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"THE WORST IS OVER," SAYS RUSSIA'S ECONOMIC ELITE



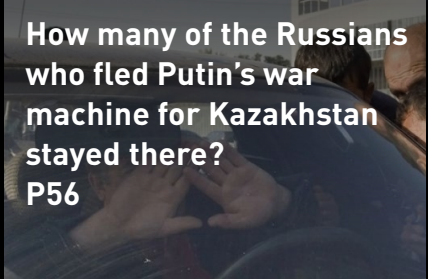
Two years left to reduce emissions and avoid global disaster, and we probably won't make it

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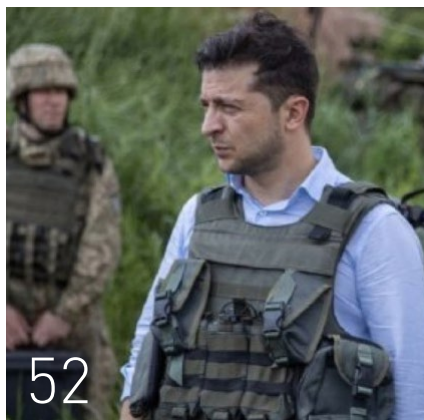
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Inflation rates are falling across CEE, leading economists to predict rate cuts in the coming months. / bne IntelliNews

Czech oil imports from Russia rose to a decade high in 1H23

Albin Sybera

The share of Russian oil imported by the Druzhba [Friendship] pipeline to Czechia this year rose to 65%. Last year, the share was 56%, while it was even lower in the years before, the Czech Press Agency (CTK) reported, quoting Czech state-controlled oil transporting and storage company Mero. The share of Russian crude oil imports into Czechia is the highest since 2012.

Czechia has been exempted from the EU-wide embargo on Russian oil due to its high dependency on Russian imports. Besides the Druzhba pipeline, Czechia imports oil from the TAL pipeline running from the Italian port of Trieste to Austria and Germany, where Czechia is connected to it with its IKL pipeline.

The Ministry of Trade and Industry told CTK that Unipetrol, a Czech branch of the Polish PKN Orlen, carries out oil imports, and the IKL pipeline's full capacities prevent further imports from IKL.

"TAL pipeline has free capacities only in the first months of the year and then from October onwards," Marek Vosahlik of the ministry's press department was quoted as saying by CTK.

In May, Mero signed an agreement with TAL shareholders to intensify the pipeline in a CZK1.6bn (€67.5mn) TAL-PLUS intensification project, which will increase the pipeline's transporting capacity to Czechia by 4 million tonnes of oil annually.

With TAL-PLUS in operation, the country will secure 8 million tonnes of oil annually and will be able to stop imports of Russian oil. "With this crucial step, we will get rid of the dependency on Russian oil," Czech Prime Minister Petr Fiala stated in May following the signing of an agreement between Mero and TAL shareholders.

Some 7.4 million tonnes of oil were imported to Czechia in 2022, which is a 7% increase year-on-year, and 56% of it came from Russia.

About 30 protesters demanded an end to high imports of Russian oil to the country on Sunday before the Ministry's building in Prague city centre. CTK quoted the "NE ruske rope" [NO to Russian oil] platform, which stated that Czechia paid CZK25bn for Russian oil imports and that CZ7bn were unnecessary payments to the Russian state budget.

The news of the increased flow of Russian oil into Czechia comes less than a month after online news outlet Seznam Zpravy (SZ) reported that Mero could be breaching sanctions by contracting oil purchases from a Cypriot company with links to Russian oil giant Lukoil.

SZ's reporters Lukas Valasek and Adela Jelinkova wrote on August 13 that Mero has contracted oil purchases worth CZK1.1bn (€46mn) from Cypriot company Normeston even

though the public procurement law prohibits contracting Russian subcontractors, which Normeston is suspected of using.

"Normeston's ownership is linked with Russian holding NTK, the successor of petrochemical company SMART OIL," sanctions analyst Jiri Skuhrovec of Datlab was quoted as saying by SZ in August. Skuhrovec added that if NTK supplies the oil, then "it is a case of breaching sanction rules." Mero stated it had not committed any wrongdoing.

Slovakia and Hungary are also exempted from the Russian oil imports embargo. Slovak refinery Slovnaft, which is part of Hungarian MOL, said it wants the EU to prolong its exemption from the embargo, with Hungarian authorities backing the move. ●

Latvian exports of sanctioned goods soar to Russia's neighbours

Linās Jegelevičius in Vilnius

Latvian trade with Russia's neighbours has soared, particularly in mechanical and electrical equipment, as exports of sanctioned goods to Russia itself have stopped, indicating circumvention of sanctions, according to Latvian Television's programme De Facto, reported eng.lsm.lv, part of the country's LSM public service media.

In many export categories where some of the goods are sanctioned, against a drop in exports to Russia, there is a rapid jump to one of the countries of Eurasian economic cooperation, which facilitates customs procedures for Russia: Kazakhstan, Kyrgyzstan, or Armenia.

This is particularly apparent in the category of mechanical and electrical equipment, where exports to Russia fell by a quarter last year, while growth in the three countries was between five and 12 times. This year, exports have continued to grow particularly rapidly to Kyrgyzstan.

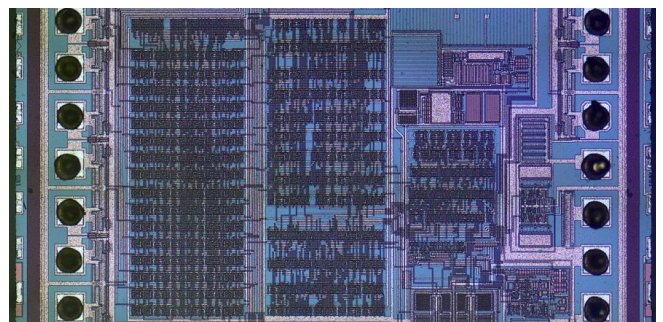
In electronic integrated circuits, Latvian exports to Russia used to have a value of more than €6.5 million. Following the introduction of EU sanctions, the volume has fallen to zero, but at the same time, Latvia started exporting to Kazakhstan, which is in a joint customs union with Russia. Compared to pre-war years, exports to Kazakhstan climbed from €100,000 to €3.6 million in 2022.

The circumvention of sanctions, including the export of banned goods to Russia through third countries, is subject to criminal liability. Deputy Director of State Revenue Service (VID) Customs Administration Sandra Kārklīņa-Ādmīne says the authority is working actively with customs authorities in Central Asian

countries to understand what is happening with cargo. Since the Russian invasion of Ukraine, the VID has launched more than 200 criminal proceedings for the violation of sanctions.

A list of sanctioned goods is also being made for Russian trading partners. Since June, a ban on transit through Russia has been imposed on many commodity groups, which limits the possibility for goods to "disappear" along the way. VID representative Kārklīņa-Ādmīne said that the arrival of sanctioned goods in Russia after being legally transported to Central Asia should be addressed at the European Commission or diplomatic level because customs cannot prevent them.

As reported by *bne IntelliNews*, this year Latvia's Central Statistical Bureau (CSB) published a list of businesses that continue to export to Russia and Belarus. This allows the public to see which companies from Latvia continue to operate in the aggressor countries.



Compared to pre-war years, exports of electronic integrated circuits to Kazakhstan climbed from €100,000 to €3.6 million in 2022. / Wikipedia

According to the list, a total of 1,095 companies exported from Latvia to Russia in 2019, more than 800 exported to Russia last year, and only 307 in the first five months of 2023. Meanwhile, last year, almost 400 companies exported to Belarus, 170 this year.

LTV also requested the same lists to be created for Central Asian countries potentially used to circumvent sanctions, as well as a list of companies importing goods from Russia, but the Central Statistical Bureau refused to give the information.

The CSB stated in its reply that, following the publication of the exporters, it had received explanations from the companies that had a significant impact on the analysis. For instance, goods being exported to different countries but customs formalities sorted on the border of Russia, or logistics companies carrying out tasks for other companies.

The CSB stated it will refrain from creating and publishing lists of exporting and importing companies to any country in order to avoid risks of misinterpretations, eng.lsm.lv said. ●

Hungary faces steep demographic decline in coming decades

bne IntelliNews

Hungary's demographic situation is set to worsen in the coming decades and the country's population will decline below 9mn by 2043 compared to 9.63mn at present and after peaking at 10.7mn in 1980, liberal online news site 444.hu wrote on September 14 ahead of a two-day Demographic Summit in Budapest.

The number of children born in Hungary is falling each year, and the number of women of childbearing age has fallen by 20% in the past 20 years, President Katalin Novak said in an interview published before the summit. Without an increase in birth rates, Hungary's future is in danger, she added.

The natural population loss in Hungary came to 44,653 last year compared with 62,705 in 2021, which was largely due to the pandemic, according to the latest census completed in 2022. The pandemic hit Hungary hard, with 48,000 losing their lives in 2021 and 2022.

The natural population loss since the last census in 2011 was 464,000. This was mitigated by a net influx of 131,000 immigrants, mainly from nearby countries, bringing the total population decline over 11 years to 333,000.

The government has long advocated a "procreation over immigration" approach to deal with demographic decline and introduced a string of family support measures, and it took credit for the improvement in the fertility rate, which has grown to over 1.5 from 1.23 since 2011.

The birth rate had been increasing up until 2021 but has reversed in the past few years, due to age demographics as the children of baby boomers (the so-called Ratko generation in Hungarian, named after the hardline anti-abortion minister in 1949-1953) born between 1945-1953, are now past fertility age.

The forecasts are disheartening and foreshadow an accelerating

decline in population, as well as a severe ageing of the population.

By 2043, Hungary's population will fall below 9mn and a quarter of them (24.9%) will be over 65 compared to 20% at present. The share of population older than 70 will grow from 13% in 2022 to over 20%. In more than 20 years, the share of young people below 15 will fall to 14.9% from 15.7% at present.

The decline in the number of the working-age population (20-60 years) is even more pronounced, falling from nearly 55% to 50%. This poses huge challenges for Hungary's labour market, which is already struggling to meet the growing labour needs of new factories.

According to the labour ministry's optimistic scenario, the number of working-age people will fall by around 300,000 by 2030. The dire labour shortage in the industry is forcing Viktor Orbán's government to change its anti-immigration rhetoric

The prime minister in March at an economic forum said the country will need at least 500,000 workers to meet growing industrial capacities in the vehicle and related EV battery sectors. The government has eased labour rules for third-country nationals that will pave for the arrival of tens of thousands of guest workers from China, Mongolia, India and the Philippines. This has already created tensions in some rural areas. To quell the discontent of locals, a mayor of a small Hungarian spa town called for residents not to let their homes to Asian workers.

The 5th Budapest Demographic Summit will be attended by heads of state and government, Serbian President Aleksandar Vucic and Italian leader Giorgia Meloni as well as Nobel laureate economist James Hackman, psychologist Jordan Peterson and inspirational speaker Nick Vujicic and religious leaders, opinion leaders, media personalities, NGO leaders from four continents. ●

Iran becomes third-largest crude oil producer in OPEC as Saudi turns down taps

bne IntelliNews

Iran has regained its position as the third-largest crude oil producer, with a production of 3mn bpd in August, OPEC announced on September 12.

The Islamic Republic witnessed the highest increase in crude oil production among OPEC members month-on-month in August, as the country's production rose by 143,000 bpd compared to July, according to official estimates.

Iran's rise to third place is due, in part, to Saudi Arabia voluntarily cutting production by 1mn bpd till the end of 2023, while Russia, the second largest producer of the OPEC+ group, extended its 300,000 cut over the same period.

The Iranian production increase has also been facilitated by a relaxation of US sanctions. Washington is not strictly enforcing its sanctions on Iranian exports as it hopes to retrieve five dual Iranian-US nationals as part of a wider deal with the Islamic Republic that also involves the release of \$6bn that was previously frozen in South Korea.

The next two largest exporters were Nigeria and Iraq, with a growth of 98,000 bpd and 38,000 bpd, respectively.

Total OPEC-13 crude oil production averaged 27.45mn bpd during the month, up 113,000 bpd m/m.

Due to the sanctions imposed on Iran, the country has been granted exemption from production cuts imposed by OPEC and OPEC+, something the country has long wrestled with Saudi Arabia over.

However, thanks in part to the resumption of ties between Riyadh and Tehran previously brokered by China in April in Beijing, the two regional powerhouses have reopened their respective embassies in both countries, significantly reducing tensions between both countries and their respective groups in the wider Persian Gulf region.

The report also indicated that the average price of "Iran Heavy" oil rose by 7.7% m/m or \$6.29 to \$87.82 a barrel during August.

Iran's crude oil production reached 2.85mn bpd in July, which was then only 72,000 bpd short of becoming the third-largest oil producer in OPEC. The average daily oil production of Iran was 2.55mn bpd in 2022, which is 162,000 bpd higher than the production level in 2021. Iran was the fifth-largest OPEC producer during the year.

The OPEC producers had an average oil production of 28.86mn

bpd in 2022, which indicates a rise of 2.5mn bpd from the previous year.

The OPEC Reference Basket (ORB) experienced a substantial upsurge in value in August, with a m/m increase of 7.7%. This resulted in an average value of \$87.33/b. The surge was driven by a hike in crude benchmarks of all ORB components, coupled with an increase in official selling prices and crude differentials of all crude qualities.

In an interview with *bne IntelliNews*, Sam Madani co-founder of Tankertrackers.com said, "Iran's crude oil exports peaked by the third week of August 2023 and have been waning since but still holding relatively high against the YTD average."

He added, "After crude oil, the second largest commodity is fuel oil, followed by gas condensate. Last year, the opposite was the case."

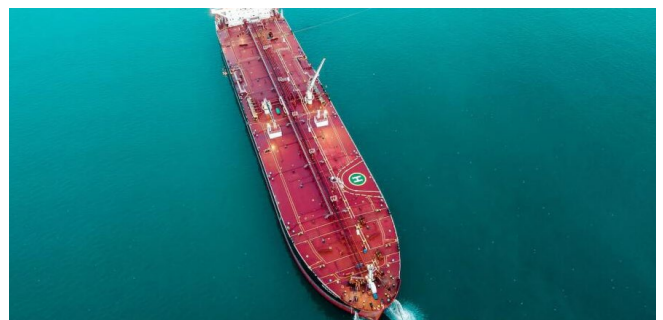
"Iran has managed to export all of its floating storage of gas condensate, which at peak, was around 65-70mn barrels floating onboard NITC VLCC supertankers off the coast of Assaluyeh."

Export figures from Iran, the oil tracking specialist added, are often downplayed due to US sanctions on exports with key target markets like China reporting zero/close-to-zero import from Iran.

However, the expert noted that Malaysian exports to China have increased to three times what Malaysia can produce locally. The reason Madani adds, is that most Ship-to-Ship (STS) transfers occur in the exclusive economic zone (EEZ) around Malaysia's part of the South China Sea.

Oil shipping records show that during last year China imported 35.7mn tonnes of crude from Malaysia.

Officially, China has only imported oil from Iran four times since the end of 2020. ●



Iranian oil is reaching international markets despite US sanctions being officially still in place. / CC: Alexander Bobrov

Russia mulls drastic measures as domestic fuel shortage crisis grows

Jason Corcoran in Dublin

Senior Kremlin figures are calling for a ban on the export of petroleum to prevent petrol stations across Russia from running dry.

There was a spate of reports about diesel shortages at service stations in Sevastopol in Crimea, while *Izvestia* wrote about the increasing number of fuel shortages at petrol stations in different regions of Russia.

Individuals have posted video clips on social media complaining about the lack of diesel in stations in Crimea as well as shortages of diesel and AI-95 gasoline in Astrakhan, Adygea, Rostov, Stavropol and Krasnodar in Southern Russia and further afield in Novosibirsk, Ryazan and Samara regions – as well as in the Republic of Kalmykia.

A video post from the Telegram channel *Baza* on September 11 indicated that the fuel and diesel shortages had spread to Tula, which is located about 180 kilometres south of Moscow. Fuel in Tula is only sold to legal entities and some gasoline is bottled for sale using coupons.

"We are currently operating on low stocks, basically straight away after delivery, [and it] concerns all types of fuels," Ekaterina Savkina, managing partner of the GP Vypel petrol station chain in Samara Oblast, told *Izvestia*. "Some petrol stations in the oblast do not have AI-92, AI-95 and diesel."

German Kolotov, chief executive of Mosregiongaz, operating in the Russian-annexed Crimea, reported that some of his gas stations are out of AI-92 and diesel.

Kolotov believes the problem emerged due to delays in delivering goods by rail. The trains from Central Russia carrying oil products reportedly take several weeks longer than usual to arrive, causing a shortage.

However, Moscow market sources contacted by *bne IntelliNews* suggested the excess demand is coming from the army to fuel gas-guzzling tanks, armoured personnel carriers, trucks and aircraft.



