pooled resources to travel to Budapest, arranging shared rides. The crowd was mixed and diverse, with many young faces and the atmosphere was jubilant.

Magyar drew an estimated 30-40,000 people, compared to Orban's 20,000, according to local media.

Magyar, a lawyer, businessman, and former diplomat, burst into the public eye after the Fidesz paedophile pardon scandal rocking Hungarian politics, which led to the resignation of former Hungarian President Katalin Novak and also Magyar's ex-wife, former Justice Minister Judit Varga.

He has been levelling accusations against the government in the last few weeks, touching on issues from corruption to the machinations of its propaganda machine.

In his first interview, he ruled out entering politics but in subsequent posts he delved into topics such as healthcare and education, which have emerged as primary concerns for ordinary citizens.

The majority of Hungarians have lost confidence in the entire politician elite that has been running the country for 30 years, Magyar said. People no longer believe the government or the compromised opposition. Artificially created disputes are only meant to cover up the workings of the power factory and the transfer of national wealth to a narrow circle of friends, he added.

Hungary's national wealth, hotels, farmlands, motorways are being transferred without control to a group of people, while despite the massive inflow of EU transfers over the last 20 years, Hungary has become the second poorest and most corrupt country in the bloc.

"Living without democracy is conceivable, but hardly desirable," he remarked. He further argued that Orban's government could be defeated in democratic elections and that could come sooner than anticipated.

According to recent statistics from pollster Median, as reported by news outlet HVG this week, 68% of voters are aware of Magyar's foray into politics, with 13% expressing potential support for his party.

Magyar said he would set up a new party and in the meantime, he announced the launch of a new movement called Arise Hungarians (Talpra Magyarok), after the first line of a patriotic poem written by Sandor Petofi that is said to have inspired the 1848 anti-Habsburg revolution.

In his speech extending beyond an hour, Magyar touched on issues that have been at the forefront of the opposition agenda. Joining the European Public Prosecutor's Office, the fight against corruption, independent public media and fundamental changes in social care, healthcare and education, sectors that have been neglected and underfunded by the government.

His critics say that even as he presents himself as a fresh force, his presence could further divide the opposition landscape. Despite the cost of living crisis and its recent pardon scandal, Fidesz has little to fear in the upcoming elections. The ruling party could still

gain the majority of the seats in the EP elections, and retain its dominance in the countryside in the local elections.

Nevertheless, the recent political developments have shown that the regime is weakening and the first cracks have appeared in the wall.

That could also explain why Prime Minister Viktor Orban went on the offensive during the March 15 commemorations, which served as the launch of his election campaign.

The prime minister's statements comprised the usual themes and could be seen as the compilation of his "best-ofs" but in a more radical manner. Orban accused Brussels of abandoning European people, saying more and

more people are turning against it. It is not the first empire that had designs on Hungary, but in the past 500 years, all empires from the Turkish Ottoman to the Habsburgs and the Soviet Union failed against Hungary. He compared the disputes with the EU as a fight between David and Goliath.

According to Orban, "what Brussels has given Hungarians was war rather than peace, fuss around the rule of law rather than security, and financial blackmail rather than prosperity".

"They have deceived us and it is time we revolted and restored the self-assurance and self-esteem of European people," the prime minister said. This statement sums up Orban's main goal of instigating a rebellion against Western values, wrote

Laszlo Bartus, an ardent critic of the prime minister on *Amerikai Nepszava*.

Orban expressed hope of a breakthrough by what he called sovereign forces in Europe, which could "restore normal life and open a new, great epoch for Western nations, in which everybody could prosper except for those that breached their oath to serve their nation". He went on to blast opposition politicians, calling them traitors for standing up against the government in the rule of law debates and accused them of supporting the freezing of EU funds.

The prime minister stressed that if Hungarians want to maintain their freedom and sovereignty they must occupy Brussels and bring change to the European Union. ●

## Czech lower house passes watered down legislation enhancing the rights of same sex couples

### Wojciech Kosci in Warsaw

**M**embers of the lower chamber of the Czech parliament have passed legislation which enhances the rights of same sex couples, with 123 legislators voting in favour out of the 176 present.

It is a far cry from the legislation originally aimed at introducing marriage for all, but this was staunchly opposed by the powerful conservative wing in the parliament, which cuts through several parties across the political spectrum.

Czechia already allows registered partnerships and polls show that a majority of people backs marriage for all. In Central and Eastern Europe, only Estonia and Slovenia permit same sex marriages, with Czechia, Croatia and Hungary permitting registered partnerships of same sex couples.

If the legislation makes it through the Senate and is signed by the president, couples who live in the "partnership" will be entitled to a widow's pension and will be able to have shared property and shared rent.

"If anyone thinks we have closed down the topic of marriage for all with the voting, then they are mistaken," Barbora Urbanova, a legislator from the centrist Mayors and Independents party (STAN), told Czech Radio shortly after the vote on February 28.

She praised that it is now possible to advance some improvements for same sex couples but described the voting as "demanding, because speeches, which were made, must have hurt people, who are affected" by the legislation.

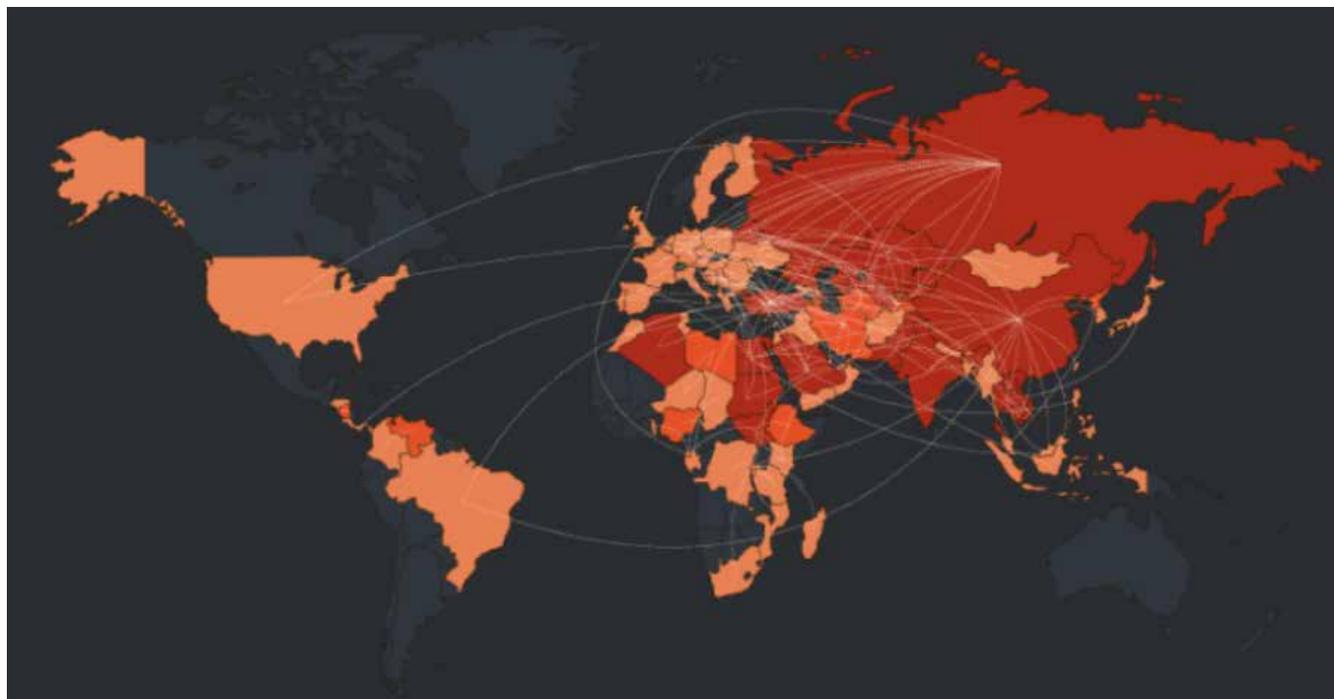
Legislators from STAN, the socially liberal Pirate Party and liberal centre-

right TOP 09 party, who backed the original marriage for all legislation, stated during a joint press conference that "dividing of people into two categories remains in place".

Partners in the partnership will now have parental rights to their children if one of the partners is a biological parent. Same sex couples still face obstacles to adopt children from orphanages.

The cabinet's envoy for human rights, Klara Simackova Laurencikova, praised the improvements and regretted the "optimal variant of marriage for all" did not pass, adding that "I believe that in the future this will be implemented in the Czech Republic".

The legislation still has to be approved by a reluctant Senate. ●



Graphic by Freedom House linking countries by cases of transnational repression. / [freedomhouse.org/report/transnational-repression](https://freedomhouse.org/report/transnational-repression)

# Disappearances raise fears over Turkey and Central Asia regimes stepping up collaboration in transnational repression

## bne IntelliNews

**T**he disappearances of two Istanbul-based Tajik dissident activists in the past month has come as little surprise to human rights defenders focused on transnational repression.

As things stand, there is no word on the fate of Nasimjon Sharifov and Suhrob Zafar, both members of the Group 24 Tajik opposition group. The possibility remains, of course, that neither the Turkish state nor the Tajik state are involved – but at the same time the fact that activists have vanished without a trace has drawn attention to how Turkey and Tajikistan are categorised by rights watchdog Freedom House as among the

top five most prolific perpetrators of transnational repression, based on data from the last decade.

“Transnational repression” can be described as a government operating in foreign jurisdictions to intimidate, extradite, and sometimes even kill, perceived activist enemies. Freedom House’s latest figures, covering 2022, showed Turkey abducted more people via renditions than any other state in its database, while Tajikistan accounts for around a third of transnational repression incidents, recorded globally.

The dangers posed to individuals forced to return to a Central Asian regime were

tragically demonstrated last October when 30-year-old stand-up comic Muhammed Mammedov was beaten to death in Turkmenistan’s capital Ashgabat after returning home from a long stay in Turkey.

Prior to the foiled 2016 coup against the Erdogan administration, Turkey still had the reputation as one of the safer places for Central Asian activists to seek refuge. It boasted a lack of travel restrictions for regional citizens and a relatively low extradition threat.

However, as part of its sweeping crackdown on “Gülenist network” enemies that Ankara claims

orchestrated the attempted putsch, Turkey appears to have made deals with Central Asian dictatorships to the effect of, you help us pursue our foes on your territory and we will assist you in your efforts against “wanted list” individuals on our territory.

The disappearance of the two Tajik activists without trace has raised fears that such a deal may have been struck and activated.

According to posts on platform X by Central Asian rights expert Steve Swerdlow, Suhrob Zafar, who is the leader of the Turkey-based Group 24 Tajik opposition group, spent two weeks trying to trace fellow activist and Istanbul-based exile Nasimjon Sharifov, who vanished on February 23. Then, on March 11, Zafar himself suddenly disappeared.

In Tajikistan nowadays there is no tolerance for even limited opposition to the Rahmon regime. Group 24 has been designated an “extremist organisation”.

In 2015, Group 24’s founder, businessman Umarali Kuvvatov, was shot dead in Istanbul. The assassins were able to skip the country before they could face justice.

In June 2021, noted *RFE/RL*, Kyrgyz President Sadyr Japarov did not condemn Ankara when Orhan Inandi, the Turkish-born founder of the Gulen-inspired Sapat schools in Kyrgyzstan, was abducted by Turkish agents in Bishkek. Inandi, a Kyrgyz passport holder, was sentenced last year by a court in Ankara to 21 years in prison for “establishing an armed terrorist group.”

Another concern for human rights and freedom-of-expression defenders is that, until 2022, Turkey was one of few nations where citizens of Turkmenistan

“In Tajikistan nowadays there is no tolerance for even limited opposition to the Rahmon regime”

could travel visa-free. The visa waivers were withdrawn at Turkmenistan’s insistence.

Sources of *RFE/RL*’s Turkmen Service have observed deportations of Turkmen citizens by Turkey in their thousands since Ankara reimposed visa restrictions, but the secretive nature of Turkmenistan, Central Asia’s most authoritarian state, makes it difficult to separate politically

active migrants from the regular kind. However, at least six Turkmen political activists have been deported to Ashgabat: Farhat Meimankuliev, Rovshen Klychev, Umit Kuzybaev, Dovran Imamov, Maksat Baimuradov, and Serdar Durduliev, according to the media outlet.

In a brief submitted for Turkmenistan’s Universal Periodic Review at the UN Human Rights Council by the University of Southern California Human Rights Advocacy Group and the Vienna-based advocacy group Freedom for

Eurasia, Turkey was described as “an increasingly unsafe environment” for Turkmen political activists and rights defenders.

The brief added that in Turkey Turkmen as a whole face “surveillance, travel restrictions, discrimination, and other abuses that Ashgabat and Ankara have increasingly used to control and monitor” both them and their relatives back home, *RFE/RL* also reported. ●

## Ethnic Greek mayor’s conviction threatens to derail Albania’s EU accession process

bne IntelliNews

**A**n Albanian court convicted Fredi Beleri, an ethnic Greek Albanian and the elected mayor of the city of Himara, to two years in prison for buying votes on March 5, in a ruling that has already exacerbated tensions with neighbouring Greece.

Beleri was elected mayor of Himara despite being arrested ahead of the May 14, 2023 local elections on accusations of vote buying. The months-long detention of the elected mayor has sparked strong

criticism from Greece, souring relations between Tirana and Athens, which has threatened to obstruct Albania’s EU accession process over the issue.

Athens has repeatedly appealed for Beleri to be granted the opportunity to take the oath as the mayor of Himara. Although he won the election, he could not be sworn in while under arrest.

Greek officials have warned for months that Albania – a candidate country since

2014 – risks jeopardising its EU accession progress if Beleri is not released.

However, Albanian politicians, including Prime Minister Edi Rama, insist that justice must take its course through the court system.

Beleri described the judicial proceedings as a “sham trial”, reported eKathimerini. He criticised the lack of evidence and witnesses, vowing to continue fighting to clear his name.



Athens has repeatedly appealed for Fredi Beleri to be allowed to take the oath as mayor of Himara. / Clara Calderini via Pixabay

“With a fake criminal record, no evidence, no other witnesses except one who was bribed by the police, with an ‘appointed’ judge, in a glass cage without communication with my lawyer, the Albanian court sentenced me today to two years in prison,” Beleri said in a statement quoted by eKathimerini.

“My crime is that my countrymen elected me mayor against the plans of Albanian Prime Minister Edi Rama,” he added

The Greek Ministry of Foreign Affairs also condemned the verdict, stating that it raised concerns about the objectivity of the process and the presumption of innocence. The ministry said the

punishment was disproportionate to the alleged offence.

“Today’s sentence by an Albanian court against the elected mayor of Himara, Fredi Beleri, adds to the concerns raised about the objectivity of the process,” the ministry said in a statement posted on its website.

“The selective enforcement of court decisions and the discounting of court decisions are not in accordance with the principles of the rule of law. The Greek government will closely monitor the case and will wait for a fair and objective judgment at the second level of jurisdiction.”

Beleri has become a cause celebre in Greece, with his supporters mobilising on social media under the hashtag #freeBeleri.

The verdict has also been widely discussed and strongly criticised in the Greek press. One strongly worded article in eKathimerini writes of Albanian Rama’s “choice to cut ties with Athens”.

Greece has previous form on using its position as an EU member in its relations with its neighbours. The country formerly known as Macedonia had its attempts to start EU accession negotiations repeatedly vetoed by Athens, which objected to the use of the name “Macedonia”, which is also the name of a Greek province. The issue was eventually resolved when the government in Skopje changed the country’s name to “North Macedonia” in 2019 following the signing of the Prespa Accord in June 2018.

Prior to Beleri’s arrest Albania and Greece enjoyed relatively good relations thanks to their historic and cultural links, and shared membership of Nato and other international institutions, despite occasional issues relating to the Greek minority in Albania. Before Beleri’s arrest, Greece had advocated Albania’s EU candidacy, and Albania eventually secured candidate status during Greece’s presidency of the EU Council in 2014. ●

## With Russia and Serbia distracted, Montenegro takes aim at EU accession progress

Clare Nuttall in Glasgow

**A**fter years of political instability stalled Montenegro’s EU accession process, the country has reinvigorated its efforts to join the 27-nation bloc under Milojko Spajic’s government that came to power after the 2023 general election.

The renewed impetus for enlargement since Russia’s invasion of Ukraine has given an opportunity for Montenegro,

along with other existing candidate countries, to advance. At the same time, both Russia and Serbia – which regard Montenegro as part of their spheres of influence – are distracted by other issues, as pointed out in a memo published by the German Council on Foreign Relations (DGAP).

Its authors argue that the coming months will be critical for Podgorica

to demonstrate reform progress, and for the EU to respond. Both sides’ “moves will also be closely watched by Nato, which is prepared to exploit new vulnerabilities in this Nato member strategically located between Serbia and the Adriatic Coast,” the report says.

While Russia is typically quick to exploit weaknesses in Montenegro, formerly part of its sphere of influence

but now a Nato member, currently “with Russia busy with other challenges and Serbia focusing on the persistent crisis in Northern Kosovo, the EU is currently at an advantage vis-à-vis potential spoilers”, the report says.

As well as the Kosovo issue, Belgrade is also in a tricky domestic political situation following the December 2023 elections, which sparked thousands-strong protests amid claims of rigging. A new government still has to be appointed post-election, and President Aleksandar Vucic has promised new mayoral elections in the capital Belgrade.

### Renewed vigour

Meanwhile, within Montenegro there has been renewed vigour and commitment to EU integration since the appointment of Spajić of the Europe Now (PES) movement as prime minister in October 2023.

In the months since, there has already been some progress. “Under its new government, Montenegro has unblocked its accession process. Although the small country faces many obstacles, it now represents the best opportunity for the EU to regain momentum for enlargement in the Western Balkans,” says the report, ‘Montenegro’s EU Push: Imminent Opportunities and Challenges’.

It is based on the findings of a fact-finding mission to Podgorica by experts from four European think-tanks – DGAP, the Jacques Delors Institute, Clingendael and Carnegie Europe – in February, and co-organised by DGAP and Ana Nenezic of local think-tank Analitiko.

The country started EU membership talks in 2012 and has opened all 33 negotiating chapters. However, it has only closed three so far, as progress was long stalled by a lack of political will. The Democratic Party of Socialists (DPS), which had ruled Montenegro since before independence, lost its majority in 2020, and since then there have been a series of short-lived and unstable governments.

Now Spajić’s administration has started to address long-standing issues, including

the appointment of key judicial figures and enhancing cooperation with EU agencies like Europol to combat transnational crime. There is also a broad consensus across party lines, crucial for advancing EU-related reforms, with the opposition, led by the DPS, backing the cabinet on matters related to the EU.

Spajić has stressed the government’s commitment to meeting EU requirements, stating that any mistakes or delays on the EU track will result in dismissals within his cabinet. The government’s focus in the coming months is to meet interim benchmarks on the rule of law and fundamental freedoms by June and to initiate the closure of more negotiating chapters by October.

The European Commission is closely monitoring Montenegro’s efforts as it prepares its Interim Benchmark Assessment Report (IBAR). While optimism is running high in Montenegro, EU officials have cautioned against overconfidence, stressing the need for sustained reform efforts.

### Finances stabilised

At the same time, as *bne IntelliNews* reports, Montenegro’s finances have stabilised since the country struggled to pay an instalment on its loan from China’s EximBank back in 2021. This was after Montenegro was the worst hit country in the Emerging Europe region by the coronavirus (COVID-19) pandemic and lockdowns.

Since then things have improved considerably. At the beginning of March this year credit rating agency Standard & Poor’s (S&P) upgraded its outlook on Montenegro’s B/B credit rating to positive.

This positive shift in the credit rating outlook signals encouraging trends in Montenegro’s economy and positive expectations for the future, S&P said.

The positive outlook is particularly grounded in the potential strengthening of Montenegro’s fiscal results expected in 2024-2025. Despite the current prediction of an average budget deficit of 3% of GDP for the next two years, the

country achieved a balanced budget in 2023. This achievement was driven by robust revenue generation, supported by one-time factors like income from economic citizenship and EU donations.

A few days later, the government raised \$750mn from its first US dollar bond issue, above its initial plan for up to \$700mn amid significant interest from investors totalling \$4.6bn.

### Challenges loom

Despite the positive momentum for EU accession and Montenegro’s improved finances, the DGAP memo warns of challenges ahead, mainly related to domestic politics.

The coalition government, led by PES but comprising diverse political factions, faces the delicate task of maintaining cohesion.

A new rift has opened up between Spajić and President Jakov Milatovic, who recently quit the PES and criticised Spajić’s government. However, the report says, “Despite the new feud between them, the current parliamentary majority is holding and looks more lasting.”

The report also addresses concerns related to the inclusion of MPs from ZBCG, due to take place within a year assuming the coalition lasts. The party and its leader Andrija Mandić, now Parliament Speaker, were staunchly pro-Russian and against Euro-Atlantic integration. The authors note that ZBCG has committed to the government’s foreign policy, including 100% align-



Montenegro started EU membership talks in 2012 and has opened all 33 negotiating chapters, but only closed three. / HubertPhotographer via Pixabay

ment with the EU on sanctions against Russia, and Mandić is “acting as a constructive player”.

Looking ahead, the report says, “the biggest risk is posed by the looming reorganisation of [the] cabinet”.

“The real test will come with the inclusion of ZBCG’s ministers in the cabinet. This, in turn, will also increase the indirect influence and spoiler

potential of Belgrade – and perhaps also Moscow – over further developments in Podgorica,” it says.

“Due to accumulated frictions, it might take place very soon and, to balance the strengthened role of ZBCG, also involve the Bosnjak Party (BS), the national conservative party of Montenegro’s Bosniak minority, joining the government. One of the political casualties of the reshuffle might be

the current minister of justice, Andrej Milovic, who has already been excluded from the PES,” the report adds.

“A lot will depend on Spajic’s political clout and learning curve. It seems that his government has bought time at least until the summer to consolidate its ranks and deliver results in the EU track as well as on the economy and public finances.” ●

## Nato member Albania opens air base in former ‘Stalin city’

bne IntelliNews

**N**ato member Albania opened a revamped Soviet-era air base on March 4 in a strategic move for the alliance in the Western Balkan region as concerns over Russian aggression grow.

Prime Minister Edi Rama, speaking at the inauguration ceremony, spoke of the importance of the refurbished Kucova Air Base in light of heightened tensions. “This is a base that adds another element of security for our Western Balkans region, which we all know is endangered from the threat and neo-imperialist ambitions of the Russian Federation,” Rama said.

According to a Nato statement, the Kuçova airbase will both serve Albania and support logistics, air operations, training and exercises for the alliance.

The Kucova Air Base, around 80 kilometres south of the capital Tirana, has undergone extensive renovations funded by Nato, totaling over €50mn. This makes it Nato’s biggest project in the Southeast European country in the last decade.

The upgrades include modernisation of infrastructure, such as control towers, runways, hangars and storage facilities, transforming it into a modern hub capable of hosting various fighter jets and serving as a training centre.

“The airbase will serve as an important Nato air hub,” said Nato acting spokesperson Dylan White. “The makeover of Kucova airbase is a strategic investment and shows that Nato continues to strengthen its presence in the Western Balkans, an area of strategic importance to the Alliance.”

Two fighter jets from Nato’s Aviano Air Base in Italy landed at Kucova to mark the reopening of the airfield.

The base was formerly dubbed “Stalin City” during the Cold War era when it housed Soviet and Chinese-made MIGs.

Albania, which joined Nato in 2009 and is in discussions with the alliance to

establish a naval base on the Adriatic coast, views the reactivation of Kucova Air Base as crucial for regional security.

Rama said at the opening ceremony that back in the Cold War era, “Albania, with this base that we are reopening today, was considered a strategic outpost of the Soviet Empire facing Western Europe, and here in Kuçovo a considerable number of bombers were stationed.”