Gas stations across Russia are in danger of running dry as a domestic fuel shortage crisis deepens. / bne IntelliNews

"This is an incredibly sensitive issue," said a Moscow energy analyst, who declined to be named for security reasons. "There is definitely a spike in demand from the front line but the demand from the military is a state secret and nigh impossible for us to quantify."

The situation is so bad that Russia's Minister of Agriculture Dmitry Patrushev went public with the problem on September 8, saying fuel shortages are threatening to disrupt autumn harvesting and sowing.

Patrushev, son of President Putin's powerful security chief Nikolai Patrushev, demanded that Deputy Minister of Energy Pavel Sorokin resolve the problem by banning the export of petroleum products from Russia.

"We already have problems with the availability (of fuel). We will now stop harvesting, and we will not sow winter crops. It will be a disaster," Patrushev told a joint session of Parliament's monitoring and agriculture committees. "Maybe it's time to temporarily stop exports of oil products until we stabilise the situation on the domestic market."

Patrushev said that agricultural producers are forced to solve the problems of fuel supply individually with oil refineries. The only way out of this situation is to put military control on oil refineries, and then a chain of inspectors with sentries along all oil pipelines and in the fields so that companies continue to produce oil and send it to the domestic market through the oil refinery.

Vladimir Matyagin, president of the Gruzavtotrans Freight Transport Association, confirmed the unavailability of diesel at petrol stations in Russia's southern regions. He said that some petrol stations are purposely telling customers that the fuel dispenser is broken.

Sorokin was quoted by Interfax as saying that a draft order, which allows only fuel producers to export oil products, had already been sent to the government and the presidential administration.

He said he hoped the order on banning "grey" exports would be issued in the coming days, or "in a week at most."

If the Kremlin does impose export restrictions, it will inevitably leave a serious dent in the federal coffers.

Such a move is regarded as a final effort to avert a potentially troublesome fuel crisis, especially with Putin seeking re-election as President in March.

Russia's fuel market is facing a number of challenges, stemming from factors such as maintenance activities at oil refineries, train transport bottlenecks and the devaluation of the ruble, which encourages fuel exports.

Muscovites contacted by *bne IntelliNews* indicated that the shortages seemed to be mainly in Crimea and southern regions of Russia.

"Prices have certainly gone up and there have been some shortages and queues at some gas stations but that may be triggered by social media," said a senior engineer, who declined to be named. "Fortunately, I don't use diesel and Super 95 seems to be widely available in Moscow."

Russia, the world's second-largest oil exporter after Saudi Arabia, has been exploring a number of measures to address the contentious issue. Surging gasoline prices in neighbouring Kazakhstan in January 2022 triggered nationwide protests and the storming of the nation's parliament.

"The issue in Kazakhstan was similar because they had domestic subsidies too and the local price was much cheaper in neighbouring Kyrgyzstan and Uzbekistan, which created a huge grey market," a senior energy analyst told *bne IntelliNews*. "But Kazakhstan delayed taking action until after the protests had erupted. Moscow has learned that lesson."

Another senior Moscow-based oil analyst suggested that the key problem is that "grey market exporters" are taking volumes for more lucrative export markets, such as Brazil, Turkey and UAE.

"Small traders and oil depots buy petroleum products at the domestic price and then sell it on for export," he explained. "These traders have been using [the] so-called 'ghost tanker fleet' to ship oil products across the world but the government appears to have lost control over what was being exported and how much."

It now appears that the government has lost control of these private oil traders and are now scrambling to rein them in and keep more fuel at home.

A recent report by *Bloomberg News* suggested that Brazil is bringing on Russian fuel like never before with imports reaching 235,000 barrels per day (bpd) in August and making the country the second biggest importer of Russian diesel globally.

Wholesale diesel prices began to climb sharply in July. For the past two months diesel prices on the commodity exchange surged on average by more than a quarter to RUB67,000 (\$700) per tonne.

Energy analysts anticipate that the crisis will not improve until at least October. This timeline aligns with the completion of maintenance activities at numerous oil refineries and an expected decrease in seasonal demand.

"Shortages may gradually fade away, although it depends on how quickly these refineries get back up and running," a senior oil analyst told *bne IntelliNews*.

"The key question is whether the state will issue any makeshift regulating measure or release a rushed fiscal decree to enforce law and order in the industry. What is clear is that there is a substantial risk for the oil majors and their bottom line." ●

Timur Turlov, the Kazakh financier behind Nasdaq-listed Freedom Finance

Jason Corcoran in Dublin

Timur Turlov started dreaming of making it big on Wall Street from the day he started slinging stocks for a Moscow brokerage in 2003 as a part-time junior trader aged just 16.

The Russian-born Kazakh financier went on to realise some of his dreams when his brokerage Freedom Finance was listed on the US Nasdaq in 2019. It boasts that it became the first financial investment company from Russia and Central Asia to be listed on a US bourse.

"It was a big dream for us," 35-year-old Turlov told *Forbes* in 2021. "I had become a public company that would be good enough to be traded on the [US exchanges.] Because that's the top of the business."

His firm has grown into a business with an estimated worth of \$3.2bn, employing more than 2,900 people across 15 countries. The enterprise has also diversified from retail brokerage into investment banking, consumer banking, insurance, mortgages and online food delivery.



Says Turlov: "I will not hide that it is very unpleasant when they throw mud at you, referring to anonymous sources, but I realise that this is the price that you have to pay for publicity." / Freedom Holding

However, Turlov's dreams are now at risk of turning into a nightmare because the US public listing has triggered attacks on the firm's trading practices. Freedom Finance is now under intense scrutiny from financial regulators and one of the market's biggest short-sellers.

The short-seller, Hindenburg Research, an aggressive firm that has lately tussled with iconic tycoons such as Carl Icahn and Gautam Adani, said its probe into Freedom showed the company still does business in the Russian market and had "openly flouted sanctions".

Analysts at Hindenburg claim that Freedom is "brazenly circumventing sanctions", showing tell-tale signs of overstating its revenue, using customer funds for risky and illiquid market moves and manipulating the market both as part of its own investments and to boost its own traded shares.

Hindenburg's reports are hard-hitting and tend to hit the target. Shares of the Adani Group companies sank between 3% and 6% after Deloitte resigned as auditor of Adani Ports, an exit that was prompted by the publication of a report by the short-seller in January.

Freedom's share price on the Nasdaq sank 3% to \$72.05 after Hindenburg published its research on August 15, but it has since rallied to \$97.75. Turlov owns about 70% of the stock, which means the stock is less vulnerable to investor sentiment.

In a LinkedIn post, Turlov issued a partial rebuttal of Hindenburg's report, suggesting that their allegations were based on dealing with one former employee, who worked at the brokerage for less than a year.

"I will not hide that it is very unpleasant when they throw mud at you, referring to anonymous sources, but I realise that this is the price that you have to pay for publicity," wrote Turlov.

Former employees interviewed by Hindenburg claim that client money ran from Freedom's offices in Russia and

Kazakhstan through a "Belizean entity privately owned by Freedom's CEO". Filings made with the SEC show that the entity represented 60% of Freedom's fee and commission income for the year ended March 31.

One former staffer told Hindenburg that Russian money laundering was rampant and said that he had seen suitcases with \$2.5mn in cash brought in by a client.

"Just bring your money. There's no source of income, source of funds. There's no KYC [know-your-client]. Nothing," the firm said, quoting the former employee. "The best part is this is violating almost every country's anti-money and anti-terrorist financing laws."

Turlov's firm is incorporated in the US state of Nevada, although its main office is in Kazakhstan, where it serves Kazakhs and Russians seeking the next hot initial public offering from Silicon Valley.

Investors were lured by Freedom's ability to offer access to the frothy debuts of gaming company Zynga, in 2012, social network Facebook and electronic vehicle maker Tesla.

The year of 2021 proved a boom year for the company as an IPO surge lifted all boats. However, the market for US listings fell off a cliff last year due to high inflation and rising interest rates. Freedom's Primary Placement Fund, which provides qualified and unqualified investors with a "readymade IPO portfolio" has lost around 80% from its peak in dollar terms, according to its website.

Another peculiarity in how Freedom operates is that access to those hot US stocks comes via a mystery hedge fund, which acquires shares directly from stock IPO underwriters, and then passes the shares along to Freedom customers via Freedom's Belize affiliate.

However, that hedge fund may not even exist, according to Hindenburg. It quoted a former Freedom employee as saying "no one knows" who the hedge fund is and as concluding, "My suspicion is there is no actual IPO [allocation]."

Multiple reports and sources have indicated that the firm's sales staff offer clients better access to top US IPOs if they purchase Freedom's own stock.

Turlov owns about 70% of the stock, which means that the holding's shares prices are less prone to overall market sentiment.

"Clients are not obliged per say but they are encouraged to buy," said a market source. "The sales team are, of course, motivated to sell their own stock. Also, it's illiquid because they don't have many shareholders outside the owner and all of the clients so they can write whatever price they like."

An industry source familiar with Freedom Finance told *bne*

IntelliNews that the firm has “always been unscrupulous in terms of KYC rules”.

“There have always been certain second and third-tier brokerage firms in Russia who accept briefcases with millions of dollars from officials who have received that money in bribes,” explained the industry source. “Those officials, who have already bought several apartments, are approached by the broker who promises them 50% returns a year.”

Freedom's Belize operation, FFIN Belize, was set up just months after the US sanctioned Russia in 2014 following Moscow's annexation of Crimea. In a regulatory filing from 2014, Freedom said FFIN Belize was opened to “provide easier access to the US securities markets than a Russian or Kazakhstan company could provide”.

However, Hindenburg claims FFIN Belize advertises the ability to send rubles via Alfa Bank, enabling clients to send Russian currency via a sanctioned bank right into the US equity market.

A darling of Bloomberg News and a former columnist at Forbes Russia, Turlov has had a meteoric rise since starting at the small Moscow firm World Capital Investments at 16.

Hollywood movies about Wall Street had stimulated his interest in working in finance. As a young boy growing up in Russia, he had heard about an acquaintance using his computer to buy and sell stocks. “I remembered these Wall Street movies and that if you are doing something with the stock market, you should be very rich,” Turlov told *Forbes* in 2021.

After his initiation at World Capital, Turlov joined the brokerage arm of Uniastrum Bank two years later in 2005. The young financier helped build access for clients to stock exchanges in the US until the 2008 credit crisis brought everything crashing down.

All of his colleagues were fired, and the unit was closed but Turlov rallied them around to set up his own brokerage using \$100,000 in severance pay from Uniastrum as start-up capital.

In the same year, Turlov graduated with a degree in economics and management from Moscow's State Technical University and got married.

The modus operandi of the company, which became Freedom Finance, was to provide Russians with access to Turlov's beloved US stock markets.

But competition in Moscow amongst second and third-tier brokers in 2011 was intense, so Turlov relocated to Almaty in Kazakhstan.

It turned out to be a prudent and prescient decision, given how the Russia capital has been slowly dislocated from international capital markets since 2014 by sanctions imposed over Ukraine.

After Russia's full-scale invasion of its neighbour in February 2022, dozens of top managers from Freedom relocated five months later from Moscow to Kazakhstan where they now work in the Astana International Financial Centre (AIFC).

In June last year, Turlov renounced his Russian citizenship, saying that he had become a citizen of Kazakhstan, where he and his family have lived for more than 10 years.

Turlov posted on Instagram that he had received a Kazakh passport: “It breathes freely here, and I believe that Kazakhstan, thanks to its peaceful and hospitable policy, will be able to build a new, richer, more efficient, just state.”

Freedom's employees continue to work with Russian clients, but, they say, only in a consulting capacity. Russian clients, who trade in securities via the Russian entity, have been offered the opportunity to transfer their brokerage accounts to Freedom Finance Global.

In Kazakhstan, market sources said the firm has a track record of investing in so-called “penny stocks” and using high-pressure sales tactics to entice investors to buy the risky shares.

“Freedom has been rapped on the knuckles many times in Kazakhstan but the local regulator there is not very keen

“Just bring your money. There's no source of income, source of funds. There's no KYC [know-your-client]. The best part is this is violating almost every country's anti-money and antiterrorist financing laws”

on taking on a person, who owns several billion and could grind them to dust,” a CIS fund manager familiar with the company told *bne IntelliNews*.

Freedom completed the sale of its Russian assets in February for around \$140mn. At the time, Freedom said it had “completely ceased doing business in Russia”.

With no tangible assets in Russia anymore, Turlov said Freedom was trying to work with Russian clients in the same way as Western banks do.

Freedom seems to be in permanent expansion mode – no matter the global macroeconomic climate. Turlov told Reuters on August 17 that he was now looking at launching banking and brokerage services in Turkey and Azerbaijan, as well as expanding business in Kyrgyzstan and Uzbekistan.

In a 2021 video interview with the Russian Big Money blog,

Turlov said his work is all-consuming and he has little time for fishing or any hobbies. Most of his free time at the weekend is taken up with his family but he does find time for playing chess. Turlov, who reportedly keeps life-size cutouts of Donald Trump, Elon Musk and Joe Biden at the company's Almaty offices, heads up the Kazakhstan Chess Federation.

A former collector of fine wines, Turlov told the Big Money interviewer that he has now abandoned alcohol. "I understood when I stopped spending time on that I had much more energy," said Turlov.

Freedom and Turlov were sanctioned by Ukraine in December last year for their links to Russia, with critics of

the firm saying that this could be just the start of increased attention from Western regulators.

On August 14, Freedom received a letter from Nasdaq stating that the company wasn't in compliance with the exchange's listing rule as a result of its failure to file its quarterly reports in a timely fashion.

The company's previous auditors, a small Utah-based firm called WSRP LLC, was sanctioned last December by the Public Company Accounting Oversight Board for failing to "inquire about the business purpose of... related party transactions". Freedom also had to restate its 2022 earnings and three different quarterly reports. ●

G20 powers get Erdogan's back up with \$17bn trade corridor that excludes Turkey

bne IntelliNews

If you want to get Turkish President Recep Tayyip Erdogan's back up, there's one surefire way to do it – ignore him.

With much fanfare, India, Middle Eastern powers and the European Union's biggest economies used the G20 summit to announce the \$17bn India-Middle East-Europe trade corridor. The project announcement was greeted with a lot of enthusiasm, but it now appears that to Erdogan, who was present at the summit held under India's presidency, there is one huge problem – the route entirely shuts out Turkey.

"There is no corridor without Turkey," fumed Erdogan to journalists who had accompanied him to the G20 get-together in New Delhi: "The most convenient line for traffic from east to west has to pass through Turkey," he added.

Turkey has lately been pointing to its efforts to add momentum to a multi-billion-dollar initiative to form a rail-based trade corridor running from Iraqi ports on the Persian Gulf to a range of onward destinations via Turkish hubs, but if Erdogan is going to shoehorn his country into the India-Middle East-Europe effort, he'd better hurry up about it. The UAE has suggested that negotiations to pave the way for the investment be completed within 60 days, with foundations to be laid immediately thereafter.

The corridor, with shipping and railway links, involves contributions from India, UAE, Saudi Arabia, the EU, France, Italy, Germany and the US.

Shipping and rail lines will pass through the UAE, Saudi Arabia, Jordan and Israel, then reach to Greece and Europe.

During the G20 summit, a memorandum of understanding

(MoU) on the corridor was signed by the EU, India, Saudi Arabia, the UAE, the US and other G20 partners.

The project aims to cut shipping times by 40% and enable cost and fuel savings.

It is thought the ambitious scheme could make annual returns of \$4bn and create 100,000 jobs at a minimum.

The announcement of the corridor might also cause consternation in Iran and Russia. The Iranians and Russians are working on developing the North-South Corridor (also known as the International North-South Transport Corridor, or INSTC). It is designed to facilitate smooth multi-modal trade routes linking Russia, the South Caucasus, Central Asia and Europe to the Middle East and India via Iranian ports on the Persian Gulf and Sea of Oman (Indian Ocean). ●



Erdogan. Nose out of joint. / Turkish presidency.

Bulgaria to probe secret deals with blacklisted Russians on TurkStream construction

Denitsa Koseva in Sofia

The Bulgarian prosecutors are launching a probe into allegations that high-ranking Bulgarians held secret meetings with sanctioned Russians to agree on speeding up the construction of the local stretch of the TurkStream pipeline in violation of Bulgarian laws and procedures, the Sofia City Prosecution said in a statement on August 31.

The decision came after the Anti-Corruption Fund (ACF) NGO revealed information that on July 1, 2019, a secret meeting was held in Turkey between Bulgarian, Russian and UAE representatives to discuss specific actions and a timeframe for speeding up the construction of the gas pipeline.

In Bulgaria, the then prime minister Boyko Borissov insisted that the stretch was not part of the TurkStream but an expansion of the local gas network called Balkan Stream. The construction of the pipeline was seen as move of key importance for Russian President Vladimir Putin, giving Russia an alternative route to transport its natural gas, to enable its invasion of Ukraine.

The construction of the Bulgarian stretch of TurkStream was announced by Borissov at the end of 2018. In April 2019, state-owned Bulgartransgaz, which conducted the tender to find a company to build the pipeline, picked Saudi Arabia's Arkad Engineering and Construction Company to carry out the project.