He added: “Today we live in a different era and fortunately Albania is on the other side, welcoming with pride and respect its allies and partners in an alliance, which is first and foremost an alliance of values in defence of peace and democracy.” ●



The opening of the renovated Kucova air base in Albania. / Nato



Romanian President Klaus Iohannis spoke of the need for unconditional support for Ukraine and formally entered the race to become the next Nato secretary general. / presidency.ro

## Romanian President Iohannis confirms bid for top Nato position

Iulian Ernst in Bucharest

**R**omanian President Klaus Iohannis, whose term expires at the end of the year, confirmed at a press conference on March 12 that he has decided to run for the Nato secretary-general position, at the same time revealing his plan for the military alliance in a Politico column.

While it's at least premature to expect unanimous support for Iohannis among the Alliance's 32 members, the step certainly further erodes the odds of the frontrunner, outgoing Dutch Prime Minister Mark Rutte, securing the needed unanimity, while also launching the debate about a candidate from Eastern Europe.

Romania has a good understanding of the developments in the region, where Russia is proving to be a serious and long-term threat to Europe and Euro-Atlantic security. It unconditionally supports Ukraine and the Alliance needs a renewal of the perspective on its mission, Iohannis argued.

The move comes after Rutte has already gained informal support from major

members of the Alliance, the US, the UK and Germany, to replace Jens Stoltenberg, who led the North Atlantic Alliance since 2014 and who will resign in September.

However, Rutte is still far from the needed unanimity. Hungary has threatened to veto the Dutch candidate because of his past criticism of the ultra-nationalist government in Budapest, and it is not the only member of the Alliance likely to object to Rutte's bid. Iohannis visibly counts on support from the Alliance's members on its Eastern Flank with a "better understanding of the situation".

Iohannis argued in his speech for a candidate from Eastern Europe, while leaving the door open for further negotiations. The move is a first step in what might become a more complex negotiation that might result in a more even balance of power among the Alliance's members.

Estonian Prime Minister Kaja Kallas said last November she is interested in taking over the top job at Nato, as the Cold War-era alliance continues

to navigate Russia's war in Ukraine.

In his speech on March 12, Iohannis also mentioned the security context and said Romania could contribute with its experience and "deep understanding" of the region to shaping a new vision of how we can quickly and efficiently respond to a varied and complex range of challenges and threats.

"I believe that Nato needs, for its part, a renewal of the perspective on its mission," Iohannis said.

Eastern Europe has a valuable contribution to the discussions and decisions adopted within Nato, the Romanian president argued.

"With a balanced, strong and influential representation from this region, the Alliance will be able to make the best decisions that meet the needs and concerns of all member states. For all these reasons, I decided to enter the competition for the position of secretary general of Nato," he stated.

Building on ongoing political and military adaptation, we must make Nato even stronger, Iohannis said in his list of 10 points published by Politico.

The Romanian head of state proposed a comprehensive plan, which he referred to as a decalogue, for Nato to achieve its objectives effectively. Among these are strengthening deterrence and defence capabilities, intensifying cooperation, and crisis management efforts in strategic regions.

It also stressed ongoing support for Ukraine's path towards Nato and EU membership, enhancing interoperability and defence industrial base development, and encouraging member states to meet defence spending targets.

Additionally, the plan focuses on increasing resilience against hybrid and cyber threats, consolidating transatlantic partnerships and strategic alliances with the EU, and prioritising digital transformation and innovation. It highlights Nato's role in arms control, disarmament, and non-proliferation. ●



Fire and terrorist attack at Crocus City Hall. Krasnogorsk, Moscow region Russia March 22, 2024. [www.shutterstock.com](http://www.shutterstock.com)

# Moscow terror attack suspects likely received instructions in Turkey, Russian daily reports

## Akin Nazli in Belgrade

**T**wo of the four Tajik men alleged to have participated in the deadly March 23 terrorist assault on concertgoers at Crocus City Hall on the edge of Moscow probably received instructions for the armed attack when they travelled to Turkey, Russian newspaper *Izvestia* reported on March 25, quoting an unnamed source.

The other two suspects accused of taking part in the terrorist atrocity, which took the lives of at least 137 people, were recruited on Russian territory, the source was also cited as saying.

Later on March 25, a Turkish security official told Reuters that two of the accused gunmen briefly entered Turkey to renew their Russian residence permits, but were not radicalised in Turkey. They were not subject to any outstanding arrest warrants and so

were able to travel freely between Russia and Turkey, the official added.

Russian authorities have identified the four suspects as Dalerjon Mirzoev, Rachabalizod Saidakrami, Shamsudin Fariduni and Muhammadsobir Fayzov. All of them are citizens of Tajikistan, who were working in Russia.

It would not be correct to describe the group of suspects as having made up an organised sleeper terrorist cell in the classic sense, according to another unnamed source quoted by *Izvestia*. The group was not formed as a cell within the framework of any structure but was put together literally a few weeks prior to the attack with some cash payments made to the perpetrators, the source also reportedly said.

Fariduni confessed during an interrogation that on March 4 he arrived

in Russia from Turkey, *Izvestia's* source was further reported as saying.

"I listened to a lesson on [social media platform] Telegram, to a preacher. Then the [preacher's] assistant wrote. He wrote on Telegram, without a last name, without anything. He offered money. Five hundred thousand [Russian rubles, equivalent to around \$5,500]. To kill, no matter who," Fariduni was said to have said in the interrogation.

On February 23, Fariduni posted photos on social media from Istanbul, *Izvestia* also reported.

"Wahhabi preachers, convicted in absentia and put on the wanted list by Russia – for example, Abdullah Kosteksky and Abu Umar Sasitlinsky – currently live in Turkey. Everything is good [for them] there, they have their

own media centre through which they preach,” the newspaper quoted one of its sources as saying.

A branch of the Salafi jihadist Islamic State group – namely Islamic State – Khorasan Province (IS-KP, ISIS-K or Isil-K), nowadays usually described as based in Afghanistan – has claimed responsibility for the brutal terrorist attack, though the Kremlin has declined to comment on the evidence that IS-KP was behind it.

It’s important to note that the hierarchy of IS-KP is loosely arranged. The group is known to have told militants sympathetic to it that it will claim responsibility for any attack carried out on its behalf. IS-KP has also encouraged sympathisers, who are not trained terrorists, to carry out attacks based on their own evaluations and decision-making. Such a reality can make it impossible to identify the instigator of an atrocity.

Difficulties are also caused by media coverage of terror attacks. Much of it is typically misleading and manipulative, with articles swayed by the particular media organ’s ownership, loyalty to a government and/or various other factors.

The involvement of an intelligence service or another entity in a terrorist attack conducted by a group only loosely linked and affiliated to a guiding organisation is always possible.

After the US withdrew from Afghanistan in August 2021, jihadist activity in the country and in Central Asia expanded. In the years since, Tajik nationals have taken part in many terrorist attacks, although not in Russia until now. Worth recalling, however, is that last December five Tajik nationals and a Russian citizen from Dagestan were sentenced by a military court in Moscow to prison terms of between 16 and 22 years after being convicted of organising a terrorist group associated with Islamic State and plotting a terrorist attack against the Federal Security Service (FSB) HQ in Moscow. Their defence lawyers insisted that the case was trumped up for political reasons and that the alleged crimes were provoked by security officers, according to a report by *Current Time*.

Looking more closely at how Turkey is used by jihadists, note that the country has, since 2011 when the Syria and Libya conflicts ignited, turned into a “jihadist hub”. And some jihadist groups, backed by the Turkish government, have fought Russia’s proxies in Syria and Libya.

It is very unlikely, however, that a Turkey connection to the alleged Crocus City Hall terrorists would trigger a radical shift in bilateral relations between Ankara and Moscow. Even while Turkey-backed groups have been fighting the Russian proxies in Syria and Libya in the past decade, relations have remained practicable and strong enough to permit Russia to build Turkey’s first nuclear plant, with the first unit tentatively scheduled to launch later this year.

After the West imposed its Ukraine war-related sanctions on the Kremlin, Turkey emerged as an important transit hub for exports flowing to Russia. Relations between Vladimir Putin and Turkish counterpart Recep Tayyip Erdogan are transactional, with both strongmen often indulging in give and take arrangements that raise eyebrows in Europe and the US. There is plenty to gain, and plenty to lose.

Even the downing of a Russian military jet in Syria in 2015 did not cause enduring damage to relations. And both sides saw the assassination of the Russian ambassador to Ankara by a Turkish police

officer in 2016 as an attempt by a third party to damage their ties.

It would be somewhat absurd to think that the Erdogan regime engaged with the suspects. Turkey is a three-ring circus for all jihadist organisations from around the world.

It is no surprise that some of the suspects have been to Turkey.

Currently, Turkey, with an official population of 85mn, hosts more than 10mn migrants, including millions of jihadists who have fought in the wider region ranging from Afghanistan to Libya.

The country’s eastern borders are open, while its western borders are closed because of Ankara’s so-called readmission deal on migrants signed with the EU in 2016.

Just like all of the other international jihadist organisations, IS-KP has networks in Turkey. It has in fact carried out two headline attacks in Istanbul. These are the Reina nightclub attack that took place on New Year’s Eve in 2017 and the Ataturk Airport attack of June 2016.

In late January, some alleged IS-KP terrorists carried out an attack inside a Catholic church in Istanbul during Sunday prayer. Only one person was killed. There were reports that the attackers’ gun misfired. ●



(Clockwise from top left) Alleged terrorists Dalerjon Mirzoev, Shamsudin Fariduni, Muhammadsobir Fayzov and Rachabalizod Saidakrami at a remand hearing on March 24. / Tass

# Thousands attend funeral of Russian opposition figure Alexey Navalny despite threat of arrest

## bne IntelliNews

Thousands of mourners gathered at the Quench My Sorrows church in Moscow's Maryino district to attend the funeral service of Russian opposition politician Alexey Navalny.

Following days of uncertainty as his family struggled to find a burial location and place willing to host the service, his coffin arrived at 2pm, accompanied by the large crowd chanting "Navalny, Navalny!" as they waited to be allowed into the church.

Despite warnings from the authorities of possible arrests for an unsanctioned mass gathering, throngs of supporters opted to take the risk.

Only a select few members of Navalny's family and friends were allowed entry into the actual church to take part in the service. As his casket lay in state, with his grieving mothers and father close by, cries of "No to war," "Russia will be free," and "Putin is a killer" reverberated through the gathered crowd.

Among the visitors to the service were anti-war political figures like Yekaterina Duntsova and Boris Nadezhdin, as well as diplomatic representation from a number of countries, like the US, the UK, and Germany.

Following the ceremony, his body was transferred a short distance away to

Borisovskoye cemetery, before being buried shortly before 5pm.

Despite a large police presence, there were no reports of mass arrests. However, on previous occasions, including Navalny-led protests, many of the attendees were later arrested in their homes and on the street due to the city's developed facial recognition technology.

Navalny died on 16 February aged 47, after falling unconscious during a walk. His wife Yulia Navalnaya and his team have accused Vladimir Putin's regime of orchestrating his murder.

Navalny's journey to this final resting place was fraught with complications. After his death at the infamous "Polar Wolf" penal colony in the Russian Arctic, the authorities refused to release the corpse to his mother Lyudmila Navalnaya, instead demanding a burial within the prison complex. They later told her that she must have a private ceremony. After she refused, the authorities relented, allowing him to be buried in his hometown of Moscow. ●

"As his casket lay in state, with his grieving mothers and father close by, cries of "No to war," "Russia will be free," and "Putin is a killer" reverberated through the gathered crowd"



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## Zelenskiy says situation at Poland border has gone 'too far'

Wojciech Kosciuszko in Warsaw

The situation on the Polish-Ukrainian border has gone too far economically and morally, Ukraine President Volodymyr Zelenskiy said in an address on March 3.

Thousands of trucks are stuck on the border as Polish farmers block border crossings with Ukraine in protest against what they say is an uncontrolled influx of Ukrainian farm produce that is depressing prices in Poland.

“We have one goal – to protect Polish agriculture and the European market from the very unfair and crushing consequences of the decision to fully liberalise trade with Ukraine”

Access to the crossings is hindered despite last week's decision by the Polish government to add the crossings to the list of “critical infrastructure”, after protests became a political flashpoint between Warsaw and Kyiv.