The Arkad consortium offered to build the 484 km pipeline for €1.29bn within 250 days, or for €1.10bn should the deadline be extended to 615 days.

The second-ranked consortium was connected to Russia's Lukoil and offered to build the pipeline for €2.41bn if project was completed within 250 days and for €1.6bn if it would take 650 days. A third bidder was disqualified.

However, in May Bulgartransgaz decided to replace Arkad with the second-ranked candidate, which includes sanctioned Russian company Trubnaya Metallurgicheskaya Kompaniya (OAO TMK), a producer and supplier of steel pipes, owned



Alexander Picker: "It's not the toughest job I have ever had."

by Russian billionaire Dmitry Pumpysky and the Italian Bonatti S.p.A. That consortium lowered its price after the selection of Arkad – which is not allowed by Bulgarian law.

In June, the project was stopped by the Bulgarian Competition Protection Commission (CPC).

ACF's investigation is based on hacked emails of the Russian politician Alexander Babakov, who has been under international sanctions since 2014 due to the Russian annexation of Crimea. The NGO published a memo emailed to Babakov following the July 1 meeting explaining in detail how to unblock the process, restoring Arkad as winner. In return, the Saudi company had to pick the Bulgarian company Comple-

"The construction of the pipeline was seen as move of key importance for Russian President Vladimir Putin, giving Russia an alternative route to transport its natural gas"

tion Development S.A.R.L., a unit of TMK, as a subcontractor – also in violation of Bulgarian legislation.

On July 1, the CPC restored Arkad as the winner of the tender, ordering Bulgartransgaz to sign the contract.

In mid-September, Bulgaria's Supreme Administrative Court ended a case launched based on objections to the selection of Arkad to build the Turkish Stream extension in the country, unblocking the process. Two days later, the construction was launched.

According to ACF, these events were discussed at the meeting in Istanbul on July 1. The NGO did not provide information on which Bulgarians attended the meeting.

The NGO also revealed that the Bulgarian-American Credit Bank (BACB) was involved in business with the sanctioned Russians. The head of its supervisory board, Tsvetelina Borislavova, sent an email to Babakov's advisor, Alexander Vorobyov on July 19, 2019. In this email, Borislavova, who had an intimate relationship with Borissov years ago, asked Vorobyov to warn Babakov and Russian Gazpromexport that the project would be delayed due to an appeal of the procedure.

BACB responded as quoted by the Dnevnik news outlet that this email was sent as it was one of the banks servicing Arkad. Attempts by *bne IntelliNews* to get a response from BACB

remained unanswered by the time of publication of this article.

However, the ACF says that BACB was selected by the contracting parties as the investment bank for the execution of the project. It was not clear which are these contracting parties as officially the company to carry out construction of the pipeline was picked at a public tender. In that case, BACB can only be a bank servicing the Bulgarian company carrying out the tender – Bulgartransgaz, ACF noted.

The procedure to pick a bank to service the construction was officially launched a year later, in June 2020. ●

China's Zijin Mining to invest \$3.8bn in Serbia

bne IntelliNews

China's Zijin Mining has confirmed its intention to invest an additional \$3.8bn in Serbia, according to a memorandum of understanding (MoU) signed between the company and the Serbian government.

The investment will be made to develop the Lower Zone of the Cukaru Peki Mine, and is expected to place Serbia among the largest European copper and gold producers.

Zijin and the Serbian government also signed a second MoU on the development of the 300 MW solar power plant project, which will meet the company's needs for electricity. The power plant is worth \$200mn, a government statement said.

"Thanks to today's memorandum, which includes \$3.8bn of new investments, Serbia will rank among the largest European copper producers and leading gold producers, but also create the possibility for additional investments," said Minister of Mining and Energy Dubravka Djedovic Handanovic.

Zijin already employs around 7,700 people in Serbia.

As well as the Cukaru Peki Mine, it is also the owner of the RTB Bor copper mining and smelting complex.

The MoUs were signed during the One China, One Serbia Investment Forum, part of the 23rd China International Investment and Trade Fair. The investment was expected as plans to sign the agreement had already been reported over the summer.

Djedovic invited other companies from China to invest in Serbia, where foreign direct investments (FDI) more than quadrupled between 2012 and 2022, to \$4.4bn.

Mining is an important sector in Serbia. It is expected to have grown by 22% year on year in 2022, according to the government. ●



The MoUs were signed during the One China, One Serbia Investment Forum, part of the 23rd China International Investment and Trade Fair. / srbija.gov.rs

PM Dorin Recean says Moldova won't pay Gazprom's \$709mn demand

Iulian Ernst in Bucharest

"We are not going to pay," Moldova's Prime Minister Dorin Recean stated in a video post on Facebook, referring to Gazprom's \$700mn claims against Moldovagaz.

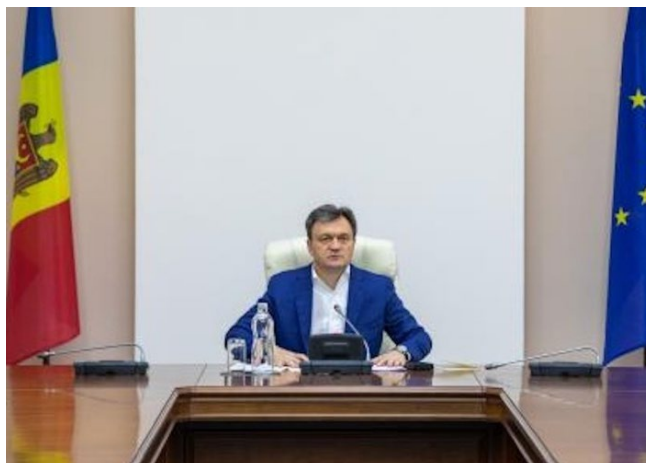
In principle, this should result in Gazprom terminating gas exports to Moldova – but the gas sent to Moldova at this moment is entirely distributed to the pro-Russian separatist Transnistria region and such a gesture would shut down the region's entire economy (or what is left of it), besides creating problems for the electricity system in the regions controlled by Chisinau.

Moldova's authorities announced last week the results of the international audit on the historic debts owed by the national incumbent gas transport/distribution company Moldovagaz to Russian gas company Gazprom. Only \$8.6mn of the claims are justified, out of a total of \$709mn requested by Gazprom, the authorities claimed, citing the audit report that was immediately rejected by Gazprom.

The debt under discussion (\$8.6mn or \$709mn depending on which party to believe) is a debt between two companies (furthermore, Moldovagaz is controlled by Gazprom which makes the debt an intra-group debt) and in principle shouldn't involve the government of Moldova.

At stake there is more, though, namely the assets Moldovagaz owns in Moldova and possibly the financial deviations Moldovagaz might request from the market regulator ANRE based on the alleged debt owed to Gazprom. Gazprom has already warned against in international arbitration courts, but Moldova is probably not impressed, given the situation.

The firm statements made by Moldova's prime minister about the claims made by Gazprom pinpoint a broader strategy Moldova adopted in order to make the Russian group irrelevant to the country's energy system. The strategy was costly – Moldova still has in its reserves abroad gas purchased last winter at a high price of \$1,000 per 1,000 cubic metres – but successful in terms of alleviating Russia's influence.



Moldovan PM Dorin Recean says Moldovagaz won't pay Gazprom's \$709mn claim. / gov.md

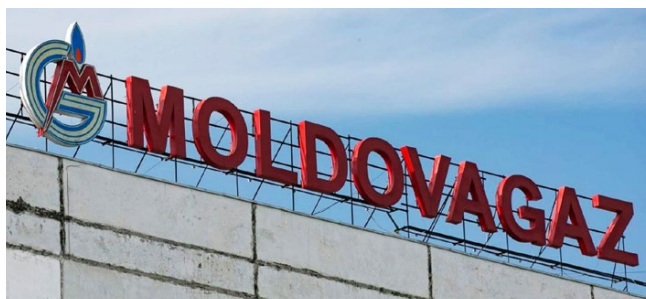
As part of the same strategy, the Moldovan authorities decided this month to strip Gazprom-controlled Moldovagaz of its natural gas transport system (at least the rights to use it), which was transferred to Romania's Transgaz.

Moldovagaz has already distributed non-Gazprom gas to its customers since last winter while the gas received from Russia is only for Transnistria.

"The gas sent to Moldova at this moment is entirely distributed to the pro-Russian separatist Transnistria region and stopping that gas would shut down the region's entire economy"

The game is not over though and Moldova needs Bulgaria's support in boosting the gas transfer capacity along the Trans-Balkan pipeline.

Moldova said it is ready to support the cost of increasing the pressure at the Grebenyky compression station but Bulgaria has not responded to the request yet, according to ICIS quoted by Mold-Street.com. At this moment, the pipeline is used (for the current pressure) at less than half of its capacity. ●





Polish power giant PGE's stock price falls nearly 11% after U-turn on climate ambitions

Wojcich Kosci in Warsaw

Warsaw-listed PGE, Poland's largest energy and power company, saw its stock price tumble nearly 11% since the announcement that it would not pursue a strategy to become climate-neutral in 2040, a goal it had only mooted one week prior.

PGE's stocks were down 4.8% to PLN7.51 (€1.64) in afternoon trade on the Warsaw Stock Exchange on September 6. The fall was 11.2% since the company announced the U-turn on its climate strategy two days earlier.

The now-ditched strategy provoked political controversy, as the still-powerful Polish mining lobby saw it as laying the groundwork for accelerating the energy transformation away from coal. Poland currently assumes that the exit from coal will only take place in 2049.

Following the uproar among miners and criticism from the top echelons of the government, PGE said on September 4 that it "revoked" the resolution approving the updated strategy because of "the need to complete the formation process of the National Energy Security Agency NABE".

NABE will be the state agency managing all of Poland's coal assets so that state-controlled companies like PGE have a freer hand to pursue clean energy investments.

"NABE is extremely important because it will allow our coal energy sector to survive until 2049 in these difficult

times of energy transformation that the EU imposed on us," State Assets Minister Jacek Sasin told the government-run broadcaster TVP Info on September 5.

NABE is expected to begin work this or next year, the government said on September 5, citing the election – due on October 15 – as a potential delay factor.

The looming delay in creation of the agency also helped pushed down PGE's stock price this week. Shares of other state-controlled energy and power companies - Tauron and Enea both fell more than 6%.

Poland still gets some 70% of its electricity from coal- and lignite-fired power plants. Warsaw is developing its first nuclear power plant and several offshore wind parks in the Baltic Sea to bring coal's share in the energy mix to no more than 28% in 2040.

For now, the incumbent Law and Justice (PiS) government must be wary of not frustrating Polish miners, who are still a powerful lobby in the southern region of Katowice, where Prime Minister Mateusz Morawiecki is running for a seat in the parliament in the October election.

Elsewhere, in places like Turow in the southwest and Belchatow in central Poland, where large mines supply lignite to key power plants, the government must also tread carefully in what is an increasingly tight election race. PGE owns both Turow and Belchatow mines and power plants. ●



In places like Turow in southwest Poland, large mines supply lignite to key power plants. / PGE

Romania sells €3bn Eurobonds to cover growing financing needs

Iulian Ernst in Bucharest

Romania raised €3bn (1% of GDP) on September 11 with two Eurobonds, amid high interest expressed by investors who placed €9bn of orders, in an attempt to cover part of the gap between the country's actual financing needs and the initial plans – which might range between 1.1% and 2.4% of GDP.

The €3bn was the remainder of Romania's planned external financing after it raised two-thirds of the full-year target – €5.6bn of €8.5bn – from the foreign market in January.

In the meantime, the target was pushed up significantly by insufficient tax collection. The government initially targeted a 4.4%-of-GDP deficit (consistent with the initial financing needs), but informally shifted the target to 5.5%-of-GDP during the summer and failure to implement any fiscal amendments by the end of the year would result in a 6.8%-of-GDP gap, according to the executive's calculations.

The maturities of the two Eurobonds are five and ten years.

The fixed coupons, subject to minor adjustments, were 255bp and 340bp above mid-swap, resulting in 5.5% (five-year maturity) and 6.57% (ten-year maturity).

For comparison, Romania issued Eurobonds with the same maturities at the end of January 2023, when the spreads over the mid-swap were 195bp, respectively 340bp.

The bonds were arranged by Citi, Erste Group, HSBC, JP Morgan and Societe Generale.

The Eurobonds were launched just after Fitch expressed rather optimistic expectations vis-a-vis Romania's capacity to conduct the fiscal consolidation – but before the announcement of the concrete, promised fiscal amendments.

Fitch said Romania would be able to keep the public deficit at 5.5% of GDP – but this is still uncertain as the government may enforce corrective measures only from January. ●



bne:Deal

Three bidders shortlisted for Czech parcels delivery company Packeta

Albin Sybera

Private equity firm Advent International, Czech financial group PPF, and Czech energy tycoon Daniel Kretinsky are the remaining bidders for Czech parcels company Zasilkovna, known internationally as Packeta.

Only the bids of at least €300mn now remained, Czech business daily *Hospodarske noviny* (HN) reported.

Zasilkovna/Packeta was founded in 2010 by Simona Kijonkova and Jaromir Kijonek, who hold 48.6% of the shares. Another 21% is held by the company Notino, 10% is held by Zasilkovna's former IT programmer Lukas Bilek, and 10% by entrepreneur Martin Kukacka.

In early May, Kijoneks stated that Zasilkovna is for sale, triggering speculations in the Czech media about potential bidders, with PPF being commented on frequently.

Parcel delivery firms have become very hot in Emerging Europe, particularly since the COVID-19 pandemic led to a boom for online shopping and delivery services. Poland's InPost floated in Amsterdam in early 2021 at €16, valuing it at €8bn, though its shares have since fallen to under €11.

PPF bought a 15% stake in InPost from Advent in May at €10 a share and has an option to buy another 15% from the private equity group. PPF's CEO Jiri Smejck is heading to InPost's Supervisory Board, HN reported earlier.

Zasilkovna has become one of the most popular Czech brands, according to a study by consultants KPMG. In connection to the study, another Czech business daily, *E15*, visualised that Zasilkovna's growth from 7 million dispatches in 2017 to 90 million dispatches in 2022 is akin to growth from an atoll in Polynesia to the Italian Mediterranean island of Ischia.

As Packeta, Zasilkovna is active in Slovakia, Germany, Hungary, Poland, Romania and the United Arab Emirates. In the latest development, it used Slovenia to expand its activities in the Adriatic and launched its seventh entity named Packeta Adriatic.

The two Czech bidders are competing separately but have often cooperated in the past.

PPE, which is controlled by the family of the late billionaire Petr Kellner, has long been active in e-commerce.

"We will certainly want to have a look at it, but if we show interest in Zasilkovna, then only in the whole thing," Smejck told journalists in June.

PPE, Kretinsky, and his Slovak business partner Patrik Tkac invested in developing another Czech e-commerce platform, the Mall Group of Jakub Havrlant, before Polish Allegro announced taking over the Mall Group in 2021.

Kretinsky and Tkac retained the online television arm, Mall TV and incorporated it into its Czech Media Invest as Fameplay – it is active in Czechia and Slovakia.

Advent International was founded in 1984 and is one of the largest and longest-serving independent private equity partnerships, investing \$75bn in over 410 private equity investments across 42 countries globally. It has assets worth \$95bn under its management, and retail, consumer & leisure are one of its core segments." ●



Poland's central bank shocks market with a 75bp rate cut despite 10% inflation

Wojciech Kosciuszko in Warsaw

The National Bank of Poland (NBP) cut its reference interest rate by 75bp to 6% on September 6, delivering a shock to the market, which expected only a 25bp reduction.

The NBP had been sending out increasingly clear messages that a cut was imminent in the context of inflation easing to just over 10% y/y in August from the peak of over 18% in February. The ongoing economic slowdown – with GDP deepening its contraction to -1.4% y/y in the second quarter – only improved the odds for the start of a monetary easing cycle as soon as September.

The NBP, however, surprised with a reduction three times the expected value, citing "lower than expected demand pressure [that] will exert influence on a faster return of inflation to the NBP's target," the central bank said in a statement.

"Taking into account these conditions, as well as the time lag with which monetary policy decisions affect the economy, the [NBP] has adjusted interest rates, which will support reaching ... [the] inflation target in the medium term," it added.

Analysts say that the shock cut means no more easing will take place before the first quarter of 2024.

"The new reference rate outruns market expectations by six months. The cut occurred even though inflation is still above 10%, which was claimed to be the threshold for any reduction of the interest rate," Erste wrote in a comment.

The language of the NBP's statement – specifically the use of the word "adjustment" – also points to the move being a one-off, with the central bank returning to wait-and-see mode.

The market reacted strongly to the scale of the easing. The Warsaw Stock Exchange's banking index, WIG-Banki, fell nearly 4% with several big lenders - Pekao, Millennium, and PKO BP - falling almost 5%.

The NBP's decision also pushed the zloty down by almost 2% against the euro and the US dollar.

"Today's decision signifies a reduction in the interest rate differential between Poland and abroad, potentially weakening demand for the Polish zloty," Bank Millennium said.



The National Bank of Poland (NBP) surprised the market by cutting its reference interest rate by 75bp to 6%.

"This was reflected in the depreciation of the zloty ... which, of course, is not helpful in achieving the inflation target," it added.

In contrast to the expected market reaction, the NBP said in its communiqué that a stronger zloty would be instrumental in lowering the inflation rate.

The NBP's decision also comes in a clear political context.

The governor of the central bank, Adam Glapinski, has been a longtime associate of the ruling Law and Justice (PiS) party.

PiS is engaged in a bitter election fight against the opposition ahead of a general election due on October 15. The radical cut

now sets the scene for lowering mortgage repayments in the coming months and could push forward economic recovery.

While those effects will not materialise before the election, the decision by the NBP gives the government grounds to up the rhetoric on the economy in the crucial weeks of the campaign.

Governor Glapinski is expected to deliver more context on the decision during a press conference on September 7.

However, some analysts say that the surprise move has stripped Glapinski and the NBP of credibility and predictability.

"Forecasting future actions [by the NBP] is subject to significant uncertainty," Bank Millennium wrote. ●

Russia' CBR ups key rate to 13%, warns of long-term tough policy

bne IntelliNews

The board of the Central Bank of Russia (CBR) at the September 15 policy meeting resolved to increase the key rate from 12% to 13%, following the emergency hike by 350 basis points in August amid ruble weakening.

The CBR maintains that "inflationary pressures in the Russian economy remains high", noting in the accompanying press release that most significant pro-inflationary risks came from the growth of domestic demand outstripping the possibilities of output expansion (economy overheating CBR warned about previously) and the weakening of the ruble in the summer months.

The regulator thus believes that "under these conditions, additional tightening of monetary conditions is required to limit the scale of inflation deviation upwards from the target and its return to 4% in 2024."

The CBR also worsened its inflation forecast for this year: earlier the regulator expected it to be 5%-6.5%, but upped the guidance for 2023 inflation to 6%-7%.

Further monetary tightening was expected by the market and 20 out of 30 economists surveyed by RBC business portal expected the CBR to keep increasing the key interest rate (16 expected a hike of 100bp). The CBR officials also guided for a rate increase ahead of the September 15 meeting.

Inflation as of September 11 increased to 5.5% year on year after 4.3% in July and 5.2% in August, the CBR estimates. The inflation expectations of the population are also growing: at the end of August they increased from 11.1% to 11.5%.

The analysts surveyed by RBC believe that the CBR could hike the rate again by the end of 2023, which is also in line with the statements of the CBR's Governor Elvira Nabiullina.

At the press conference of September 15 she said that under current conditions, a long period of tight monetary policy is needed to return to the inflation target of 4% by the end of 2024, as cited by *Kommersant* daily.

According to Nabiullina, the credit market has not yet adjusted to the previous rate hikes and the banks continue

"Under these conditions, additional tightening of monetary conditions is required to limit the scale of inflation deviation upwards from the target and its return to 4% in 2024"

to issue loans on previously approved applications. She also welcomed the recent tightening of the subsidised mortgage loan programme.

Coupled with the "very hawkish signal in its communication" the CBR also increased the average key rate forecast for 2024 (from 8.5-9.5% to 11.5-12.5%), Renaissance Capital wrote, while noting that in real terms, the key rate will in the coming months be at its highest level since 2013.

"In our view, the time of the CBR transition to policy easing, as in previous similar cycles, will be determined by what will be the sustainable component of inflation beyond the transfer of the ruble depreciation effect to prices, i.e. at the end of 2023 - beginning of 2024," RenCap analysts believe.

The CBR also maintained its stance on the undesirability of tightening capital controls to influence the ruble exchange rate, calling to rely instead on natural correction factors and already implemented monetary tightening.

RenCap analysts also note that CBR's 6%-7% inflation forecast for 2023 differs quite significantly from the latest estimates of the Ministry of Economic Development (7.5% guidance for 2023).

"Given both the announced discussion around preferential loan programmes and the differences in growth forecasts,

Russia monetary policy rate vs CPI inflation y/y



Source: CBR

we would not be surprised that in 2024 we will again see an intensification of the discussion between the government and the CBR around the necessary level of policy tightness," RenCap wrote. ●

Albanian farmers warn of bankruptcy risk as lek rallies against euro again

bne IntelliNews

Albanian farmers and food exporters have warned they risk going bankrupt while the lek remains unusually high against the euro and other major currencies.

The lek unexpectedly fell in August, but has since resumed its rise against the euro, as well as the US dollar and sterling. As of September 3 the ALL/EUR exchange rate stood at ALL108.42 to the euro.

Previously the lek rose to a record high of ALL100.49 to the euro, just failing to break through the ALL100 mark before falling back to ALL110.59 in late August, before recovering again to close to ALL108 last week.

The Association of Agricultural Products Exporters has warned that food producers have benefited from bad weather elsewhere in the region that has resulted in higher prices this year for Albanian agricultural products, but exporters are facing high losses from the exchange rate, which makes their products less competitive.

"Export companies are in a big crisis because of the exchange rate. Almost 30% of exporters have gone bankrupt," said Laurat Mulliqi, chairman of the association, as quoted by Monitor.al.

"Here, the euro is falling day by day and from the export of goods to the collection of invoices, the losses are very high," he said.

The lek has repeatedly broken new records against the euro after steadily strengthening in late 2022. Last year, the average exchange rate of the lek against the euro was ALL118.9.

This has made imports more affordable, which has helped keep inflation levels relatively low at a time when inflation was soaring across Europe, but exporters have struggled.

The hike in the value of the lek has been attributed to several factors, including the large amount of foreign currency on the market, resulting from the rise in tourism revenue and an increase in remittances.

Albania is a popular summer tourist destination, with arrivals concentrated during the peak months of July and August. After a record summer in 2022, when the sector rebounded from the coronavirus restrictions, another strong performance is expected in 2023.

Anke Weber, International Monetary Fund (IMF) mission chief for Albania, commented in June that the appreciating trend of the Albanian lek is in line with the growth in exports and the structural improvements in the external balances of the Albanian economy.

The Bank of Albania commented on the rise of the lek, saying the increase in the exchange rate against the euro "is a reflection of the increased supply of the currency in the domestic financial market. It is dictated by the improvement of the balance of payments as a result of high foreign currency inflows, which are estimated to be present in the first months of this year as well ... The appreciating performance of the lek is also supported by the widening of the positive difference between the rate of return of funds in lek and that in euros in the domestic market," a note from the bank said. ●



bne:Tech

Fortunes of Turkey's rapid grocery delivery firm Getir plummet

bne IntelliNews

Turkey's rapid grocery delivery service Getir is reportedly now worth less than a quarter of the \$11.8bn it was valued at 18 months ago, following a big shakeout in the sector internationally amid dwindling consumer demand.

The Istanbul-based company, one of the hottest startups that rose to renown during the pandemic, is set to raise \$500m in a funding round that will value the business at only \$2.5bn and is expected to close later this month, according to a September 8 *Financial Times* report that cited people familiar with the matter.

The \$11.8bn valuation was made when Getir raised funds in March 2022; however, the valuation was said to have been slashed to around \$7bn when the company pursued a funding round in April this year.

Getir's new funding will come from existing shareholders including the Abu Dhabi wealth fund Mubadala Investment Company, the venture capital firm G Squared and the investor Michael Moritz, who recently quit Sequoia Capital after almost four decades at the California venture capital group, the *FT* reported.

Getir in late August said it was cutting over a tenth of its global workforce, meaning 2,500 layoffs. It is retreating from France, while it has pulled out of Spain, Italy and Portugal. The layoffs, affecting couriers, pickers and office employees, will be made



in Turkey, Britain, Germany, the Netherlands and the US, the five markets where Getir intends to keep operating.

The cost of living crisis has hit demand for rapid deliveries of groceries, while costs have also gone up for operators of such consumer services. Demand for grocery delivery boomed during the height of the COVID-19 pandemic, but declined after lockdowns ended and shops, restaurants, bars and offices reopened.

Getir is one of the largest of more than a dozen remaining delivery app companies. Most of its rivals have been sold or closed down.

Getir bought up German competitor Gorillas in a \$1.2bn deal last December. It acquired the UK's Weezy a year earlier.

The company now also faces a growing threat from the bigger delivery companies, namely Uber Eats, JustEat and Deliveroo. They have progressed to sending out groceries alongside takeaways.

Investors put more than \$14bn into the rapid grocery delivery market globally over 2020 and 2021, according to analysts at PitchBook. However, last year, the value of on-demand delivery investment globally by venture capital investors sank by more than 60% to \$4.7bn. ●

Hungarian competition office inspectors raid Budapest office of Booking.com

bne IntelliNews

Officials of Hungary's competition watchdog GVH raided the Budapest office of Netherlands-based online booking platform Booking.com on September 6, the GVH confirmed media reports.

Officials gathered the necessary data during on-site inspections to identify possible market disruptions, it added.

Last month, GHV launched an expedited probe against the online platform over its debts owed to Hungarian tourism accommodation operators and has been gathering data from participants to assess the impact of late payment.

The probe will take a maximum of 30 days, which can be extended. The result of the probe will include specific proposals.

Booking.com owed money to around 2,300 hotel operators in Hungary in mid-August, most of them small, family-run businesses.

Around 28% said Booking.com owed them between HUF0.5mn-1mn (€1,292-2,583) and a quarter of them said they were waiting for transfers of over HUF1mn.

At the time, Booking.com said payments were delayed due to a change in accounting and bookkeeping software at the peak of the holiday seasons, but flaws emerged according to local media.

The Hungarian Tourism Agency (MTU) has offered legal assistance to the tourism accommodation operators affected. ●

Iran's Internet censorship spurs lucrative VPN market, estimated at up to \$600mn

bne IntelliNews

While Iranian officials speak of a prevalence of domestic online platforms among Iranian users, statistics hint otherwise.

Iran has been known for its strict censorship laws. Any content that can be considered a threat to national security is blocked or filtered, including social media platforms and streaming services, webpages of human rights organisations, as well as pornography, gambling platforms, content with alcohol and drugs, LGBTQIA+ content, etc. In a bid to side-step the restrictions, many Iranians use virtual private networks (VPN) to get past censorship.

A parliamentary research group in Iran says on average 64% of Iranians use VPN.

Yektanet, an Iranian online advertising platform, says 80% of Iranian users utilised VPN to log in to messaging apps and social media networks in the last Persian calendar year (March 2022-23).

Other reports say 97% of those aged 15-17 use VPNs in Iran.

In reality, the utilisation rate of VPNs in Iran is so high that it has opened a 200-trillion-rial market (about \$408mn at the free market exchange rate), Ta'adol newspaper reported.

Other reports say the market is as big as 300 trillion rials, that is more than \$600mn.

This is while the Iranian Communications Minister claimed last year that he had plans for eliminating the need for VPN use altogether.

www.bne.eu



Reports say 97% of those aged 15-17 use VPNs in Iran. / (TIMA/Reuters)

The widespread filtering of social media networks that has been enforced since last year has remarkably increased VPN sales and use.

The death of 22-year-old Mahsa Amini in custody after being detained by Iran's morality police for wearing her hijab "improperly" on September 16, 2022 was followed by nationwide protests and a heavy-handed state crackdown.

Social media platforms such as Telegram and WhatsApp played a major part in disseminating reports and videos during the women-led protests, although the government considerably tightened its censorship and occasionally even shut down the entire internet network in Iran.

As the country nears the first anniversary of the young woman's fateful death, the Iranian state is growing increasingly wary about another unrest.

Meanwhile, reports coming from inside the country say the restrictive measures on the internet have already begun, with many complaining about the painfully slow speed of their internet connections." ●

"In reality, the utilisation rate of VPNs in Iran is so high that it has opened a 200-trillion-rial market"

Kyrgyzstan moves to ban TikTok over child welfare concerns

Eurasianet

Culture officials in Kyrgyzstan have requested that digital censors block access to TikTok over concerns that the video platform is “negatively affecting the mental development and health of children”.

In its petition to the Digital Development Ministry, the Culture Ministry said on August 30 that it is worried by the unfettered availability of harmful content and the lack of age restrictions on the app.

“TikTok immerses the user into a virtual world of short clips, and after watching them, teenagers try to mimic certain videos, some of which are life-threatening,” the ministry said. “Children’s psyches are still in flux, they are only just being formed. Such content can cause addiction and negatively affect the emotional state of the younger generation.”

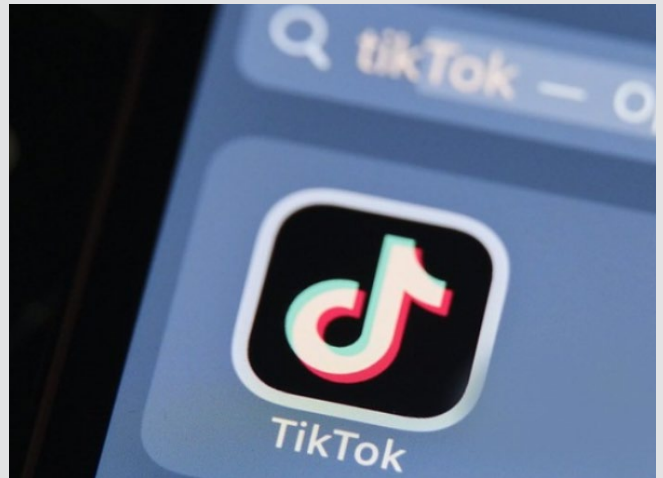
The move against TikTok is of a piece with broader trends in Kyrgyzstan, where the government is pursuing ever greater censorship in what it argues is an effort to uphold social and political stability. Earlier this month, the Prosecutor General’s Office announced it was seeking the closure of an independent media outlet on the grounds that its critical coverage of current events is fostering emotional discontent among the public.

Culture Ministry officials insist the plan to block TikTok is not coming out of the blue.

In remarks to the media, Deputy Culture Minister Chyngyz Esengul said that fully 18 nongovernmental and civil society groups pleaded with the government to block the app.

Kyrgyzstan is hardly an outlier in its hostility to TikTok, though.

As The New York Times has reported, lawmakers in numerous Western countries, including the United States and Canada, are moving to curb access to the Chinese-owned platform. In most of those instances, however, the formal motivation for slapping bans on TikTok stem from



New research reveals a surge in AI startups focusing on specific sectors such as healthcare, fintech, agriculture, manufacturing, logistics, retail and sustainability.

worries that the owner of the app may make user data available to Chinese government agencies.

Similar thinking has underpinned restrictions elsewhere. India banned TikTok outright in June 2020, citing the need to protect the country’s “sovereignty and integrity” and the “security of state, and public order.”

But as far as Kyrgyzstan goes, the government maintains a resolutely pro-China line, so such geopolitical arguments are never articulated by officials.

“TikTok immerses the user into a virtual world of short clips, and after watching them, teenagers try to mimic certain videos, some of which are life-threatening”

On the contrary, successive Kyrgyz government have evinced a relaxed attitude over security services agencies in Beijing amassing personal data about their citizens. In 2019, then-president Sooronbai Jeenbekov oversaw the opening of a police control centre in Bishkek that was to serve, among other things, as the processing centre for a network of Chinese-installed CCTV cameras, many of them fitted with facial recognition technology.

At the time, human rights groups expressed concern that the Chinese company implementing the project – China National Electronic Import and Export Corporation – would enjoy full access to the data used by the surveillance technology. No explanations have ever been offered about how much data-sharing this arrangement would entail. ●

This article first appeared on Eurasianet.

Croatian firms launch NFT 'crypto pigs' platform to boost pork industry

Aida Kadyrzhanova in Astana

Three Croatian firms have launched the GoAgro platform, offering investors the opportunity to buy "crypto pigs" in the form of NFTs, reported *Poslovni Dnevnik*.

Priced at €250 each, equivalent to 100 kilograms of pork meat, a total of 240,000 Pig NFTs are to be issued, maturing over 900 days.

After this period, investors can choose to reinvest, sell, or convert their Pig NFTs into 107.5 kilograms of real pork meat. The proceeds will be used to kickstart pig farming on two Agroporc-owned farms.



Project aims to reverse the decline in pig farming in Croatia. / Peggychoucair via Pixabay

Kresimir Kuterovac, Agroporc's director, said the project's goal is to directly connect farmers and consumers, addressing the decline in pig farming, especially in Croatia, where recent outbreaks of African swine fever have severely affected production.

Croatia is facing a significant shortfall in meeting its domestic pork meat demand, currently able to fulfill only 40% of it through local production. ●

Moldovan P2P lending platform Fagura to expand to Romania

bne IntelliNews

Moldova's fintech Fagura, a financing marketplace based on P2P principles, has received regulatory approval to operate on the Romanian market from the Financial Supervisory Authority (ASF).

In the short term, the company will develop a marketplace based on P2P lending technology, where people looking for loans at a lower interest rate than the financial market meet with investors interested in a more consistent return than bank deposits.