Ukraine says Poland is not doing enough to contain the protests that

hurt its economy during wartime. The government in Warsaw, meanwhile, appears sympathetic to the protesting farmers who, Prime Minister Donald Tusk said last week, “must not be the victims of the war”.

“We have one goal – to protect Polish agriculture and the European market from the very unfair and crushing consequences of the decision to fully liberalise trade with Ukraine,” Tusk

said last week after a meeting with the leaders of the farmers' protest.

In his video address posted on social media, Zelenskiy hinted that Ukraine's struggle against the Russian aggression – now in its third year – trumps everything else.

“We must finally find a solution to the

situation on the Polish border, which has gone beyond both economics and morality long ago,” Zelenskiy.

“It is simply impossible to explain how the hardships of a bleeding country can be used in domestic political struggles,” Zelenskiy also said in a remark pointed at the turmoil that the farmer protests have caused in Poland.

The Tusk government is striving to contain the protests by showing sympathy to farmers' demands regarding trade with Ukraine as it is facing a double election test in the next three months.

There are local elections in Poland in April in which the parties making up the Tusk-led cabinet will seek to further diminish the standing of the previous ruling party, the populist right-wing Law and Justice (PiS), especially in rural areas.

There also are European elections in Poland (and elsewhere in the EU) in June, campaigning for which will be heavily influenced by the themes of the war in Ukraine and the bloc's agricultural policy.

Polish farmers are up in arms against the European Union's flagship climate and environment policy, the Green Deal, painting it as a “death sentence” for Polish farming. Experts say, however, that changes to agricultural production must happen soon or it will wither under the weight of the climate crisis.

Other than in the context of the farmer protests, Poland asserts it stands by Ukraine in its fight against Russia. Poland is the West's key hub for military help to Ukraine.

Tusk also said last week that the government will look at the apparent problem of agricultural imports from Russia and Belarus.

A report by Ukrainian journalist Mykhailo Tkach claimed last week that Russian and Belarusian trucks carrying farm products are entering Poland unfettered. ●



I am very pleased to meet you. You are an American whom I respect.

Stone meets Nazarbayev. / Global Tree Pictures/YouTube

# Kazakh ex-president Nazarbayev's foundation paid \$5mn fee for fawning Oliver Stone miniseries, investigation finds

## bne IntelliNews

**A**t least \$5mn was reportedly paid by a foundation controlled by former Kazakh president Nursultan Nazarbayev for a documentary miniseries centred on a lengthy star interview with US film director Oliver Stone criticised for boosting the strongman's cult of personality and whitewashing the rot at the core of his regime.

The finding was made by an investigation conducted by the Organized Crime and Corruption Reporting Project (OCCRP) and

Kazakhstan-based media site Vlast.kz, the full conclusions of which were released on March 5.

The probe, titled "From Nazarbaev To Lukashenka: Hollywood In The Service Of Dictators", looked at how the authoritarian Nazarbayev, who ruled Kazakhstan for almost three decades to 2019, was personally involved in the making of the 2021 miniseries, "Qazaq: History Of The Golden Man", also released as a film.

"Nazarbayev would constantly edit the film, trying to improve [the rendering

of] his image," a member of the film crew was quoted by OCCRP as saying.

Critical responses to the documentary included comments from one film expert that it was a "hagiographic ode".

The documentary producer was US filmmaker Igor Lopatonok, 56. Born in eastern Ukraine, he emigrated to the US in 2008. He has frequently expressed pro-Kremlin views.

Stone, 77, a four-time Academy Award winner, has also made documentaries

about Russian dictator Vladimir Putin – it was described as “obsequious” by *The New York Times* – Cuban leader Fidel Castro and Venezuelan strongman Hugo Chavez.

In “Golden Man”, Nazarbayev reflects on his childhood, political career, the demise of the Soviet Union and the establishment of Kazakhstan as an independent state in 1991.

Since the “Bloody January” anti-government unrest of January 2022, Nazarbayev, his cronies and his legacy have been sidelined by current Kazakh President Kassym-Jomart Tokayev, who is seen as needing to dispense with the past in order to provide for the stability and ascent of his own administration.

The investigation found that the Nazarbayev Fund, a charity foundation established by Nazarbayev in 2010, paid at least \$5mn to Lopatonok and Stone.

Nazarbayev did not respond to the investigators' request for comment.

RFE/RL reported that Lopatonok agreed to speak to OCCRP – a global network of investigative journalists – and Vlast, but became increasingly angry during the video interview held in February when the journalists put him on the spot over the financing of his films. “We’re going after you, personally. We know you. We’re going after your sources,” Lopatonok threatened them. “We’re going to destroy you, your credibility.”

The documentary about Nazarbayev was shown on Kazakh state television in December 2021 on the eve of the unrest that led to the stripping of most of the power and influence he still held in Kazakhstan.

In the wake of “Golden Man”, Lopatonok and his team pitched similar films to other authoritarian leaders, including Azerbaijan’s Ilham Aliyev and Belarus’s Alexander Lukashenko, the investigation revealed.

A Lopatonok documentary about Lukashenko had already started filming at locations across Belarus, but work was halted after Russia invaded Ukraine in February 2022. ●

## Kyrgyzstan votes through Russian-style “foreign agents” law in seven minutes flat

### bne IntelliNews

**K**yrgyzstan’s parliament has voted through a Russian-style “foreign agents” law said to ape the legislation used by the Putin regime to crush civil society.

The March 14 passing of the bill after a third and final reading took place despite several months of objections from Kyrgyz and international nongovernmental organisations (NGOs) and Kyrgyz independent media. There was no debate in the chamber and the 66-to-five “yes” vote (with nine abstentions) was delivered in just seven minutes.

The vote was not even listed on the official parliamentary timetable. The legislature has no track record of resisting any substantial legislation backed by the authoritarian Sadyr Japarov presidency.

A European Union delegation and multiple Western embassies criticised the bill in a joint statement issued ahead of the vote.

The passing of the bill would “contravene international norms” and jeopardise foreign assistance to the nation of 6.6mn people, the statement warned.

Provided there is no change of heart from President Sadyr Japarov, who must sign the bill to make it law, onerous reporting requirements will now be imposed on any NGO deemed to be involved in “political activities” and in receipt of funding from abroad.

The bill states that NGOs should be prevented from “trying to shape public opinion” on government matters. Some organisations “interfere in the political life of the state”, according to bill excerpts published by local media and relayed by Reuters.

“If this legislation is adopted, I am worried it would have an overwhelmingly negative impact on civil society, human rights defenders,



Japarov is not for turning. / Kyrgyz presidency

and the media in Kyrgyzstan," Matteo Mecacci, head of the Organization for Security and Cooperation in Europe's (OSCE) office for democratic institutions and human rights, said in a statement last month.

When US Secretary of State Antony Blinken wrote a letter to populist authoritarian Japarov in February, outlining his concerns over the bill, the strongman hit out at foreign countries interfering in Kyrgyzstan's domestic affairs.

"Some U.S. implementing partners are so concerned about this law ...

they are considering the possibility of a preventive termination of their activities in the Kyrgyz Republic," Blinken said in the letter. He warned Japarov that the law could "jeopardize one of your country's greatest assets", namely the "vibrant civil society [that] has long been the strongest in the region and a key part of democracy in Kyrgyzstan".

In his response, Japarov claimed: "The concept of the draft law initiated by members of the Kyrgyz Parliament is close to the current Foreign Agents Registration Act ... adopted in the USA

in 1938. The question cannot help but arise: Why is it possible for you, but not for us?"

Amnesty International in February pointed to "vague, expansive, and ambiguous language" in the drafted legislation that "gives the authorities excessively discretionary powers to target NGOs for carrying out their legitimate work, including advocacy on public policies that affect the whole spectrum of human rights, including the right to a healthy environment". ●

## Azerbaijan demolishes Karabakh Parliament building

Ani Avetisyan

**A**zerbaijan has begun demolishing a building in Stepanakert that served as Nagorno-Karabakh's parliament for nearly 20 years.

A video released by pro-government Azerbaijani media showed an excavator working at the site of the largely ruined building. The building was designed to resemble a traditional Armenian church. The marble structure, built in the early 2000s, was located in the central square of the capital of Karabakh.

In November, Azerbaijani President Ilham Aliyev held a military parade less than two months after the Azerbaijani military offensive that forced the entire population of Karabakh to flee to Armenia and restored Baku's control over the region. Additionally, during last month's presidential election that gave him another term in office, Aliyev voted in Stepanakert.

Aram Harutiunyan, a Karabakh lawmaker exiled in Armenia, stated that the demolition illustrates Baku's attempts to eradicate any evidence of the Armenian presence in Karabakh.

Harutiunyan suggested that the reason Azerbaijan targeted the building was due to it being a gathering place for those who won the first war.

Yerevan has not yet commented officially on the news.

Before the demolitions, Armenian and Karabakh officials blamed the Azeri authorities for the systematic desecration or destruction of Armenian monuments in Karabakh. They claim that at least two Karabakh Armenian churches have been torn down since the Russian-brokered ceasefire that ended the six-week war in November 2020.

Several reports showed the destruction of Armenian cultural heritage in Nagorno-Karabakh since 2020. The two sides have continuously demolished the cultural heritage of the other side while either has had the territory under their control.

Azerbaijan took full military control over Nagorno-Karabakh in September 2023, triggering the depopulation of the previously Armenian-inhabited region. The Azerbaijani government plans to organise the return of Azerbaijani

refugees to Nagorno-Karabakh. Some of the internally displaced people have already returned to the areas recaptured by Azerbaijan in 2020.

Azerbaijan is also conducting large-scale construction in those regions.

While neither the Armenian nor the Azerbaijani authorities speak about the possibilities of the return of Karabakh Armenians to their homes, Moscow and the European Union have continuously mentioned the importance of providing the refugees with the necessary conditions to return, if they want to.

Russian officials have repeatedly claimed that they were discussing the conditions of the return of Karabakh Armenians with Azerbaijan. The Russian peacekeeping forces deployed to Nagorno-Karabakh stayed in the region despite the displacement of the Armenian population. While Moscow claims that it will still discuss the possibilities of the extension of the peacekeepers' term in the region, Baku claimed that the presence of the peacekeepers in Nagorno-Karabakh will end in 2025 as per the November 9 agreement. ●

# Azerbaijan launches another media crackdown

## bne IntelliNews

**A**zerbaijani police have raided online independent broadcaster Toplum TV, detaining several of the station's journalists, OC Media reported.

The move follows a media crackdown ahead of the presidential elections last month, won by President Ilham Aliyev, which international observers said were marred by widespread fraud.

Journalists Akif Gurbanov, Farid Ismayilov, Mushfig Jabbar, Ali Zeynal, Ramil Babayev, Elmir Abbasov and Ilkin Ahmadov were later reported to have been informed BBC Azerbaijan that "operational investigative actions" were being executed based on "information received regarding the activities of a group of individuals".

Toplum TV was established in 2016 by media lawyer Alasgar Mammadli. The site's editor-in-chief is the renowned Azerbaijani investigative journalist Khadija Ismayil.

The Azerbaijani political group, the Third Republican Platform, announced on the same day that they were unable

to contact three of their members – Akif Gurbanov, Ruslan Izzatli and Araz Aliyev, who is also a journalist for Toplum TV – and presumed they had been detained by the police.

While Ruslan Izzatli and Araz Aliyev were released later, Akif Gurbanov was detained on charges of smuggling by prior agreement of persons (Article

**“Today's crackdown on Azerbaijani broadcaster Toplum TV is the Aliyev regime's latest unacceptable attack on critical, independent voices in the country”**

206.3.2 of the Criminal Code). The police "discovered" €30,000 in the office, journalist Ulviyya Ali detained on charges of smuggling with police "finding" €3,100 in his house, AzeriWatchdog said.

There had already been signs of Toplum TV facing governmental pressure. For example, pro-government Baku TV

conducted a smear campaign against Toplum. In early February, Meydan TV editor Orkhan Mammad told OC Media that in the run-up to Azerbaijan's snap presidential elections, pro-government media had frequently targeted Toplum TV.