Launched in 2019 in Moldova, Fagura has already intermediated loans in the amount of €2.5mn, with maturities of up to three years.

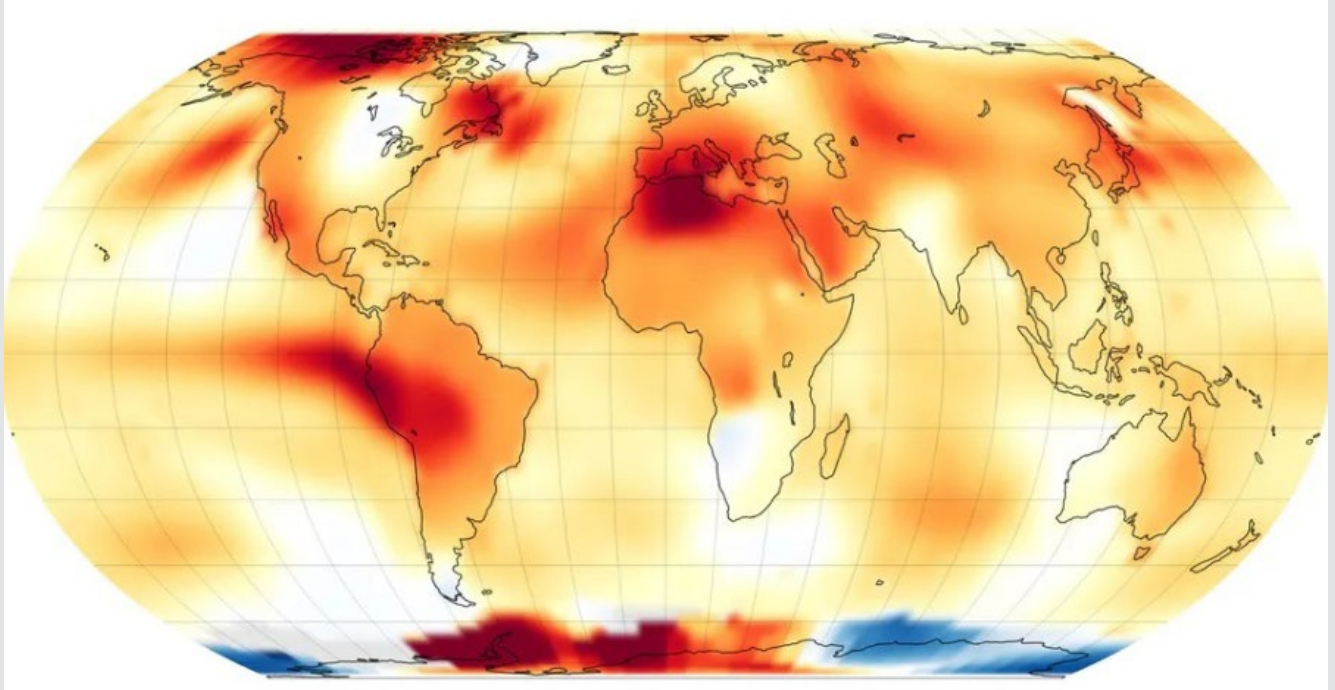
The average maturity of the loans intermediated was 23 months and the average interest rate was 22.8%. The average size of a loan was €1,672.

The investors active on Fagura platform are mainly from Europe (particularly Moldova, Germany and the UK) but also Southeast Asia.

"Expanding into Romania represents a significant phase in Fagura's journey. This strategic move is poised to bring several advantages: diversification of the client base, a steep increase in the number of potential investors and borrowers, and, last but not least, our first step into the European Union arena. It's a new, exciting, but challenging territory. We are also preparing to officially launch the project in the Romanian market within the next two months, further extending our reach and impact," said Tudor Darie, CEO of Fagura.

The platform fagura.ro will offer an online financing option tailored for small and micro Romanian companies, at the same time allowing investors to choose the companies to invest in based on the detailed business plans made available, with options to use Auto-Invest functionality or Secondary Market. ●





The UN has released a dire global stocktake of the state of play to reach the Paris accord targets in time to prevent global temperatures rising by 1.5C. We have two years left to do it and the target will probably be missed, leading to an environment disaster of biblical proportions. / bne IntelliNews



bne:Green

UN report: two years left to reduce emissions and avoid global disaster, and we probably won't make it

Ben Aris in Berlin

We have two years to fix the climate and reach the Paris accord emission targets, according to a UN global stocktake report, and we are not going to make it.

"The global stocktake is unfolding in a critical decade for climate action," the report says. "Global emissions need to be nearly halved by 2030 for the world to limit global temperature rise to 1.5 degrees Celsius. In addition, transformational adaptation is also needed to help communities and ecosystems cope with the climate impacts that are already occurring and are expected to intensify."

The report is the most comprehensive report yet on the state of play in the effort to reduce emissions and ensure global warming is contained to a 1.5C rise, to prevent irreversible damage to the climate that will unleash untold damage on food supplies, cause extreme weather patterns, rising sea levels and mass migration flows as parts of the earth become uninhabitable.

The alarm bells are ringing loudly and the UN says the

world is already badly off track. In March this year, the UN's Intergovernmental Panel on Climate Change (IPCC) published its latest Synthesis Report, which summarises all the scientific reports it has published during its sixth assessment cycle – the first comprehensive report for nine years.

"It highlighted just how far off track the world is, reinforcing last year's UN Climate Change report, which stated the combined climate pledges of 194 Parties under the Paris Agreement could put the world on track for around 2.5 degrees Celsius of warming by the end of the century," the UN stocktake report said. "The science is unequivocal: a course correction is needed. And it needs to happen now."

Too little, too late

Eleven leading countries have reduced emissions, but as the Lancet recently said in a separate report, none of them are anywhere near on track to meet their Paris obligations. Even the best performing countries need to treble or quadruple their efforts to hit the goals.

"In order to keep 1.5C within reach we need deep and immediate emission cuts across all sectors and regions. We know what we have to do. Now we must boost political will to make that course correction through action and support possible," Simon Stiell, UN Climate Change Executive Secretary, said in the UN report.

And as the International Energy Agency (IEA) reported earlier this year, after falling dramatically during the coronavirus pandemic, emissions have bounced back to reach new all-time highs.

The report says that countries have not ignored the 2015 Paris agreement but "much more is needed now on all fronts". While the report calls for drastic measures that will be extremely difficult to implement politically, the report notes that if sufficient action is taken quickly the disaster can be averted. "There are now sufficient cost-effective opportunities to address the 2030 emissions gap," it says.

But that means dramatically "scaling up renewable energy and phasing out all unabated fossil fuels." The destruction of forests and reducing methane emissions are also crucial elements.

Asleep at the wheel

To achieve these goals, more general sweeping changes will have to be made to the global financial-industrial system, which requires a complete overhaul, and huge changes of lifestyle are needed. That will mean investing "trillions of dollars to meet global investment needs."

For example, the report recommends that developed countries become vegetarian as meat consumption needs to fall by 80% as one of the big contributors to methane emissions, which are 80 times more deadly a greenhouse gas (GHG) than carbon dioxide.

Yet governments are asleep at the wheel and although everyone has acknowledged the problem and launched green programmes, none of the governments have committed anywhere near enough resources to tackling the problem.

The technology and finance to end the climate crisis exist: the greatest barrier is lack of political will. The report says: "Creativity and innovation in policymaking and international cooperation is essential." Green policies need to be put in place at all levels of policy making, yet that is still "extremely rare", the report says.

The report also calls out big business, which is essential to the process, for constantly "greenwashing" its efforts, and to clean up their act. Currently there is little monitoring or regulation to enforce the implementation of ESG policies at the corporate level, which remains largely a voluntary effort.

Moreover, co-ordinated global action is missing. When Russia attacked Ukraine, a meeting at the Ramstein air base in Germany brought together most of Europe's leaders and a comprehensive military support programme was worked out

to arm Ukraine in its defence and billions of euros of support was committed. The US alone has already spent over \$100bn on support for Ukraine and the EU has committed billions a year in a multiyear programme of financial and military support that will run to 2027 at least.

As the eco-system has clearly started to collapse as Europe endures its hottest summer ever and extreme weather conditions have devastated parts of Europe with flash floods and raging storms, there has yet to be a "climate Ramstein." The closest thing on the agenda is an UN Environment Conference on the sidelines of the UN General Assembly next week in New

"Governments are asleep at the wheel and although everyone has acknowledged the problem and launched green programmes, none of the governments have committed anywhere near enough resources to tackling the problem"

York. However, only those countries that have made progress with reducing emissions will be allowed to speak and countries like the UK have decided to stay away for "fear of embarrassing themselves," The Guardian recently reported, after it released an environment action plan the UN derided as "very weak."

There is a "rapidly narrowing window" for governments to phase out fossil fuels if CO₂ emissions are to peak in 2025 and then fall dramatically from there. But currently emissions are still rising at an unsustainable pace. There is a gap of 20 to 23 gigatonnes of CO₂ between the cuts needed by 2030 to limit global temperatures to 1.5C and the world's current emissions trajectory.

Low hanging fruit

Despite the alarmist tone of the 47-page UN report it has failed to set out in detail and "name and shame" which countries are falling behind, nor does it contain specific recommendations directed at particular countries or regions on how they can reduce emissions faster.

Fossil fuels are highlighted as the main culprit in a brief but clear statement in the key section six of the report that calls for a reduction in hydrocarbon use and boosting renewables.

"Achieving net zero CO₂ and greenhouse gas emissions requires systems transformations across all sectors and contexts, including scaling up renewable energy while phasing out all unabated fossil fuels, ending deforestation, reducing non-CO₂ emissions and implementing both supply and demand side measures," the report says, effectively

calling for a total overhaul of the world's energy system.

One of the low hanging fruits to reduce the use of fossil fuels is to end the system of subsidies that fossil fuels enjoy in many markets. An IMF analysis last year found the total subsidies for oil, gas and coal in 2022 were \$7 trillion, equivalent to 7% of global GDP and almost double what the world spends on education. While governments have promised to end the subsidies little action has been taken. Last year alone Europe spent over €1 trillion on direct energy subsidies to protect consumers from the soaring price of gas that decupled as a result of the gas wars with Russia. The G20 poured a record \$1.4 trillion into fossil fuel subsidies in 2022, according to an estimate by the International Institute for Sustainable Development think-tank.

The subsidies may have protected consumers from the shock of spiking prices, but they also disincentivise consumers from reducing their energy use.

In addition, there are indirect subsidies that make up 80% of the total that deal with cleaning up the damage caused by fossil fuels through climate change and air pollution.

The IMF analysis found petrol and other oil products accounted for half of explicit subsidies in 2022, with coal accounting for 30% and fossil gas 20%. The biggest subsidisers of fossil fuels were China, the US, Russia, the EU and India, The Guardian reports. The analysis calculated that ending fossil fuel subsidies would cut emissions by 34% by 2030 compared with 2019 levels.

Ending the energy subsidies should be the centrepiece of reforming the energy system to move away from fossil fuels, yet these reforms have been largely ignored so far.

Phasing out fossil fuels completely remains hugely controversial and a serious attempt to force the measure

through is likely to be blocked by multiple governments. An attempt to push through just this measure at last year's COP27 failed and as COP28 will be held in the UAE, a major oil producer, so far the COP28 literature released ahead of the summit has avoided the subject completely.

However, not only is that not happening, in Europe fuel use is going in the opposite direction as a result of the war in Ukraine. Germany has followed through on the controversial decision to close its six nuclear power plants (NPPs) and has restarted its coal-fired plants to replace lost Russian gas imports. Germany is currently burning an all-time record amount of coal to keep the economy powered. And it's not just Germany: Turkey overtook Germany and Poland in June to become Europe's top producer of electricity generated at coal-fired plants.

COP28 last chance

The global stocktake will form the basis of negotiations at the next UN climate summit, Cop28, to be held in Dubai in November.

The stocktake report will be the centrepiece of the summit which is the next, and probably the last, chance to save the planet from a devastating environmental disaster.

The global stocktake is not the only key deliverable of COP28. The conference also needs to make progress in several other workstreams: hammering out the details of the loss and damage finance facility, driving towards a global goal on finance, accelerating both an energy and a just transition, closing the massive emissions gap, just to name a few, the report says.

"The success of the global stocktake will ultimately determine the success of COP28. It is the defining moment of this year, this COP and – as one of the only two stocktaking moments in this decisive decade of climate action – ultimately pivotal to whether or not we meet our 2030 goals," the UN report said. ●

EU's crisis funds depleted by climate-related chaos

bne IntelliNews

The European Union's emergency aid reserve is repeatedly being depleted as the number and severity of climate related disasters and extreme weather events has increased sharply in recent years.

European Commissioner for Crisis Management Janez Lenarcic pointed out on September 12 that the EU's disaster response system, the EU Civil Protection Mechanism, is already working at full operational level.

"Over just two years, requests for assistance have increased by 400%. And resources are strained to its limits. Soon we might not be able to help where needed. Clearly, we must continue to strengthen our collective disaster response capacities," Lenarcic told the European Parliament.

In both 2021 and 2022, the bloc's emergency aid reserve was completely used up, and 2023 has already seen several severe emergencies related to the climate crisis.



Two people were killed when the worst storm in decades struck Bulgaria's southern coast. / Denitsa Koseva

Summer of disasters

Lenarcic said that during the months of July and August alone, the EU's emergency response centre, responsible for coordinating aid delivery to crisis-stricken members, was activated on 12 occasions.

In August, catastrophic floods in Slovenia resulted in the loss of at least six lives and billions of euros of damage to homes and businesses. The floods were the most severe natural disaster to impact the country since independence in 1991.

During a summer marked by extreme weather events and climate-related consequences, Greece also grappled with deadly wildfires and storms and Spain endured a record-breaking drought.

"The wildfire in Alexandroupolis is the largest recorded in Europe ever, burning an area of almost 100,000 hectares. Meanwhile, in the same country, Greece, a week ago, three years' worth of rain fell within two days," Lenarcic said in an address to the European Parliament.

"In August, two thirds of Slovenia was underwater. In May, flooding in Italy prompted 900 landslides. Last summer, nearly 62,000 Europeans died from record-breaking heat.

"I am sure you can continue this grim list yourselves. The horrific regularity, intensity and simultaneity of these emergencies was unusual just a few years ago. Now, it is all too familiar. And will only carry on accelerating."

On top of these came other disasters not related to climate change, such as explosions at a Romanian LPG filling station that claimed two lives and injured dozens of people. The Romanian authorities swiftly asked for help through the EU Civil Protection Mechanism to help cope with the fallout from the explosions.

The crises continued in September, when Bulgaria's southern coast was hit by deadly storms and flooding. Eyewitnesses called it the worst storm they had seen in the last 50 years.

More support needed

Lenarcic told MEPs: "To continue keeping people safe in this new risk landscape we urgently need a more disaster resilient Europe. We must build prevention, preparedness and response into every part of our society."

There has already been an increase in efforts to bolster resilience. Funding earmarked for disaster resilience under Cohesion Policy has nearly doubled, rising from €7bn in the last Multiannual Financial Framework (MFF) to nearly €13bn in the current MFF.

"To continue keeping people safe in this new risk landscape we urgently need a more disaster resilient Europe"

The recently introduced instrument for recovery and resilience is projected to contribute an additional €12bn toward addressing climate change.

However, with a 400% increase in requests for emergency aid over the past two years, Lenarcic argued that the EU's current disaster response budget is insufficient, and called for additional financial support, and more substantial investments aimed at disaster prevention.

This could include initiatives such as sustainable forest management to mitigate wildfires and efforts to reduce the CO₂ emissions driving climate change. ●

Only 11 countries are reducing emissions and all will miss Paris targets

bne IntelliNews

Only 11 developed countries have reduced emissions and none of those are anywhere close to hitting their Paris accord obligations to prevent global temperatures rising more than 1.5°C before reaching zero in 2050. At the current rate of reduction, it will take more than 200 years for the developed world to reach carbon-zero and unless the leading economies of the world commit to make real and deep structural changes and invest trillions of dollars over the next few years, the world is headed for a climate catastrophe.

That is the conclusion of scientists in a new study published in *The Lancet*.

Researchers have previously raised concerns about whether high-income countries, with their high per-capita CO₂ emissions, can decarbonise fast enough to meet their obligations under the Paris Agreement if they continue to pursue aggregate economic growth.

The Lancet paints a very grim picture. Scientists have found that the emission reductions in high-income countries are declining in absolute terms, but still fall “very far short” of Paris-compliant rates. Absolute decoupling is reducing a country’s CO₂ emissions while still increasing its gross domestic product (GDP), also known as “green growth.”

The scientists that compiled the report are from the University of Leeds in the UK, the Autonomous University of Barcelona in Spain, and the London School of Economics.

Politicians in high-income countries have typically responded to this problem by insisting that economic growth can be made green, but the report shows that these are platitudes and mask a failure to push through painful measures needed to make a real difference.

“It has long been understood that emissions can decline alongside growing GDP, specifically when the percentage increase in GDP is outweighed by a larger percentage reduction in the emissions intensity of GDP. Such absolute decoupling is of course necessary for green growth, but it is not sufficient,” the report says. “It is not enough to just reduce emissions by any amount; countries need to reduce their emissions to net zero, and fast enough to limit global warming to 1.5°C. The benchmark for green growth should therefore not just be about whether countries achieve absolute decoupling, but whether they achieve sufficiently rapid absolute decoupling to meet Paris climate and equity commitments.”

The Paris Agreement’s goal is to keep the rise in mean global temperature preferably to 1.5°C above pre-industrial levels.

Emissions should be reduced as soon as they can be, and reach net zero by 2050. Emissions would need to be cut by roughly 50% by 2030.

If the targets are missed then the results are unpredictable, but the raging storms and biblical flash floods already seen this summer, the hottest on record, are a mild foretaste of what is to come if the Paris initiative fails, say experts. And if the target is missed, the damage to the ecosystem is irreversible, say scientists.

Miles off target

Governments around the world are conscious of the need to reduce emissions and most have put some sort of green policies in place. The EU’s Green Deal is one of the most comprehensive and many governments have committed to zero-carbon goals by 2050. But *The Lancet* reports the pace of reductions falls far short of what is needed to hit the Paris targets.

Worryingly the UN also just published its global stocktake of the fight to reduce emissions ahead of the COP28 climate summit that also rang alarm bells. According to the UN the world has two years left to take drastic action to reduce emissions dramatically or face an environmental disaster. Hope is not lost, but the scale of the action and the price tag that will run into trillions of dollars means that the chances of success are already small and dwindling rapidly.

At the current rate of reduction, high-income countries would take more than a staggering 220 years on average to reduce their emissions by 95%, in the process emitting a whopping 27-times their remaining 1.5°C “fair shares” of the Paris Agreement reduction. The Paris targets are not being missed by a little. They are being missed by hundreds of miles.

“To meet their 1.5°C fair shares alongside continued economic growth, decoupling rates would on average need to increase by a factor of ten by as soon as 2025,” said the researchers.



Advanced economies are not yet on track to meet the Paris Agreement. / WClarke, Creative Commons

"The decoupling rates achieved in high-income countries are inadequate for meeting the climate and equity commitments of the Paris Agreement and cannot legitimately be considered green," they said.

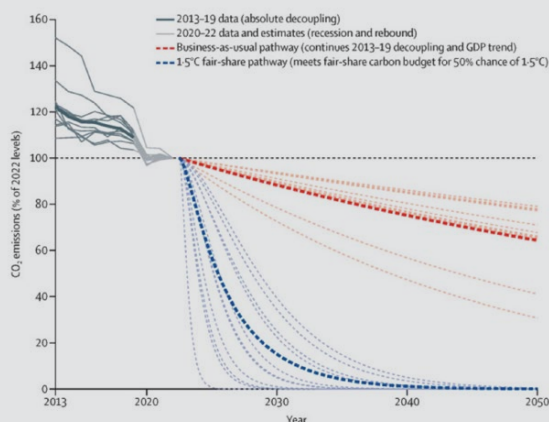
"Green growth is therefore not occurring, and appears out of reach for high-income countries," they said. High-income countries may not achieve green growth in the future, they said.

Previous studies have compared national decoupling-based emission reduction rates to the global average rates required for meeting particular climate targets, but this is the first-time scientists have looked at the – much faster – rates needed in high-income countries to align with the Paris Agreement's climate and equity commitments.

Only 11 of the 36 assessed high-income countries achieved absolute decoupling of consumption-based CO₂ emissions from GDP between 2013 and 2019, the study found. These countries are Australia, Austria, Belgium, Canada, Denmark, France, Germany, Luxembourg, the Netherlands, Sweden and the UK.

"However, none of these countries achieved emission reductions that are fast enough for a 50% chance of staying under 1.5°C with minimum equity principles (chart). The discrepancy between existing trends and required emission reductions is extremely large.

Figure 1. Emission reductions achieved in high-income countries through recent absolute decoupling are highly insufficient for complying with their fair-shares of the 1.5°C global carbon budget



The 11 high-income countries that achieved absolute decoupling differ in how far they fall short of the required mitigation rates.

"These differences are caused by differences in their achieved mitigation rates (red trend lines), and differences in how fast they need to cut their emissions (dotted green curves) to stay within their respective carbon-budget fair-shares, as they start from substantially different per-capita emissions. The UK comes closest to what would be required for meeting its 1.5°C fair-share, but still falls markedly short," the report says. "A continuation of the 2013–19 average emission reduction rates achieved in the 11 countries through decoupling (business as

usual) would not even suffice to reduce their emissions to net zero by 2050, much less to deliver the earlier net-zero dates (on average, in the late 2030s) required for these countries to comply with their 1.5°C fair-shares," the scientists estimate.

Just how unrealistic the goal of reaching net-zero carbon is becomes clear when estimating just how long it would take given the current rates of reduction.

On the basis of their 2013–19 decoupling achievements, the 11 countries would need between 73 years and 369 years – 223 years, on average – to reduce their respective 2022 emissions by 95%. That means they would burn between five times and 162 times – on average, 27 times – their respective remaining post-2022 national fair-shares of the global carbon budget for 1.5°C in the process.

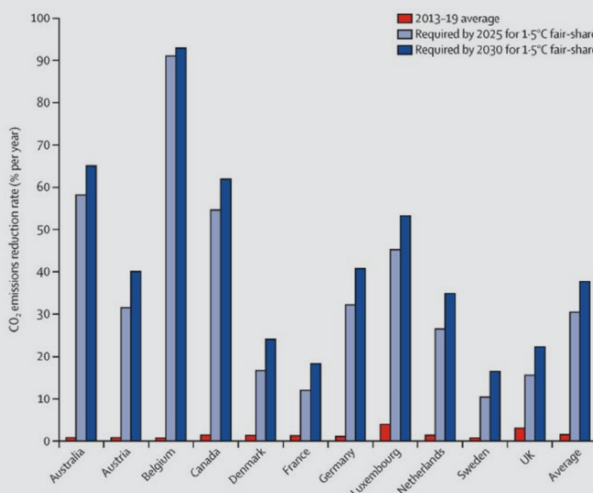
Put in percentage reduction terms (chart), the 11 reduction leaders have been reducing emissions by 1%–6% a year between 2013 and 2019, however, to hit the targets the rate of reduction needs to be an order of magnitude bigger or circa 30% a year.

Even the UK, one of the better performing countries, would need to increase its mitigation rate at least five-fold to hit its target. The other ten countries need to increase their mitigation rates at least ten-fold within the next four years, the study found. The worst-performing countries in the sample – Belgium, Australia, Austria, Canada, and Germany – need to increase it by more than a factor of 30.

The amount of time needed to reach net-zero at these rates means that nothing short of a radical overhaul of policy is needed and the gap is already so wide that even that will struggle to hit the Paris targets.

"The emission reductions achieved via decoupling during 2013–19 are clearly inadequate for high-income countries to deliver on their 1.5°C fair-shares. Furthermore, the disjuncture

Figure 2. The emission reduction rates required for high-income countries to respect their 1.5°C fair-shares are several times faster than the emission reduction rates they have achieved through recent absolute decoupling.



between achieved and required mitigations rates is very large," the report said.

To make things worse, the scientists say their analysis is a very conservative one, and should thus be seen as a "best case" for green growth. Their method of allocating the global carbon budget to individual countries reflects only a minimum interpretation of equity regarding future mitigation.

Additionally, recent estimates suggest that the remaining global carbon budgets might be even smaller than the ones used in the study, which would require even faster mitigation and decoupling rates. The scientists also estimate decoupling rates for the business-as-usual and fair-share pathways assuming a continuation of 2013-2019 average GDP growth rates. And the analysis assumes adequate mitigation beginning in 2023.

They also emphasise that the consumption-based CO₂ emissions data used do not include emissions from agriculture, forestry and land use, or emissions from international aviation and shipping, making the conclusions even more conservative and pressing.

Decoupling green growth

The Lancet scientists cite a *Financial Times* article in 2022 that, for example, pointed to absolute decoupling, claiming that "green growth is already here", and "may take us to net zero all on its own". This sort of narrative is "greenwashing", the authors conclude. The UN report also singled out big business, and energy companies in particular, of routinely greenwashing their efforts to reduce emissions, without taking any effective action.

If high-income countries exceed their fair-share carbon budgets, they either exacerbate climate breakdown or appropriate the carbon budget shares of lower-income countries, or most likely they do both, the scientists say.

"There is nothing green about this. If we are to refer to what is happening in these countries as green growth, then green growth is not adequate for avoiding climate catastrophe, much less for achieving climate justice," they continued.

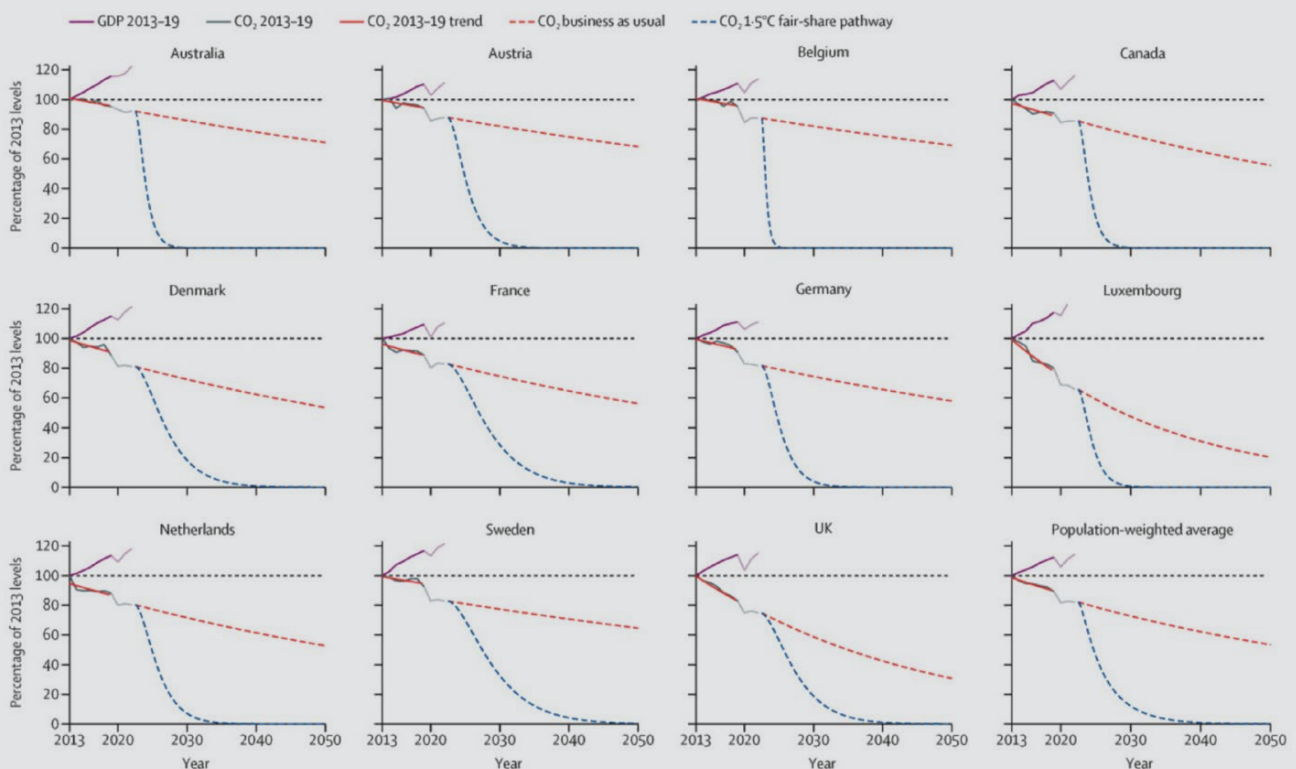
"Further economic growth in high-income countries is at odds with the climate and equity commitments of the Paris Agreement," the scientists concluded.

The report suggests one of the few solutions is to fundamentally change the way economies are run, abandoning the pursuit of infinite growth and the radical idea of reducing economic activity as one of the only real ways to reduce energy consumption. And all of this needs to be put in place over the next two years.

"To achieve Paris-compliant emission reductions, high-income countries will need to pursue post-growth demand-reduction strategies, reorienting the economy towards sufficiency, equity and human wellbeing, while also accelerating technological change and efficiency improvements," they said, eliciting what is essentially an ESG strategy.

Post-growth demand-reduction strategies are needed in addition to technological decarbonisation efforts, says the study. ●

Figure 3. In all high-income countries that have recently achieved absolute decoupling, the achieved emission reductions are far from the emission reductions required to comply with their 1.5°C fair-shares.



"THE WORST IS OVER," SAYS RUSSIA'S ECONOMIC ELITE

Ben Aris in Berlin



After a horrendous start to the year with excruciating new oil sanctions that led to the largest January deficit on record, the Kremlin is starting to sound increasingly optimistic about the health of the Russian economy by the end of the year.

Russia is going through a “large-scale macro transformation,” but the “worst is over,” Prime Minister Mikhail Mishustin said on September 28 during the Moscow Financial Forum.

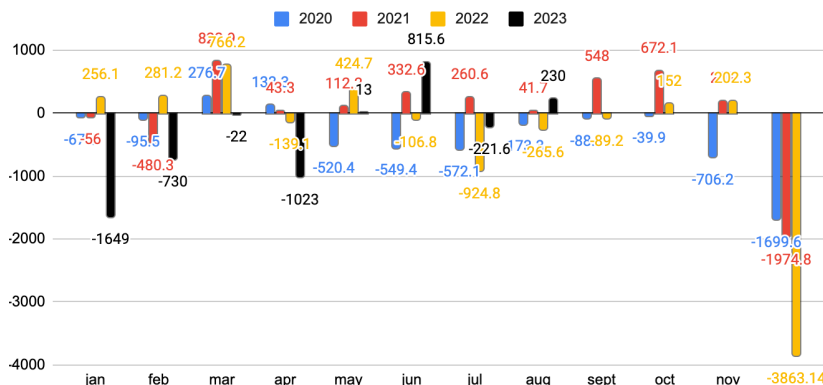
“The Russian economy is undergoing a large-scale transformation. The unilateral disruption of the previous economic ties by the Western partners exacerbated many problems, but the most difficult period has passed,” he told Russia’s collected liberal macroeconomic team at this annual event.

The growth forecast has been upgraded several times this year and is currently 2.8%. However, the collapse of oil and gas revenues following the imposition of the twin crude and oil products sanctions on December 5 and February 5 saw the budget deficit hit its full year target by the second week of March. Independent analysts were certain that the Ministry of Finance (MinFin) would miss its 2% of GDP target by a wide margin with many predicting a deficit of 3-4% and some as much as 12% of GDP.

Russian Finance Minister Anton Siluanov stuck to his guns and predicted that oil revenues would recover in the second half of the year and the 2% target was still obtainable, although over the summer he wobbled a bit and briefly began to talk about a range of 2% to 2.5%.

However, speaking at the forum, Siluanov sounded a lot more confident as his prediction of rising oil revenues has come to pass. Russia’s budget went back into profit in August with a whopping RUB800 trillion surplus, about three times higher than an average month, as oil export revenue to Asia – a four month round trip – began to arrive in the state’s coffers and Siluanov is now predicting the state will end the year with a deficit of “2% or less”.

Russian budget y/y RUB bn (monthly)



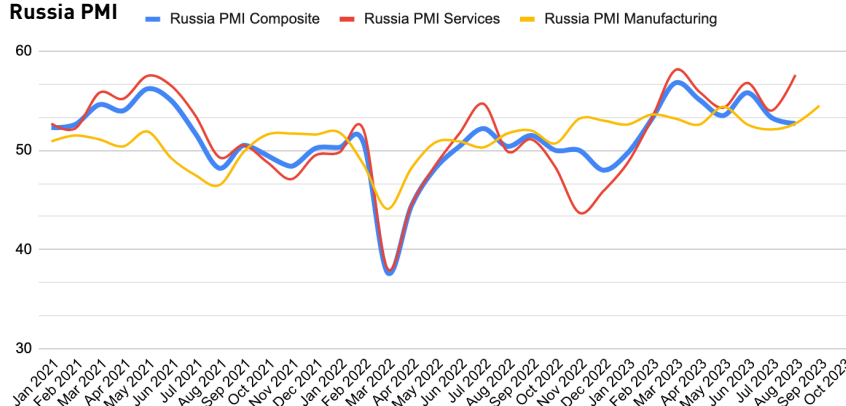
Source: Russian MinFin

“Revenues – both oil and gas and non-oil and gas – exceed our planned targets, parameters and expenses. Therefore, the federal budget deficit will definitely not be higher than 2%, and possibly lower. Everything will depend on the volume of expenses that will be made for the period remaining until the end of the year. The deficit will not exceed our planned figures,” he firmly said.

picked up from 4.9% y/y in July to 5.4% y/y in August (chart) and that retail sales growth edged up from 10.8% y/y to 11.0% y/y as the economy continues to adjust to the new realities and benefits from a “military Keynesian boost” that is the result of massive state spending.