"Today's crackdown on Azerbaijani broadcaster Toplum TV is the Aliyev regime's latest unacceptable attack

on critical, independent voices in the country," Freedom House TURAN's inquiry. "We call on Azerbaijan to end the harassment of those exercising their fundamental freedoms and urge the release of all individuals being unjustly held in politically motivated cases. No one should face incarceration or other retribution for exercising freedom of expression," he added. ●



The US State Department has criticised the latest Azerbaijani crackdown. / bne IntelliNews

# Kyrgyzstan: As net tightens around Matraimov, Japarov is clearing field of viable threats

Ayzirek Imanaliyeva for Eurasianet

There was a time when many in Kyrgyzstan's political elite would have been honoured to enjoy an association with Rayimbek Matraimov.

That remained the case even after investigative journalists published a series of bombshell reports in 2019 exposing how the former deputy head of the customs services had allegedly amassed vast riches through smuggling. Officials at the time mumbled weak promises to investigate the claims. Those pledges came to nothing.

Now that the government is putting the squeeze on Matraimov, however, the fallen kingmaker's erstwhile allies are scrambling desperately to distance themselves from him. Even his brother, a member of parliament, has got in on the act.

"By law, when a person reaches the age of 18, their parents are no longer responsible for them. A brother is likewise not responsible for their younger sibling. He can answer for his own work," Iskender Matraimov told RFE/RL's *Kyrgyz Service*, *Radio Azattyk*.

Iskender Matraimov was just one of multiple MPs to enjoy his once-powerful brother's political patronage.

On February 15, a pro-government television station, *Region*, ran a report detailing the alleged links between several of those MPs to the former customs boss and concluded with a demand that they all surrender their seats.

This generated the string of disavowals.

One came from Nadira Narmatova, who has sought to curry the government's favour by casting herself as an attack dog against critics of the authorities. Another MP, Aibek Osmonov, who is on record showering praise on Matraimov's

charitable Ismail-Ata Foundation, said he refused to give up his seat. The only reason he knew Matraimov was that they grew up in the same district in the southern city of Osh, he insisted.

"The whole area knows him. We all know each other. And if everyone knows each other, then there will be some kind of relationship, right?" he said.

Shailoobek Atazov conceded that he had organised rallies in support of Matraimov in 2021, but added that he was, after all, "elected by the people," so there was no reason for him to resign his mandate.

These protestations have not proven sufficient.

Sensing the mounting pressure, Iskender Matraimov and another deputy, Nurlan Razhabaliyev, also an ex-customs official, eventually agreed to leave parliament. The Central Election Commission accepted their resignations on February 22. A week later, several media outlets reported that Iskender Matraimov, along with Osmonov and

considerable assets and properties. Matraimov is now reportedly being sought on charges that include "forcibly depriving a person of their freedom."

"We will take away all his property in Osh and in all of Kyrgyzstan. We will not leave him even 100 square metres of land. And even if he returns, he will no longer be that once-strong Rayim Million," Tashiyev said, deploying Matraimov's widely used nickname.

The reference to Osh, which is the name of the eponymous region, was not incidental. The south of Kyrgyzstan was Matraimov's stronghold and the site of many of his properties.

Multiple residential and commercial properties belonging to the Matraimov family, in Osh and Bishkek, worth around \$80mn in the aggregate, according to security officials, have now been seized.

The team around President Sadyr Japarov will point to these developments as the fulfilment of promises made shortly after Japarov seized power amid protests against

**"We will take away all his property in Osh and in all of Kyrgyzstan. We will not leave him even 100 square metres of land"**

Atazov, had slipped out of the country. Osmonov told reporters he had gone abroad for his annual medical check-up.

As for Rayimbek Matraimov himself, he is said to be on the run overseas. This revelation emerged in January, when the head of the security services, Kamchybek Tashiyev, announced that the government was poised to confiscate the former customs official's

hotly contested parliamentary elections in October 2020.

Matraimov was, indeed, arguably a key trigger of the events that led to Japarov's rise to office. Observers of Kyrgyzstan's political scene universally agreed that those elections were poised to produce a chamber stuffed with Matraimov proxies and loyalists of then-president Sooronbai Jeenbekov.

An initially peaceful rally on the evening of October 5 imperceptibly graduated into turmoil. By the following morning, Japarov, a firebrand ex-MP who had been serving a prison sentence for hostage-taking, had been released and addressed his supporters in downtown Bishkek.

A couple of days later, Japarov delivered another emotion-laden speech to a

“From now on, in our country there will be no thieves-in-law, no leaders of organised crime groups, no criminal organisations”

boisterous crowd in which he vowed that he would throw Matraimov into prison.

“Rayim-Million will be arrested. I have not yet fully got into running state affairs. But as soon as I do, he will be arrested,” said Japarov, who was still at that stage jostling for power.

Sure enough, once Japarov had succeeded in chasing out Jeenbekov, the security services declared that they had filed corruption charges against Matraimov. This was a largely performative exercise, however. The jailed ex-customs boss consented

to plead guilty to some corruption charges and was levied a paltry \$3,000 fine. He also agreed on the side to hand over two billion som (\$24.5mn) in cash and assets to the state in compensation for damage caused to the country’s coffers by his activities. And again he was free.

This relatively light treatment gave rise to speculation about whether

Matraimov’s arrest was simply theatre, and if he might continue to play some kind of role in backroom politics. Or at least be allowed to enjoy his ill-gotten riches in freedom.

If any deal was hatched, it was definitively nixed in January.

Political analyst Medet Tiulegenov told *Eurasianet* he believes that this latest assault on Matraimov stems from Japarov’s desire to be seen as keeping his word.

“Japarov has mentally drawn the line that half of his [six-year] presidential

term has passed and that a second one is looming. And so this is the time to remember what promises were made and ... to somehow try to fulfil them,” Tiulegenov said.

There is another, harder-edged and more pragmatic, explanation, though.

The formal political opposition to Japarov has all but been sidelined. The October 2022 arrest of dozens of activists campaigning against a land swap deal with Uzbekistan has cowed many into silence. Some figures who nevertheless insisted on being troublesome have been dealt with. The independent media scene is wilting under growing pressure. Nongovernmental groups are in the crosshairs too.

In truth, though, the elements deemed as posing the most substantial danger to the authority wielded by Japarov and his closest associate, the security services chief, Tashiyev, were those operating in the shadows.

Matraimov was one.

Another was powerful crime boss Kamchybek Kolbayev, a figure so notorious that he was even wanted by the US government. But in October, Kolbayev was cornered in a cafe in Bishkek and killed in an armed standoff with security service special forces troops.

Tashiyev declared all-out war on organised crime after that.

“From now on, in our country there will be no thieves-in-law, no leaders of organised crime groups, no criminal organisations,” Tashiyev said in a speech.

Tiulegenov said that the fight against Matraimov and the killing of Kolbayev should be seen as links in the same chain.

“This is a clearing of the field of possible competitors,” he said. ●

*Ayzirek Imanaliyeva is a journalist based in Bishkek.*

*This article first appeared on Eurasianet.*



Matraimov speaking in an online video appeal in 2019.



The Russians have for decades used the vast expanses of the Kazakh steppe for weapons testing.

CENTRAL ASIA BLOG

# Missiles made in Russia, tested in Kazakhstan and fired on Ukraine

Peter Baunov in Astana

**R**ussia, you might be a little shocked to learn, has an agreement that gives it the opportunity to test missiles on Kazakh territory, prior to deploying the verified weapons to kill Ukrainians. This is, one should add, no secret in Kazakhstan and, indeed, it is “old news” to Kazakhs who take an interest in this kind of thing. However, given an article published in late February by *Novaya Gazeta*, the unsettling testing arrangements have been making some headlines outside of the country.

As you might expect, this story of Russian missile testing in Kazakhstan has a complex background, as the unfolding article in the “exiled” Riga-based Russian newspaper itself revealed.

The reporter’s driver and guide tells how the Russians have for decades used the steppe in Bokeyorda, western Kazakhstan, for weapons testing.

“Here we have rocket fragments still lying around,” the guide remarks to the correspondent of *Novaya Gazeta*, while holding pieces of metal in his palm. “The Russian military should arrive, fence off the impact site and collect the wreckage. But usually, we do it ourselves. Somehow, their rocket [on this occasion] didn’t explode. And we saw them come and just bury the rocket.

“From that spot to the houses, it’s about two kilometres. There have been cases where rockets fell in populated areas, one even fell on someone’s barn. I can’t recall a rocket hitting a house, but we definitely don’t know how much damage has been done overall, and if there have been any casualties, because we have no control from our side. The authorities of Kazakhstan try to hide this situation.”

The guide also reflected on the health of cattle in the area. According to local accounts, cattle in the vicinity tend to drink the water that collects in craters left by Russian

missiles. Also disturbingly, there have been an unspecified number of cases of cancer among adults and children born with disabilities in the locality, which locals imply could be a consequence of the weapons testing.

Overall, the situation as outlined by the guide sounded bleak.

### ICBM vs TPNW

In April last year, Russia fired an intercontinental ballistic missile (ICBM) from Russian territory to the Sary-Shagan test site in Kazakhstan. The test took place despite Kazakhstan's commitment to the Treaty on the Prohibition of Nuclear Weapons (TPNW), which Astana ratified in 2019.



A dilapidated facility at Sary-Shagan (Credit: Nikolay Bulykin, cc-by-sa 4.0).

The Nuclear Weapons Ban Monitor, a watchdog, pointed out discrepancies it saw in Kazakhstan's tolerance of the firing. Such missile tests do not align with the spirit of the TPNW, it said.

An expert on Russian strategic nuclear forces, Pavel Podvig, remarked in a tweet after the ICBM test that the missile launch "was an important test for the TPNW and... not an easy one."

"Sary-Shagan is largely a missile defence site [that] was used by the Soviet Union to test various defence-related systems – radars and interceptors in particular... [and] one can argue that missile defence may be TPNW-compliant," he wrote.

At the same time, "the situation with the launches from [Russian test site] Kapustin Yar to Sary-Shagan is a bit different. These are tests of ICBMs... ICBMs are very much dedicated nuclear weapon delivery systems," he added.

Kazakhstan responded to the raised concerns by noting that none of the tested ICBMs carried nuclear payloads.

### Stray missiles

Sary-Shagan is located near Bokeyorda. And it appears that inhabitants of the area are affected by stray missiles that feature in tests that should be confined to the territory of Sary-Shagan.

The Sary-Shagan anti-ballistic missile testing range, spanning 943,000 hectares, is a test site for the development and testing of armaments, anti-missile weapons and anti-aircraft weapons, officially leased by Kazakhstan to Russia since the mid-1990s (the lease costs Russia only \$2.3 per hectare per year). The range is situated to the northwest of Lake Balkhash on the desert plateau of Betpakdala, which spans the Karaganda and Jambyl oblasts. It was established in 1956. The plateau's flat and sparsely populated landscape was attractive to weapons engineers.

As mentioned by Podvig, rockets are fired from Russia's Kapustin Yar, a proving ground in Astrakhan Oblast. Moscow has used the facility to carry out approximately 400 anti-missile launches, approximately 5,500 anti-aircraft guided missile launches and more than 900 ballistic missile tests, according to *Defence24*.

The reality is that the Russians have always used post-Soviet Kazakhstan for weapons testing. It is only the advent of the Ukraine war that has brought the matter, and the concerns of Kazakh locals about the effects of the missile impacts, into focus. Little to no attention was paid to what is taking place before.

Those who say Kazakhstan should now move to end the testing overlook a crucial fact. The Tokayev regime that nowadays rules the country was shown to have a rather unsettling dependence on Russia during the anti-government unrest and riots that broke out in "Bloody January" 2022. As speculation mounted that the unrest could be exploited by rivals to Tokayev who were aiming to topple him with a coup, Tokayev reached out to the Kremlin.

Vladimir Putin's sending of troops to stand guard over the scene as Kazakhstan's president reasserted his authority (the troops were not called into action during their short stay, but their presence was sobering enough for some regime opponents) ultimately allowed officials to stabilise things and consolidate power, while sidelining predecessor Nursultan Nazarbayev, members of his clan and other backers. The consequence? There must be a certain amount of "You owe me" in the Putin-Tokayev relationship.

So while Tokayev has not offered any backing to Putin for his invasion of Ukraine, he has not proved too much of an irritant to the Russian dictator. Existing deals between the Kremlin and Astana, such as the agreement over missile testing ranges, have remained firmly in place.

The Sary-Shagan lease is not due to expire until 2030.

Kazakh Deputy Defence Minister Shaykh-Hasan Zhazykbayev gave assurances over how the range is used in comments made to local media on February 28.

"There is such a range, but not for unguided missiles. Regular

missiles are used. The range is Sary-Shagan. According to a 1993 agreement, they [the Russians] can carry out testing there until 2030. It's the 110th training centre of the Russian Federation. For missiles with a range of up to 200 kilometres [124 miles]. No, there is no infrastructure at this range, no local population," Zhazykbayev said, adding that the site is used for 50 missile tests per year.

### Numerous assets

Numerous Russian defence assets and facilities remain in Kazakhstan, though several have been closed down.

Sites that have been closed include Balkhash Radar Station, located near Sary-Shagan. It boasted six radars, but the final radar was decommissioned on 1 June, 2020, by the Russian Space Forces.

Another no longer functioning site is Emba-5 missile test site. It is a military facility situated close to the town of Emba in western Kazakhstan. The area was used similarly to Sary-Shagan by Russia under a leasing arrangement until 2016.

There are two other major Russian military facilities in Kazakhstan to mention.

The first is the 929th Valery Pavlovich Chkalov State Test Flight Center, in Taysoygan, near the Russian border in northern Kazakhstan. It serves as a primary aviation research institution for the Russian Federation Air Force. According to Defence24, it conducts tests on military aviation equipment and aviation weapons, including aircraft, unmanned aerial vehicles, armaments, ground service and air facilities.

By relying on airports, training grounds, and specialised laboratories, the 929th also performs climatic and mechanical research, among other activities. Annually, it conducts over 220 independent tests, at least 1,600 flights and over 70 research projects.



A Soyuz rocket set for launch at Baikonur Cosmodrome (Credit: Nasa/Bill Ingalls).

The second facility to take note of is the Baikonur Cosmodrome space flight centre, the most well-known Russian asset in Kazakhstan. It is from here that the USSR put

its first satellite, Sputnik-1, and Yuri Gagarin, the first human to reach space, into orbit.

To note, Baikonur, the world's largest space port, is technically not a military asset, but many of the Russian satellites that it sends up certainly are.

Russia has held an exclusive lease on Baikonur, located in southern Kazakhstan, since 1994. It pays \$115mn in rent every year and transfers approximately \$38.5mn annually to a nearby town.

However, Moscow has been facing difficulties at the spaceport since its February 2022 invasion of Ukraine. Though

“Baikonur, the world’s largest space port, is technically not a military asset, but many of the Russian satellites that it sends up certainly are”

Kazakhstan and Russia have agreed to turn Baikonur into a hub for a new Soyuz-5 rocket programme to compete against Elon Musk's SpaceX, many hoped-for clients and investors have made it clear that they will not be working with Russia due to the war and the resulting sanctions imposed on Moscow.

Ultimately, the West is very unlikely to come to see Russia's military facilities in Kazakhstan as anything like a major headache in the context of its attempts to support Ukraine and deter other nations from backing Russia in the conflict.

The most concerning role Kazakhstan appears to be playing for the Russian military-industrial complex is as a third country that receives exports and re-exports them to Russia. The situation is opaque. It is not clear what volume of sanctioned goods are making it to Russia via Kazakhstan and whether the volume is rising or falling. But Western capitals have not made a song and dance about the trade route in comparison to their criticisms and moves against other third countries.

Kazakh officials would have the observer believe that that is because “there is nothing to see here”. While they concede that some private traders in Kazakhstan must be dodging sanctions on behalf of Russia in the shadow economy, they claim that the volumes of such trading are neither high nor indispensable to Russian arms factories.

As for the weapons testing, Kazakh officials have likely advised Ukrainian officials behind the scenes that, while they are sympathetic over the awkward situation, the proving grounds operate according to agreements sealed many years ago and are not up for negotiation.” ●

CENUSA

# Europe needs to reduce the risks of destabilisation in its eastern neighbourhood

Denis Cenusa in Giessen

**R**eassessing the European Union's (EU) ability to autonomously defend itself against military threats from the east is becoming more and more urgent. Two years after the start of Russia's all-out war against Ukraine, it has become increasingly clear that both the EU and the United States are partners whose pro-Ukrainian consensus seems to reach limits when discussions touch on national interests in the electoral and/or financial sphere.

This dissonance at the Euro-Atlantic decision-making level favours Russia, which is preparing for new offensives in Ukraine in May. Any major setback for the Ukrainian defence effort this year would then affect the progress of election campaigns in both the United States and Europe.

The negative repercussions of the war in Ukraine are already and will be exploited by radical rightwing forces. The first test will be in the elections for the European Parliament from June 6 to 9, where it is estimated that the balance will tilt to the right.

The second test will be the US presidential elections, before which Russia has already been practically invited by Republican candidate Donald Trump to attack Nato states that do not pay 2% of GDP on defence. The prospect of a US

presidency under Trump that favours transactional relations within Nato is a worrying sign for EU states, which need renewed and strengthened security guarantees that currently do not exist under the EU umbrella.

Meanwhile, the EU's southern neighbours have not calmed down. The situation in the Middle East remains in serious condition due to the humanitarian crisis in the Gaza Strip (2.2 million people at risk of starvation), which the Israeli leaders ignore and the EU and the US tolerate, eroding their international credibility.

Other hotspots in the eastern neighbourhood also generate uncertainty. This can be seen in the case of speculation about a possible "annexation" of the Transnistrian region in Moldova by Russia.

Another weak point in the eastern neighbourhood concerns existing tensions in Armenia's relations with Azerbaijan, where the EU mediation effort is apparently on pause due to Azerbaijan's suspicions that that the EU is favouring Armenia. Germany has apparently decided to take on the role of (informal) mediator in the normalisation process of dialogue between Yerevan and Baku, but the prospects for this effort are as yet unclear.



It is important for the EU to use economic instruments to reduce the risks of destabilisation in its eastern neighbourhood, especially in the context of the resolution of the Transnistrian conflict and efforts to normalise relations between Armenia and Azerbaijan. / bne IntelliNews

In the central conflict in Ukraine, the current White House administration is still trying to unlock \$60 billion in American financial aid for Kyiv's military needs, which remains highly politicised.

More positively, the EU completed the decision-making procedures on the establishment of the new financing mechanism for Ukraine in the period 2024-27, with €50 billion (around 35% in the form of grants).

However, it is lagging behind in the supply of ammunition. Ukraine has tripled its domestic arms production, involving about 500 local companies active in the national defence sector (100 state-owned enterprises). Yet even if Germany plans to allocate around €7 billion to help the Ukrainian army this year, the problem is in the production and delivery of ammunition at the European level, which will be increased to meet European and Ukrainian demand no earlier than 2025.

At the same time, the enlargement of Nato to include Finland and Sweden generates a positive perception for regional security, as long as it is reinforced with practical measures (military exercises, presence of Nato troops, etc.).

Ursula von der Leyen's proposal to create a "defence" portfolio in the future College of Commissioners of the European Commission is also a step in the right direction, including the idea of appointing a representative of EU states to this position from the Eastern Flank.

However, to talk about collective defence in the EU, a synchronisation of actions at the level of the state (political) and the private sector (military industry) is needed. Currently, there are around 2,000 European military companies, of which seven have registered total revenues of more than €40 billion in 2022, and four on this list are French. This explains why French President Emmanuel Macron for some time opposed the proposal to purchase ammunition for Ukraine from non-European third countries.

The latter showed that even in crisis situations, a country's individual economic interests can still replace strategic thinking for the benefit of the common European interest. Even if ammunition production within the EU increased by approximately 40% from 2021, this pace is insufficient to supply the EU and Ukraine.

Some positive trends in intra-European military cooperation emerge from the 236 proposals in the EU's new defence plan. The post-2023 funding of around €1.2 billion for the European Defence Fund (created in 2021) represents an increase of more than 70% in 2023 compared to 2022.

Nonetheless, the recent scandal related to the leak of sensitive information on assistance to Ukraine from within German military levels creates risks for future goals of

greater intra-European military cooperation. For this reason, in addition to increasing military production power in the EU, it is imperative to combat mistrust between allies by identifying and eliminating integrity gaps within Nato and the EU military regarding enemy espionage attempts.

On the Eastern Flank, the Baltic countries – Estonia, Latvia and Lithuania – demonstrate a higher level of awareness of Russian threats. If events in Ukraine lead to a "freeze" of the war or an "artificial peace" and Trump becomes the US president who disarms Nato, then the Baltic countries risk becoming targets of future eventual waves of Russian territorial revisionism.

The Eastern flank states consider that a greater Nato presence in the region is essential to avoid scenarios of invasion of the Baltic countries by Russia. The three Nato states and the EU are also determined to invest at least €60 million to build a line of fortifications against a possible ground attack initiated by Russia.

The thinking and strategic preparedness offered by the Baltic states must be applied and replicated on the EU's eastern border.

Outside the EU, it is important for the EU to use economic instruments to reduce the risks of destabilisation in its eastern neighbourhood, especially in the context of the resolution of the Transnistrian conflict and efforts to normalise relations between Armenia and Azerbaijan.

Although candidate states for EU accession (Ukraine, Moldova and Georgia) or countries from the region where EU missions are deployed (including Armenia) can develop defence cooperation with the EU, they remain in a zone of insecurity where Russia can intervene minimally in a hybrid way.

The least the EU can do is clarify its own potential to resolve the Transnistrian conflict, where separatist actors can be drawn into reintegration processes through a combination of incentives and constraints, capitalising on their current isolation caused by the war in Ukraine.

Additionally, the EU must use the lessons learned in Ukraine and Moldova to more effectively manage the situation in the separatist regions of Georgia. Security risks in relations between Armenia and Azerbaijan must also be eliminated by involving both nations in investment projects related to the "Middle Corridor", which is possible in exchange for the definitive normalisation of relations, with mutual recognition of borders. ●

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# How Albania went from isolated basketcase to diplomatic powerhouse

Clare Nuttall in Glasgow

**A**s Ukrainian President Volodymyr Zelenskiy arrives in Tirana for the Ukraine – Southeast Europe Summit, *bne IntelliNews* looks at how Albania was transformed from an isolated country, whose name evoked poverty, drugs and crime, to an increasingly prominent player on the world stage.

## A tough transition

30 years ago, Albania's GDP per capita was less than one tenth of the current level. The country has been in extreme isolation during the Cold War era, its long-term dictator Enver Hoxha pursuing a hardline communist doctrine that saw it fall out with first neighbouring Yugoslavia, then the Soviet Union and finally China. Seeing enemies on all sides, Hoxha ordered the construction of hundreds of thousands of concrete bunkers in case of an invasion, which still dot the landscape today.

Albania was the last country in the region outside of the Soviet Union to bring down its communist regime, with mass protests breaking out in December 1990. With the sudden freedom to travel came a mass exodus of Albanians; photographs from the time show tens of thousands of Albanians crammed onto boats crossing the Adriatic to Italy.

By 1994 Albania was in the very early years of its transition – well behind other countries in the region. The 1992 general election brought to power the Democratic Party, whose leader Sali Berisha became the first non-communist head of state in over 50 years, and launched privatisations and a large range of political and social reforms.

Still, the country continued to lurch from crisis to crisis. In 1994, Albanians were already investing into huge Ponzi schemes that would start to collapse two years later, sparking mass demonstrations and violence that would bring the country close to civil war in 1997.

## Socialist comeback

The Socialists had two brief stints in power under their former leader Fatos Nato, but it was only in 2013 that the party made its real comeback under its charismatic new leader, artist and former basketball player Edi Rama. With



Albanian Prime Minister Edi Rama welcomes Ukrainian President Volodymyr Zelenskiy to Tirana ahead of the Ukraine – Southeast Europe Summit. / president.gov.ua

the reputation of Berisha's Democrats eventually tarnished by a series of corruption scandals, the Socialists won the June 2013 election, forming a majority with the help of the Socialist League for Integration (now the Freedom Party).