“The estimate [for GDP growth of] 2.8% looks rather realistic,” Minister of Economic

Russia PMI



Source: S&P Global

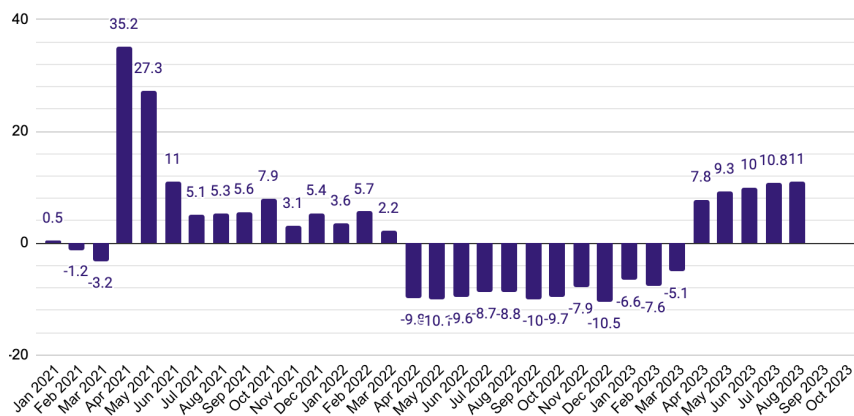
The fresh flow of money streaming into the treasury has boosted economic activity with indicators like the manufacturing PMI index staying well above the no-change 50 mark for most of this year.

Russia’s industrial production and retail sales data for August suggest that activity remained fairly solid, and Capital Economics thinks the economy is on track for GDP growth of 2.5% this year, slightly ahead of the official 2% forecast, the analysts said in a note.

Data released on September 27 showed that industrial production growth

Development Maxim Reshetnikov told the forum, adding that growth will slow slightly in 2024-2025 to 2.3% and to 2.2% by 2026. But the forecasts that Russia would fall into a deep recession have already proven to be false, and “none of the Western experts expected that.”

Investment activity and the recovery of consumer spending have become the key growth drivers for the economy, he said. Nevertheless, the Russian government plans to continue improving the country’s financial sovereignty, and it wants to speed up the switch to a wider utilization of the ruble in its international trade.

Russia retail turnover (inc. cars) change y/y

Source: Rosstat

The share of rubles in Russian exports totalled 41% in July, while in August and September it may grow even higher, Reshetnikov said at a plenary session of the Moscow Financial Forum.

"We are expanding the network of direct correspondent accounts in the national currencies between the banks of Russia and the friendly countries, and the list of the currencies of the friendly countries that are trading on the Moscow Exchange," he said.

The government and the central bank also prepared a step-by-step plan for launching trans-border settlements through the blockchain technology with utilization of digital financial assets, he added. Russia launched a digital ruble pilot scheme in the middle of August that could eventually provide an alternative to international trade settlements that by passes the SWIFT system.

Huge defence spending hikes

Of course the war in Ukraine was lurking behind all the gushing statements on the good economic performance and has massively distorted the nature of both the economy and state spending. Where the private sector and consumption were driving the economy two years ago, now it is state procurement and investment that are the engine of Russia Inc's growth.

The latest 2024 budget includes massive increases in military spending that has overtaken social spending for the first time. Russia approved its first full wartime budget for 2024 on September 23 that sees a whopping 1.7-fold increase in

military spending to RUB10.8 trillion (\$112bn), or 6.8% of GDP, up from RUB6.4 trillion and more than the RUB7.5 trillion earmarked for social spending.

An increase in Russia's defence spending is an "absolute imperative," Russian Presidential Spokesman Dmitry Peskov has said.

"It is obvious that such an increase is absolutely necessary, because we are in a state of hybrid war that has been unleashed against us. We are continuing the special military operation, and this requires great spending," Peskov said about the draft budget.

Russia's spending on defence is more than triple Ukraine's UAH1,164bn (\$32bn), or a whopping 20% of GDP. Clearly, Russian President Vladimir Putin intends to go all out against Ukraine in 2024 and is preparing for a long war.

To finance these huge expenses the government will have to find an additional RUB7 trillion in revenue from somewhere compared to 2023. That means inflation will inevitably accelerate and the Central Bank of Russia (CBR) will before to keep growth-killing interest rates high, hence the forecast for slowing growth in the next could of years. But Siluanov told the forum that the funds reserved in the draft budget for the next three years would be enough for all planned purposes.

He added that the slogan "Everything for the front, everything for victory" was among the budget's priorities.

Defence spending is being raised by almost 70% next year as Russian President Vladimir Putin makes it increasingly clear he is preparing for along war. With Moscow's "special military operation" now dragging through its twentieth month, both sides have been digging deep and procuring weapons from allies in preparation for a protracted conflict.

The announcement came as Nato chief Jens Stoltenberg and the defence ministers of Britain and France visited Kyiv, where President Volodymyr Zelenskyy lobbied for more air defence systems.

"We need to get through this winter together, to protect our energy infrastructure and people's lives," Zelenskyy told Stoltenberg, warning of a fresh campaign of Russian strikes after last year's strikes left millions short of water and heating. Ukraine has invested \$2.3bn in the restoration and defence of its energy infrastructure ahead of winter which is due to start in the next month or so.

Defence spending in 2024 is also set to total around three times more than education, environmental protection and healthcare spending combined, according to AFP calculations.

"The focus of economic policy is shifting from an anti-crisis agenda to the promotion of national development goals," the Finance Ministry said in budget draft document.

While the military spending will bring a short-term boost to Russia's economy, analysts say the distortion in investment goals will lead to long-term stagnation. But Putin and other high officials have largely shrugged off the economic effects of the Ukraine offensive, arguing that Russia has weathered the storm of Western sanctions and will deal with the stagnation problems later.

Russia's Central Bank warned this month that economic growth was set to slow in the second half of 2023, while ordinary Russians feel the pinch from rising prices that will probably get worse in the coming years.

Deficit of 2% or less and no borrowing

The federal budget deficit in 2023 will not exceed 2% of GDP, which is in line with planned indicators and is a remarkable achievement if it comes to pass, Siluanov told reporters about this during the Moscow Financial Forum.

According to the Finance Ministry, the Russian federal budget deficit in 2024 will amount to RUB1.595 trillion (\$16.4bn), or 0.9% of GDP, which is notably down from the RUB2.9 trillion deficit pencilled in for this year.

In 2025 the deficit will fall further to RUB830bn (\$8.5bn), or 0.4% of GDP, in 2026 to RUB1.536 trillion (\$15.8bn), or 0.8% GDP. Prior to the war Russia has run a budget surplus every year for almost two decades.

In another surprise, Siluanov said the government would not need to borrow to fund the budget this year. MinFin has some RUB6.8 trillion available in the National Welfare Fund (NWF), the sovereign rainy day fund tasked with covering budget short falls – more than twice what is needed to cover this year's anticipated shortfall – but has been reluctant to tap the fund, prefer to cover at least part of the hole by tapping the some RUB17 billion of liquidity in the banking by selling Russian Finance Ministry's OFZ treasury bills to raise funds.

Siluanov says this year's target on oil and gas revenues will be surpassed, as oil prices rise towards \$100 a barrel and the oil sanctions are increasingly acknowledged to have failed. A recent report by Global Witness found at some 70% of Russia's traded oil is being sold at market prices outside of the sanctions regime – largely to buyers in Asia. That means budget expenditures can largely be funded without borrowings on the market, Siluanov told reporters at the Moscow Financial Forum. Siluanov's prediction that oil and gas revenues will recover in the second part of this year, appear to have come true.

"This year we expect solid oil and gas revenues, with the target on oil and gas revenues to be surpassed. In this respect I think it is absolutely economically

feasible that expenditures will be financed using oil and gas revenues, without using borrowings on the market," he said. "We have decided to limit borrowings this year, to cut the program by around RUB1 trillion," he said. Typically, MinFin borrows around RUB3.5 trillion from the market by selling OFZs.

Oil and gas revenues of the Russian federal budget may increase in 2024 by almost 30% compared to 2023 - from RUB8.86 trillion (\$91.6bn) to RUB11.5 trillion (\$118.9bn), according to the Main Directions of Budget, Tax, and Customs Tariff Policy for 2024 and the planning period of 2025 and 2026, Tass reported on September 29.

In 2025, the ministry expects a further increase in oil and gas revenues to RUB11.8 trillion (\$121.97bn), and in 2026 a decline to RUB11.4 trillion (\$117.8bn).

The document also stated that, taking into consideration exchange rate dynamics and tax legislation revisions, the percentage of oil and gas income in

apparent upward pressure on prices, she was also sticking to her long-standing inflation target of 4% she told the Moscow Financial Forum, despite calls to increase it.

Ironically, just before a mini-currency crisis in August where the ruble weakened to RUB100 to the dollar, Nabiullina announced that Russia's economy was back on a stable economic trajectory and the CBR had even floated the idea for the first time of reducing the CBR's inflation target to 3%. That talk was immediately abandoned after Nabiullina was forced to put through an emergency 350bp rate hike on August 15 to halt the ruble's collapse.

"I can't help but react to attempts to change the inflation target. The worst thing is to change the inflation target: then the benchmarks disappear altogether – neither the exchange rate nor inflation," she said.

The chairwoman also said that the ruble exchange rate would have been weaker now if the regulator had kept the key

"The focus of economic policy is shifting from an anti-crisis agenda to the promotion of national development goals"

2024 is estimated to be 6.4% of total GDP, up from 5.3% in 2023.

At the same time, the Ministry of Finance anticipates that by 2026, the share of oil and gas earnings in GDP will fall to 5.6% due to price stabilization and a rise in the share of oil output from preferential tax treatment fields.

Inflation target to remain 4%

With budget revenues and the deficit sorted, the main bugbear to the economy remains inflation, which will be hard to control and will cause pain as prices will inevitably rise.

But chairwoman of the Central Bank of Russia Elvira Nabiullina is as competent as Siluanov and equally adamant that she would hit her targets. Despite the already

rate at 7.5–8.5% instead of hiking it to its current 13%.

The ruble remains weak and there has been talk to the CBR returning some of the currency controls, but the ever super conservative Nabiullina is moving very cautiously. Russian authorities need to "act very carefully" in the currency regulation, "otherwise business will start circumventing restrictions," she said.

"We all talk about how well we did last year, but it was our business that did well, it adapted. And we should be very careful saying "the situation has changed, let's build barriers". what will happen to the business that built these chains? How will it handle this? It will start to circumvent the restrictions, we had it in the late 1990s - early 2000s," she said. ●



Krzysztof Bosak, one of the Konfederacja leaders, is one of the most articulate politicians in Poland, with a talent for fast comebacks in live debates. / bne IntelliNews

Polish far-right parties could dictate next government

Wojciech Kosciński in Warsaw

The Polish election on October 15 is not just about who crosses the finish line first or second. It is also about who comes in third.

And that may be the odd collection of far-right groups under the collective name of Konfederacja.

If that is the case, Konfederacja may end up being the party whose support for the winners or the runners-up – probably respectively the ruling Law and Justice (PiS) or the opposition's Civic Coalition (KO) – will determine who the next prime minister is going to be.

Konfederacja – whose full name translates as Confederation Freedom and Independence – is a fairly loose group of far-right nationalists who overcame differences between its respective leaderships to put together a concerted effort to win representation at the 2019 election.

The effort surprisingly worked out and the group scooped nearly 7% of the vote – 1.25mn individual votes – and 11 seats in the parliament.

Four years on, Konfederacja regularly tops 10% in the polls, giving it some 50 seats in the new parliament, give or take a few. That makes it a regular subject of speculation about its potential participation in the next government, speculation that the party fervently denies, nurturing its anti-establishment image.

Given its far-right stance, a coalition with PiS would appear to be the more obvious fit but party leaders say that Jarosław Kaczyński's radical rightwing party is an imposter.

"I hope that the Poles will finally open their eyes and see that PiS is no different from PO," Sławomir Mentzen, one of the Konfederacja leaders, told the tabloid

newspaper Super Express in June.

Pressed if there was a scenario in which his party would form a government with either of the big parties, Mentzen said: "If either of them agrees to implement our programme, everything's back on the table."

Just joking

Unusually for a far-right party, Konfederacja's programme is deregulation to the extreme, as well as the usual anti-EU stance and a drive to stop immigration.

Mentzen once said that if his party won power, it would liquidate personal and corporate taxation as well as ZUS, the state body managing Poles' pensions. Pressed on those plans, he said later he had intended them as "a joke of sorts".

Still, the party's platform for the October election is largely getting rid

of what Konfederacja considers are rules restraining people's personal and economic freedoms, such as taxes or other forms of pooling money for the benefit of the society, such as state-funded healthcare and education systems.

The party has also spoken against doling out money to people via welfare, which, it says, is what makes PiS "fake right-wing".

The "true" right-wing credits of Konfederacja do not end with the plans to transform Poland from its current socialism-infested politics – represented not just by PiS, according to the party, but also Donald Tusk's KO, the Left, and the agrarians from PSL, collectively nicknamed "the gang of four" by Konfederacja leaders – to a society of free capitalists.

Konfederacja also says that the EU has degenerated from guaranteeing "fair competition rules and opportunities to work and save, to absurd climate policy, destroying the competitiveness of industry, and explosive costs of construction," according to Krzysztof Bosak, one of the most articulate politicians in Poland, with a talent for fast comebacks in live debates.

Most of Konfederacja's other leaders are better known for their high school pranks – fittingly Mentzen has made a

name for himself in large part thanks to TikTok videos.

In one of his most recent real-life antics, he arrived at the gates of a well-known psychiatric hospital in Choroszcz, north-eastern Poland, on August 28.

"I have arrived here but not to be examined but to reserve beds for Kaczynski and Tusk ... who we are going to send here immediately after the election," Mentzen said.

An uproar followed about poking fun at psychiatric health in a country where patents continue to be stigmatised and where access to professional help is limited, especially for young people.

Rocking in the free world

Mentzen arrived at the hospital in Choroszcz right after the previous day's rally in nearby Białystok, where he and Bosak promoted Konfederacja to a crowd of mostly young voters.

"Our product is credibility, conviction, energy, and the willingness to blow the system up," Bosak said, the local edition of the newspaper *Gazeta Wyborcza* reported.

At the Białystok rally and others that have taken place so far, Bosak is the one doing serious talk about politics and the

"rising tide of societal mutiny", which, he says, the left calls a "wave of populism".

"Why don't we call it a wave of democracy," Bosak told the crowd in Białystok.

The rallies are staged so that after Bosak's hard talk, Mentzen takes over with the jokes and memes displayed on a screen behind his back.

The message from the rallies – they are advertised as "Bosak & Mentzen live" with posters made as if they promoted rock concerts – appears to have sunk in with a lot more people in 2023 than they did in 2019.

Konfederacja has averaged 10.2% in the last 30 days in the polls, according to poll-aggregating website *wybory.eu*. The support for the party ranged from just 6% to as many as 14.9% during that time.

The party's outlook on its post-election strategy may be unclear but Konfederacja leaders say they are in it for the long-run – which is until they can take over power.

In a rare quote giving credit to Kaczynski and Tusk, Mentzen told the Białystok rally: "If someone says we are never going to win power, I reply: who prophesied in 2001 that Kaczynski or Tusk would rule Poland one day?" ●

Czech companies urge PM to ensure equal rights to LGBT+ people

Albin Sybera

In a rare move, Czech companies have addressed an open letter to Czech Prime Minister Petr Fiala to back marriage-for-all legislation. Companies argue they are losing talent as a result of unequal rights for sexual minorities in the country.

"The letter was signed by 66 smaller and bigger companies employing tens of thousands of people in the Czech Republic," Richard Stonavsky, vice

president of Vodafone, one of the letters' signatories, was quoted as saying by Czech Television (CT).

The letter states that discrimination against LGBT+ people costs the Czech economy 0.1-0.7% of GDP annually.

Fiala leads a centre-right coalition of five parties, which has a comfortable majority of 108 legislators in the Chamber of Deputies (parliament) of 200. However,

the coalition's conservative legislators from the neoliberal ODS and the strongly Catholic Christian Democrats oppose the marriage for all legislation, which made it to the second reading in the parliament in June for the first time in Czechia's history.

The second reading of the legislation is expected in November.

Fiala thanked the companies for the



After nearly two decades of governments with a large presence of populist and conservative-leaning parties, further legislative development guaranteeing equal rights to LGBT+ Czechs has all but stalled.

letter, stating, “I have never shied away from debate on how to improve the lives of those living in same-sex partnership – moving the legislation so they have more rights.”

He added that he very much wants “parliamentarians to vote freely based

on their own convictions about morally-ethical affairs.”

Czechia was once viewed as a champion of human rights in the region following the fall of communist rule in 1989.