The communist era by then more than two decades in the past, the Socialists were sufficiently distanced from the old Party of Labour of Albania to present themselves as a modern European party.

Their first months in office were marked by a dramatic military operation aimed at wiping out cannabis cultivation at Lazarat, dubbed Europe's 'marijuana mountain'. Albania at that time was characterised in much of Europe as a source country for drugs and migrants. The operation paid off, convincing previously sceptical EU members that Tirana was serious about tackling its drugs problem, leading to the decision to admit Albania as a candidate country in June 2014.

“Albania was the last country in the region outside of the Soviet Union to bring down its communist regime, with mass protests breaking out in December 1990”

Less high profile were the campaigns against corruption, as the new government worked to legalise the large grey economy and tackle issues such as electricity theft. High ranking officials were not immune. Former interior minister Saimir Tahiri was sentenced for drug trafficking, while deputy environment minister Diana Bejko was fired for not paying her electricity bills. These efforts were reflected in Albania's much improved score on Transparency International's annual Corruption Perceptions Index (CPI), where it boosted its score from 31 (out of 100) in 2013 to 39 just three years later. Wide-ranging judicial reforms, a prerequisite for progress on EU accession, were pursued despite violent opposition protests.

### Diplomatic efforts

Throughout the Socialists' time in office – they went on to win general elections in 2017 and 2021 making Rama the longest-serving post-communist prime minister – the government has pursued the goal of EU integration. This has been a struggle, as Albania has been held back both by concerns among EU members such as the Netherlands over drugs and migration, and because it has been coupled with North Macedonia, whose progress is held back by bilateral disputes with its neighbours.

Albania did, however, secure membership of Nato in 2009, at the same time as Croatia and ahead of Montenegro and North Macedonia. The Kucova airbase in the country, will serve as a Nato hub. It has very warm relations with the US – as highlighted during US Secretary of State Antony Blinken's recent visit to Albania – as well as with regional power Turkey.

“Rama is now the longest-serving leader in the region, having come to power the year before Vucic became prime minister for the first time in 2014”

A less likely alliance is with Serbia, with which Albania long had a contentious relationship. Historic rivalries were deepened when Albania and Yugoslavia parted ways in the early years of the Cold War, and worsened further with Belgrade's repression of ethnic Albanians in Kosovo. Rama's visit to Serbian Prime Minister Aleksandar Vucic in November 2014 was the first meeting between leaders of the two countries since Hoxha's meeting with Yugoslav leader Josip Bros Tito back in 1947. The meeting was not wholly successful, as the two clashed over the recognition of Kosovo's independence, declared six years earlier.

Still, that meeting was followed by a concerted effort to build relations, culminating in the founding of the so-called 'mini-Schengen' – now renamed 'Open Balkan' – by the two states plus North Macedonia in 2019. Other signs of the two states' public rapprochement followed, such as Serbia's vaccination of the entire Air Albania flight crew against coronavirus.

### Regional spokesman

Rama is now the longest-serving leader in the region, having come to power the year before Vucic became prime minister for the first time in 2014. His outspoken, highly quotable communication style has also raised Albania's profile on the world stage, as have his friendly relations with politicians from Turkish President Recep Tayyip Erdogan to former UK prime minister Tony Blair.

In recent years he has been highly vocal about the treatment of the Western Balkans, becoming a spokesperson for the region on issues such as the slow pace of EU enlargement to the EU's reluctance to share coronavirus (COVID-19) vaccines with aspiring members. As well as criticising Brussels on these topics, he has been unafraid to take on other much bigger powers, for example lambasting the UK for scapegoating Albanian migrants.

The war in Ukraine gave Tirana a chance to prove itself as a staunch ally of both Kyiv and a member of the Western camp. Albania was one of the first countries to condemn the invasion and despite being one of Nato's poorest members has provided ammunition and military training to support Ukraine. By contrast Serbia, the biggest economy in the Western Balkans, has fallen out of favour in the West because of its refusal to impose sanctions on Russia.

In 2023-23, Albania was one of the non-permanent members of the UN Security Council. Again, Rama grabbed the headlines when he slapped down Russian ambassador Vassily Nebenzia, after the latter objected to Zelenskiy taking the floor.

"I want to assure our Russian colleagues and everyone here that this is not a special operation by the Albanian presidency," Rama said, a reference to Moscow's own term to describe the war.

"There is a solution for this. If you agree, you stop the war and President Zelenskiy will not take the floor," the Albanian prime minister added in comments that made headlines around the world.

### Enhanced reputation

Albania's tourism sector is booming, and it was picked as the top tourism destination in Europe for 2023, according to the UN Tourism Barometer. Speaking at the European Bank for Reconstruction and Development (EBRD) Western Balkans Investment Summit in London on February 26, Rama pointed out that the number of tourists visiting last year was three times the domestic population. Albania has "changed a lot from its stigma as an unsafe place," he commented.

More controversially, Tirana cemented relations with Italy when Rama struck a deal with Prime Minister Giorgia Meloni under which thousands of migrants heading for Italy will be processed at centres to be built in Albania. Strongly criticised by the opposition in both countries as well as international human rights groups, the deal will undoubtedly boost relations with Rome and secure Italy's further support on Albania's EU accession path.

There are also controversies in domestic politics. Berisha and other opposition politicians accuse Rama of having captured the Albanian state, and have announced a campaign of civil disobedience. The opposition's failures to make headway in recent elections is partly down to the bitter (and sometimes

violent) power struggles between rival factions of the Democratic Party.

However, the OSCE Office for Democratic Institutions and Human Rights (ODHIR) report on the latest general election in 2021 that the ruling Socialist Party “derived significant advantage from its incumbency, including through its control of local administrations, and from the misuse of administrative resources”.

Albania’s performance on Transparency International’s CPI has also flagged since it peaked in 2016, and several ministers have become embroiled in scandals. The most notable of these is the incinerators scandal, concerning waste-to-energy plants built for hundreds of millions of euros, one of which was never used. International partners including the International Monetary Fund (IMF) have raised concerns

about the widespread use of unsolicited public-private partnerships (PPPs) in the country.

### Zelenskiy in Tirana

However, these will not be in the spotlight as Rama welcomes Zelenskiy to Tirana, where officials from the region will discuss how they can work together to support to Ukraine, as well as contribute to regional stability.

At a ceremony on the morning of February 28, the leaders of Albania and Ukraine signed a friendship and cooperation treaty, after which Zelenskiy gave Rama the Order of Prince Yaroslav the Wise, in recognition of his “extraordinary personal contribution”.

“Albania has been ranked at the top of the list alongside countries supporting Ukraine and its just war in defence of the Ukrainian people,” an Albanian government statement said. ●

## Illiberal axis between Budapest and Balkans threatens regional stability, analyst warns

Clare Nuttall in Glasgow

In the 14 years since he came to power, Hungarian Prime Minister Viktor Orban has extended his influence to the Western Balkans, where he has been “inspiring ... authoritarian behaviour” by local leaders with “questionable democratic credentials”, says a discussion paper published by the European Policy Centre (EPC).

According to the paper, the EU’s historical emphasis on stability over democracy in the Western Balkans made it possible to overlook the authoritarian inclinations of regional leaders, who promised peace at the expense of democratic norms and fundamental freedoms.

Orban’s election as Hungary’s prime minister back in 2010 was the start of a “sharp and unprecedented transformation into an illiberal state” for the country, says the paper. His leadership has been characterised by a consolidation of power, erosion of democratic institutions, and a retreat from liberal values.

### International strategy

Moreover, Orban’s rhetoric and policies have reverberated beyond Hungary’s borders, inspiring similar trends among Balkan politicians, including Serbian President Aleksandar Vucic and Milorad Dodik, president of the Bosnian Serb entity, Republika Srpska.

“Since Viktor Orban was elected as prime minister in 2010, the country has undergone a sharp and unprecedented

transformation into an “illiberal state” – just like Orban had promised in 2014 in a speech given in Romania,” said the paper’s author, EPC junior policy analyst Berta López Domènech.

Beyond Hungary’s borders, Orban has built ties with other far-right leaders in the EU, as well as kindred spirits outside the bloc. “Increasingly isolated in Brussels, Orban has moved to build his illiberal bloc outside the EU by endorsing and inspiring the authoritarian behaviour of Balkan politicians with questionable democratic credentials and defending their interests before EU institutions,” wrote López Domènech.

“Hungary’s growing presence in the Western Balkans has been driven by a set of economic, strategic, ideological and political factors. Orban’s illiberalism found a fertile ground

“Since Viktor Orban was elected as prime minister in 2010, the country has undergone a sharp and unprecedented transformation into an “illiberal state””



Serbian President Aleksandar Vucic meets with his close ally Hungarian Prime Minister Viktor Orbán during a visit to Budapest in 2023. / predsednik.rs

in the EU's misguided policy towards the Balkans, which long prioritised stability over democracy and overlooked authoritarian tendencies of regional political leaders who promised to deliver peace without a genuine commitment to the rule of law and fundamental rights."

### Democratic backsliding

Like Orbán, both Vucic and Dodik are long-serving leaders. Vucic's Serbian Progressive Party (SNS) first came to power in 2012, and from the 2014 general election has been the dominant force in Serbian politics. During this time, Serbia was downgraded from semi-consolidated democracy to hybrid regime on Freedom House's 2020 – the same year as Hungary became the first EU member state to suffer a similar downgrade.

During the last ten years, Bosnia & Herzegovina has also experienced a decline in democratic norms. The country's complex constitutional framework has enabled ethnic leaders to dominate the government, leading to a chronic state of political dysfunction. This decline has been especially pronounced in Republika Srpska.

The ascent of authoritarianism in Hungary, Serbia and the Bosnian entity shares a notable characteristic: the consolidation of power within the grasp of their political leaders, says the paper. Over the last fifteen years, Orbán, Vucic and Dodik, once viewed as moderate, liberal and pro-European, underwent a shift in ideology towards nationalist right-wing populism.

In each case, the fusion of party and governmental actions, the personalisation of political authority, and the exploitation

of public institutions have blurred the boundaries between the state (or entity, in the case of Republika Srpska), the ruling party and the leader.

"The populist turn of the Balkan leaders has been inspired and supported by the Hungarian Prime Minister, who has legitimised their authoritarian behaviour," López Domènech wrote.

### Turning East

Under Orbán's Fidesz party, Hungary's foreign policy has gradually shifted towards the East, with Budapest forging closer ties with countries such as Russia, China and Turkey, and former Soviet republics like Azerbaijan, Kazakhstan and Turkmenistan, with the aim of positioning Hungary as a bridge between East and West. Orbán also sought to assert Hungary's influence in the Western Balkans, aiming to establish the country as a significant political and economic force in the region.

His relationship with Vucic has grown remarkably close, with both leaders referring to each other as "friends". This closeness intensified particularly in the past five years, coinciding with increased cooperation between Hungary and Serbia, as well as with Republika Srpska.

With the suspension of Fidesz from the European People's Party (EPP) and the appointment of a close ally, Oliver Varhelyi, as EU Commissioner for Neighbourhood and Enlargement, Orbán aimed to enhance Hungary's influence in the context of EU engagement with the Western Balkans.

Strategically, Southeast Europe's stability is vital for Hungary's

aim to curb illegal migration and maintain border security. Orban has praised leaders like Vucic and Dodik for their roles in regional stability, using this as justification for advocating fast-track enlargement towards the Balkans.

Ideologically, Orban's exclusion from the EPP and his alignment with illiberal leaders who share similar traits, such as nationalism and scepticism towards European integration, have pushed him towards forming alliances with like-minded leaders in Southern Europe.

"Orban's efforts to increase Hungary's presence in the Balkans have granted him considerable soft power and influence in the region, particularly when enlargement policy was not a political priority for the EU," says the paper.

"Moreover, his friendship with Aleksandar Vučić and Milorad Dodik converted Orban into an interlocutor between Brussels and the two Balkan strongmen as the Hungarian leader sought to demonstrate his ability to mediate over sensitive issues."

This has been accompanied by an economic push into the region, particularly Serbia, where Hungary has increased investments in the media, infrastructure, and energy sectors, alongside growing trade between the two countries. Both nations rely on Russian gas and collaborate in the energy sector.

### EU values undermined

Overall, Orban's expanded presence in the Balkans has bolstered Hungary's influence, and his friendships with Vucic and Dodik has positioned him as a mediator between Brussels and the Balkan leaders. However, while Orban advocated for Balkan enlargement, his alignment with Vucic and Dodik complicated EU strategy, bypassing democratic principles, undermining EU values, and posing a security risk amid regional instability.

Ultimately, the illiberal alliance between Budapest, Belgrade and Banja Luka has challenged EU policies, weakened democratic values, and threatened regional stability, affecting EU's geopolitical landscape, according to the report.

"The regimes in Budapest, Belgrade and Banja Luka share their rejection of liberal values, which are intrinsic to the EU's identity," says the report.

"Viktor Orban has endorsed and inspired the authoritarian behaviour of Balkan leaders," it adds. "He has stepped in to support Milorad Dodik politically and financially on several occasions when the Serb leader escalated his secessionist threats. As such, he validated these irredentist decisions, blocking any attempt by the EU to punish them."

For example, Hungary took over several infrastructure projects in Republika Srpska, which had been left incomplete by Germany due to Dodik's destabilising actions. Similarly, in 2021, when Dodik declared intentions to withdraw Republika

Srpska from state-level military, judicial and tax frameworks, Orban pledged €100mn in financial aid to the Serb-majority region and vocally opposed any imposition of EU sanctions.

### Threat to stability

"Orban usually refers to Serb leaders as key figures for stability in the Balkans. Maintaining regional stability has also been Orban's public argument to justify his opposition to sanctions against Serbia and Republika Srpska, claiming that they could lead to an escalation of regional tensions," says the report. "However, paradoxically, by armouring Dodik's secessionist moves that threaten Bosnia and Herzegovina's territorial integrity, Orban has contributed to creating the biggest political crisis in the country since the end of the war in 1995."

Moreover, says the report, "In the current geopolitical context, the existence of autocratic regimes in the Balkans and within the EU compromises the stability and security of the whole continent. It also undermines the Union's support for Ukraine in its fight against Russia as the war continues, given the close links between these leaders and Russian President Vladimir Putin. After all, Viktor Orban has threatened to block EU's support for Ukraine on several occasions."

All three leaders have maintained relations with Russia at a time when most of Europe has decisively broken with Moscow after the 2022 invasion of Ukraine. Orban is the only EU leader who hasn't severed relations with Putin since the 2022 Ukrainian invasion.

The proliferation of illiberal regimes and autocratic leaders within Europe and its immediate vicinity poses a formidable challenge to the EU's democratic ethos and geopolitical

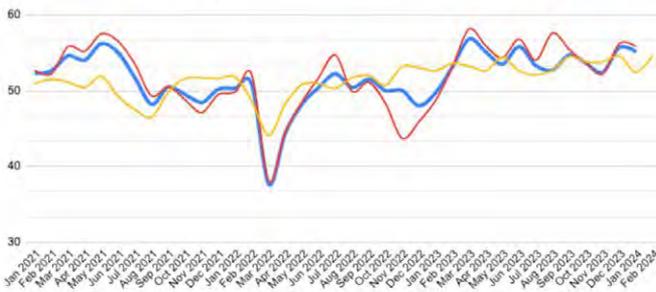
## "Viktor Orban has endorsed and inspired the authoritarian behaviour of Balkan leaders"

strategy. López Domènech argues that democracy must be reaffirmed as the cornerstone of the EU's identity.

As tensions persist on Europe's periphery, safeguarding the rule of law in member states and enlargement countries emerges not only as a moral imperative but also as a strategic necessity for the EU, she concludes.

Moving forward, the paper stresses the need for a paradigm shift in the EU's approach towards the Western Balkans. Democracy must be placed at the forefront of the enlargement process, with a renewed emphasis on democratic values and institutions. This entails a more robust response to democratic backsliding and a greater commitment to empowering reform-oriented forces within candidate countries. ●

**Russia PMI**



Source: S&P Global

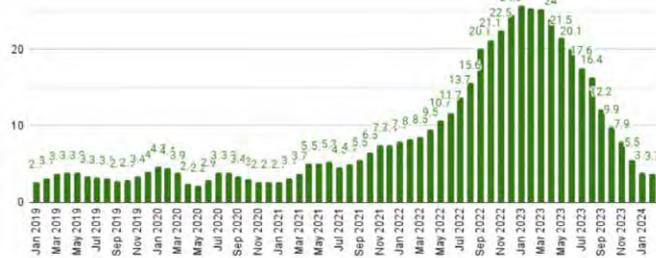
**Russia’s manufacturing PMI surged in February to post 54.7, its best performance in 13 years**

Russia’s manufacturing PMI surged in February to post 54.7, up from 52.4 in January, putting in its biggest gains in 13 years, S&P Global reported on March 1.

Any result above the 50 no-change mark represents an expansion in manufacturing. February’s result was the biggest gain since 2017.

“Russian manufacturers recorded a strong upturn in operating conditions during February,” S&P Global said in a note. “Sharper expansions in new orders and output spurred a renewed rise in employment and a further uptick in input buying. The rate of new sales growth was the steepest since March 2011.”

**Hungary inflation y/y**



Source: Central bank of Hungary

**Hungary CPI slows to 18-month low in February**

Hungary’s inflation slowed to 3.7% in February, the lowest level since August 2021, down from 3.8% in the previous month, the Central Statistics Office (KSH) announced on March 8.

In a month-on-month comparison, consumer prices rose 0.7%, reflecting a more subdued repricing dynamic at the beginning of the year than in the past two years.

CPI has fallen sharply in the past year, reaching the 3.0% +/-1pp tolerance band of the National Bank (MNB) in January after peaking at 25.7% a year earlier, supported by government measures and central bank monetary policy.

**Czech inflation y/y**



Source: Czech National Bank

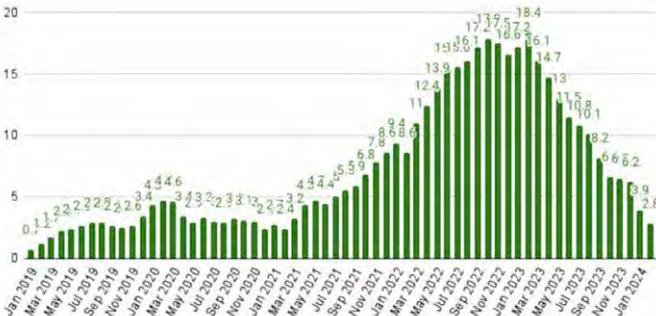
**Czech inflation slowed down to 2% y/y in February**

Czech consumer prices increased by 2% year on year and by 0.3% month on month in February as food prices eased.

It is the lowest inflation rate since December 2018 and was down by 0.3 percentage points from January, when inflation collapsed.

It is also just on the Czech National Bank (CNB) target level, which most forecasts did not expect to be reached in 2024. The CNB’s prognosis expects an average annual inflation of 2.6% this year.

**Poland CPI, y/y change**



Source: National Bank of Poland

**Polish inflation eases growth further to just 2.8% y/y in February**

Polish consumer price inflation (CPI) expanded 2.8% year on year in February (chart) to the lowest level in three years, data from Poland’s statistical office GUS showed on March 15.

The inflation rate thus reached the National Bank of Poland’s (NBP’s) target within the 1.5%-3.5% band even though analysts expect that price growth will surge back up later this year.

# Three billion people will live in uninhabitable zones by 2070

## bne IntelliNews

It's predicted that 3bn people will live in zones that have been made uninhabitable (black areas) by 2070, say scientists.

A third of the world's population could live in a climate similar to the Sahara in just 50 years, according to a recent study published in the *Proceedings of the National Academy of Sciences (PNAS)* journal in 2020. That means 3.5bn people could live with average temperatures in the mid-80s, "outside of humanity's comfort zone" by 2070.

In under 50 years large swaths of northern South America, central Africa, India and northern Australia will become too hot to allow human life. And the acceleration of global warming suggests this deadline is being moved forward.

Once these regions become too hot for human life an estimated 3bn people will be forced to abandon their homes in the largest migration the world has ever seen, which will play out over the next three decades.

Closer to home, and the drought levels across the Mediterranean in Spain and Italy and elsewhere are already alarming. Last year was the hottest on record and with sea temperatures already smashing last year's records this year is set to be worse. While Europe will not become uninhabitable, the temperatures in the coming decades will become uncomfortably high.

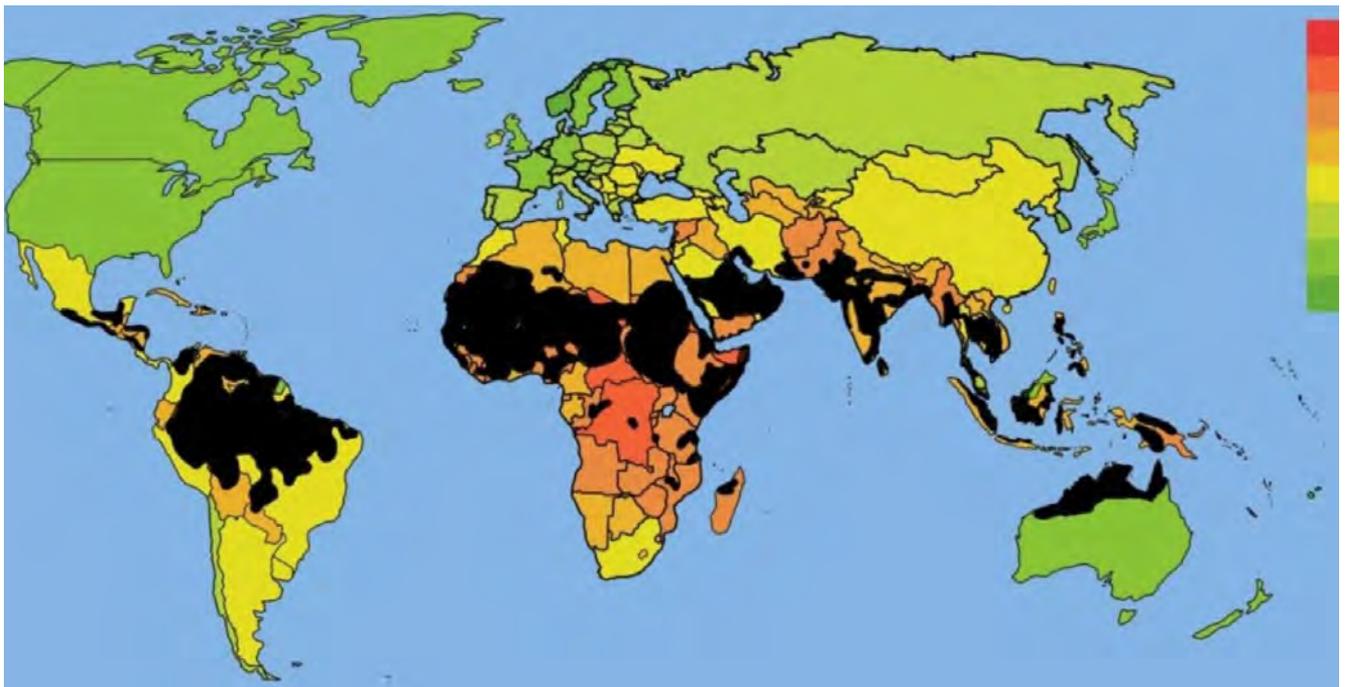
"If this region gets the summer we expect with record global temperatures, these drought conditions will become

even more severe," says climatologist Peter Dynes.

And in a sign of things to come, even if Europe remains habitable in thirty years' time, the economic consequences of global warming will have a severe impact on the quality of life and threaten Europe's food security. The cost of olive oil in EU countries this January has already soared by 50% year on year thanks to the droughts sweeping the region.

The highest annual price increase was recorded in Portugal with a 69% gain. It was followed by Greece with 67% and Spain with 63%. The price increase was due to a poor olive harvest in much of the Mediterranean region, caused by extremely dry weather. ●

## Uninhabitable regions in 2070



More than three billion people will be forced to abandon their homelands by 2070 or sooner as temperatures rise above what humans can tolerate. Source: c.Xu et al, 2020

Newsletter

# Invest Uzbekistan

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