It was fairly quick to adopt legislation

guaranteeing civil partnership to same-sex couples, and opinion polls show that Czechs are among the most liberal on sexual issues among the former Communist states of Central and Eastern Europe.

However, after nearly two decades of governments with a large presence of populist and conservative-leaning parties, further legislative development guaranteeing equal rights to LGBT+ people has all but stalled.

The government has only recently decided to begin the ratification process of the Istanbul Convention against violence to women, even though Czechia signed up to it in 2016. It is unclear whether the parliament can complete the ratification, with many conservative, populist and far-right legislators opposing it.

Rightwing parties across Europe have used the convention to try to start culture wars against liberal and leftwing opponents. ●

VISEGRAD BLOG:

Orban should hold the champagne just yet

Robert Anderson in Prague

Hungarian strongman Viktor Orban has looked a forlorn figure since his triumphant re-election in April last year for a fourth consecutive term. Russia's invasion of Ukraine has left him isolated as President Vladimir Putin's only remaining supporter in the European Union, and divided him even from his ally Jaroslaw Kaczynski's Poland. The Visegrad Group (V4) of Central European countries, which he often used as his megaphone in Europe, was silenced.

Yet the likely re-election of leftwing populist Robert Fico as Slovakia's new prime minister on Saturday offers a ray of hope for the Hungarian radical rightwing strongman.

“Guess who's back!” Orban said on the social media X on Sunday.

“Congratulations to Robert Fico on his undisputable victory at the Slovak parliamentary elections. Always good to work together with a patriot. Looking forward to it!”

Orban could even receive more good news if Kaczynski's Law and Justice is re-elected for an unprecedented third consecutive term.

“This dark alliance of Fico, Kaczynski and Orban is something that Brussels should be afraid of,” Michal Vasecka, head of the Bratislava Policy Institute think-tank, told a recent VOICEE webcast.

Despite their ostensible ideological differences and Slovakia's sometimes tense relations with Hungary, Fico admires Orban and has copied parts of his playbook.

Like Orban, Fico has made the “illegal migration” scare a key part of his rhetoric. In his first press conference after the election on Sunday, the Smer leader said it would be necessary to use force to suppress “illegal” migration, which has been on the rise in recent weeks. “They won't be pretty pictures,” he warned. Under Fico, Slovakia would be likely to refuse to accept refugees reallocated from Mediterranean countries.

He has also tried to stoke culture war, accusing Progressive Slovakia, which came second at the election, with backing Western European gender politics that are alien to Slovakia's Catholic traditions. He has said of his own party, “Smer is a left-wing, social-democratic party, we use the expression that we are of the rustic type, more

down-to-earth, we are not Brussels homosexuals".

On Russia, Fico has also often criticised sanctions on Moscow and called for "peace now", even though that is likely to reward Putin's aggression. He could join with Orban to oppose further punitive measures against Moscow.

Fico has also been a critic of Ukraine, expressed scepticism of its Nato ambitions, and he has threatened to cut off military aid to Kyiv – though this is largely empty rhetoric as Bratislava has already emptied its military depots of old Soviet materiel. He said, "People in Slovakia have bigger problems than Ukraine."

If he becomes premier he is, however, unlikely to stop Slovak arms companies from making a good business selling arms that end up in the hands of Ukraine's troops. "He will not stop his business backers from making money by supplying Ukraine," says Milan Nic, senior fellow at the German Council of Foreign Relations (DGAP).

In Brussels, Fico could also be an ally in the war Orban and Kaczynski are fighting against the European Commission. This could make it much

more much difficult for the European Union to move towards majority voting and to reach deals by the end of the year on an increase to the bloc's budget, a new agreement on rules governing

"Fico also has good reasons not to pick a fight with Brussels, which may restrain any "Orbanisation" of Slovakia"

member-state budgets, a decision on beginning accession negotiations with Ukraine and Moldova and the formal implementation of a new system for handling asylum seekers and migrants.

Nevertheless, analysts *bne IntelliNews* talked to in Bratislava last month suggested that Orban should hold the champagne for now. To achieve a majority, Fico will have to form a coalition with the more moderate centre-left Hlas party of his former colleague Robert Pellegrini, who will want to restrain any radical shift in Slovakia's foreign policy.

Moreover, Fico has little interest in foreign policy and is unlikely to deliberately choose to antagonise the Commission, as Orban often appears to. In his three

previous governments Fico has appointed diplomats as his foreign minister and left most of his inflammatory comments for domestic audiences. It is even possible that Smer would give Hlas the foreign

ministry, with former diplomat and Hlas MP Peter Kmec seen as a strong potential candidate.

Fico also has good reasons not to pick a fight with Brussels, which may restrain any "Orbanisation" of Slovakia through interference in the country's police, prosecution service and judiciary or attacks on independent media and NGOs.

Slovakia's economy is forecast to grow just 1% this year by the EBRD and the current technocrat government predicts a budget deficit of close to 7% of GDP, which would be the largest in the EU. If Slovakia were to have EU funds suspended like Hungary or Poland, this would not just hurt economic sentiment but it could also create a big hole in the government's budget. ●



Viktor Orban (left) congratulated Robert Fico (right) for his bigger than expected election victory on September 30. / Viktor Orban / X

Hungarian finance minister suggests raising bank levy to cover rising budget deficit

Tamas Csonka in Budapest

Hungarian Finance Minister Mihaly Varga said the government could increase tax levies on banks, curb interest on subsidised loans, and put defence investments on ice to curb the country's soaring budget deficit.

Analysts agree that meeting the deficit target without austerity measures seems mission impossible for Viktor Orban's government, facing its biggest crisis since taking power in 2010.

Shares of OTP, Hungary's largest lender, plunged 6% on the news on the bank levy, and the forint edged 1% lower against the euro.

At a conference, central bank Governor Gyorgy Matolcsy clashed with Varga over who bears responsibility for the EU's highest inflation, saying that the government's botched economic policies, including price caps, lifted headline inflation by 3-4pp, and that has dampened economic growth.

Varga, in a keynote speech at the traditional two-day autumn conference of economists, had said the rise in energy prices, the drought and loose fiscal and monetary policies contributed to the EU's highest inflation in Hungary over the course of the last 12 months.

Whilst he acknowledged that inflation was partially fuelled by pre-election spending, a rare example of self-reflection by a Fidesz official, he said the primary responsibility lies with the MNB. The central bank carried on with the purchase of government and corporate bonds simultaneously to tightening lending conditions, sending mixed signals to the market, he said

He also blamed the MNB for prematurely ending its interest rate hike cycle at 13% in September 2022.

A month later the central bank was forced to increase rates by a record 5pp to 18%, introducing a new monetary instrument to curb the sell-off of the forint which hit record lows.

Matolcsy, speaking after Varga, defended the central bank's decision and said that Hungary was on the brink of a currency crisis in October. He compared the last few years of the government's measures to tackle inflation to a "mass disaster". While the MNB stepped on the brakes, the government's procyclical policy worked against monetary tightening, leading to overspending and higher inflation. Hungary's annual inflation peaked 10pp above its regional peers, close to 26% in early 2023, according to Matolcsy. The economy would have avoided a recession if inflation aligned with its regional peers.

In his speech, Varga flagged possible fiscal measures when the government reviews the budget, currently under way. According to the financial website Portfolio.hu the planned tax changes will be presented next month, October, including details of the global minimum tax.

Varga pledged that the budget deficit will not exceed last year's 6.1% level, which analysts have interpreted as a sign that the government will abandon its deficit target.

Analysts unanimously agree that without fiscal correction, the budget deficit will overshoot the 3.9% target by at least 2pp. The budget gap in the first eight months widened to 97% of the full-year target.

Varga hinted at the possibility of revising or cutting interest on new subsidised loans, putting defence spending on hold and more importantly he flagged increasing financial burdens on banks if the sector's profit exceeds the record HUF1 trillion projected in 2023.

This has come a few months after the government vowed to halve the windfall tax for banks in 2024, contingent upon banks increasing their holding in government bonds.

The banking sector looks an obvious target, when it comes to finding additional revenue sources for the government, Portfolio.hu commented. In the first half, Hungarian banks, excluding foreign



Hungarian Finance Minister Mihaly Varga (left) and central bank Governor Gyorgy Matolcsy (right).

subsidiaries, booked an impressive HUF676bn in net earnings, due to the release of provisions and money parked at the MNB for high rates. But industry players claim that the favourable environment will be temporary, as the MNB is set to continue rates as disinflation gathers pace and the economy is facing the longest recession since 1995.

Hungarian banks are already sharing the financial burden with extra levies announced in 2022. So far this year, lenders have paid HUF77bn in bank tax, HUF226bn in windfall tax, and the interest rate caps on corporate and retail loans set them back HUF56.1bn.

Any increase in taxes would unquestionably hinder the expansion of credit supply by banks, precisely at a time when economic policy is eager to witness

a swift resurgence in the credit market.

Shortly after Varga's speech, the Fidesz faction issued a statement saying the government would not change interest-subsidised loans and would not raise bank taxes either. Faction leader Mate Kocsis, speaking at the break of a caucus meeting of the party said the comments reflect the private opinion of the finance minister. The rare rebuttal clearly marks a rift inside the ruling party on how to communicate impending and painful austerity measures, which look inevitable.

Financial analyst and prominent asset fund manager Viktor Zsidai said it is not a surprise that the government is targeting banks, reaping the benefit of high interest rates. In retrospect, it was naïve to believe that bank levies could be reduced, he added.

The Hungarian economy is facing the classic trap of countries pursuing procyclical fiscal policy, which is stimulating their economies in good times but lacking resources when a recession hits. This is compounded by high inflation, which is also hurting the country's recovery.

Hungary's OTP plunged 7% during the day to below HUF13,000 after Varga's comments. It erased some of its losses in the afternoon when Kocsis refuted the news that the bank levy would be upped. OTP shares plummeted 6.3% to HUF13,135 at the end of trading on the Budapest bourse.

The forint traded at 387.75 to the euro in the evening hours, weakening 1% on the day. ●

Poland's first nuclear power plant clears key hurdle in ambitiously timed plan

Wojciech Kosciuszko in Warsaw

The first-ever Polish nuclear power plant project has cleared a crucial hurdle on the path to completion by securing the all-important environmental decision on September 22.

The decision sets rules that the project must keep in order to limit its impact on the environment and is a must before the next major step, which is getting a go-ahead for the actual construction.

"This is a milestone in the implementation of an investment that is crucial from the point of view of [Poland's] energy security," Climate And Environment Minister Anna Moskwa said on X (formerly Twitter).

The plant will be located in the seaside municipality of Choczewo, some 80 kilometres west of Gdansk. According to the Polish government's ambitious plan for the project, construction is set to begin in 2026, with the first of three

units of the plant going on-grid just seven years later in 2033.

Poland will thus join most other CEE states as a producer of electricity from nuclear fission.

Nuclear power is the cornerstone of Poland's plan to reduce the currently dominant share of coal and lignite in electricity generation. Due to its reliance on dirty fossil fuels, the Polish electricity grid is one of the most carbon-intensive in Europe.

The country's energy transformation strategy assumes that coal's share in the energy mix will drop from roughly 70% today to no more than 28% in 2040.

Wind power – both on land and offshore – and solar energy are expected to drive Poland's decarbonisation effort before nuclear power complements the overhauled energy mix, which was

virtually 100% coal only 20 years ago.

The plant in Choczewo will use the US company's Westinghouse AP1000 technology and consist of three units. Poland's state-owned company PEJ is in overall charge of the project.

Critics have long questioned the ambitious schedule, pointing to the heavily delayed nuclear power projects elsewhere in the EU. There also is a local opposition to the project, claiming that the large plant will ruin local tourism potential.

The project has broad political support, however. Key opposition parties, the centrist Civic Coalition and the Left, both pledge to go on with further permitting and eventual construction of the plan should they replace the ruling Law and Justice (PiS) after the election on October 15. ●



Erdogan and his foreign minister, Hakan Fidan, are intent on persuading Western capitals that Turkey should be included in the newly announced India-Middle East-Europe trade corridor. / bne IntelliNews

Erdogan says Ankara could part ways with EU

bne IntelliNews

Turkish President Recep Tayyip Erdogan on September 16 said that Ankara could "part ways" with the European Union if required. His remark was made as his foreign minister fought to derail an India-Middle East-Europe trade corridor plan that, to Erdogan's annoyance, entirely excludes Turkey.

Erdogan's comment on the future of Turkish and EU relations was in fact made in response to questions on a newly released European Parliament report on Turkey that says the country's frozen EU accession process cannot resume under present circumstances and calls for the bloc to explore "a parallel and realistic framework" for its ties with Ankara. However, the

discontent over the trade corridor is rumbling in the background.

Turkey's application to join the EU, lodged 24 years ago, has gone nowhere in recent years given European concerns over matters including human rights violations by Ankara and the Erdogan administration's lack of respect for the rule of law.

"The EU is trying to break away from Turkey," Erdogan told reporters ahead of a trip to New York for the UN General Assembly. "We will make our evaluations against these developments and, if necessary, we can part ways with the EU."

Turkey's foreign ministry said ahead of

Erdogan's comments that the European Parliament report contained unfounded allegations and prejudices. The report, it added, took "a shallow and non-visionary" approach to the country's ties with the EU.

However, while the report may have provoked some real displeasure in Ankara, it is the trade corridor, announced at the G20 summit in New Delhi on September 8, that appears to have stirred far more concern and anger among Erdogan and his top officials.

"There is no corridor without Turkey," Erdogan fumed to journalists during his return from the G20 get-together: "The most convenient line for traffic from east

to west has to pass through Turkey.”

On September 17, Turkish Foreign Minister Hakan Fidan, in pointed remarks made to the Financial Times, said that “experts had doubts that the primary goal [of the India-Middle East corridor] was rationality and

India-Middle East-Europe trade corridor plan agreed at the G20 summit. The trade route as outlined so far would transport goods from the subcontinent through the United Arab Emirates, Saudi Arabia, Jordan and Israel to European markets. It is backed by both the US and EU.

The Iraq Development Road plan would rely on 1,200 km (746 miles) of high-speed rail and a parallel road network.

Analysts, however, are doubtful over the plan’s feasibility, pointing to challenging financial and security issues.

“Turkey lacks the financing to realise the full scope of the project, and seems to be counting on UAE and Qatari support to build the proposed infrastructure,” Emre Peker, Europe director at the Eurasia Group think tank, told the FT. “For that to happen, the Gulf states would need to be convinced of good returns on investment – something that is not imminently evident with the [Development Road] project.”

Peker was further reported as saying that there were also “issues around security and stability [in Iraq] that threaten both construction and the long-term feasibility of the project”. ●

“There is no corridor without Turkey. The most convenient line for traffic from east to west has to pass through Turkey”

efficiency” and suggested that “more geostrategic concerns” were at play. “A trade route does not only mean meeting trade alone. It’s also a reflection of geostrategic competition,” Fidan was quoted as saying.

The FT reported that Turkey was now in “intensive negotiations” with regional partners over an alternative to the

The alternative touted by Turkey is referred to as the “Iraq Development Road initiative”. It would see goods transited from the Iraqi Gulf port of Grand Faw to Turkey and onwards to Europe. Fidan insisted to the UK daily that “intensive negotiations” were under way with Iraq, Qatar and the UAE on this project, which would be forged “within the next few months”.

European Council president says Western Balkans and EU should prepare for enlargement by 2030

Valentina Dimitirevska in Skopje

European Council President Charles Michel said at the opening of Bled forum in Slovenia on August 28 that both the EU and the Western Balkans should be fully prepared for EU enlargement by 2030.

Michel said that in 2003, the Thessaloniki Summit solidified the European perspective for the Western Balkans, but the gradual pace of the EU integration process has left many dissatisfied, both within the region and the EU itself.

“To be credible, I believe we must talk about timing and homework. And I have

a proposal. As we prepare the EU’s next strategic agenda, we must set ourselves a clear goal. I believe we must be ready – on both sides – to enlarge by 2030,” Michel said at the forum titled Solidarity for Global Security.

Michel said he would advocate for the start of negotiations with Ukraine and Moldova. Moreover, he anticipates a reevaluation of Bosnia & Herzegovina and Georgia’s positions.

“There is still a lot of work to do. It will be difficult and sometimes painful. For the future member states and for the EU,” Michel warned.

While acknowledging that addressing historical conflicts might prove more arduous than implementing reforms, Michel underscored their inevitability.

Drawing parallels with the EU’s founding members, he emphasised that reconciliation is an integral aspect of successful cooperation. He said that past conflicts have no place within the EU.

He further stated that expansion continues to be a process determined by a state’s merits and that joining the EU entails assuming obligations alongside advantages. To effectively undertake these commitments and enjoy the

rewards, preparedness is essential, Michel said.

This preparation entails ensuring the judiciary functions autonomously, combating corruption and organised crime. It also involves economic readiness, particularly through the adoption of the EU acquis. Equally important is alignment in foreign policy, a facet more critical in today's context than ever before, he stated.

Michel also emphasised the need for the EU to ready itself for enlargement.

"I fully agree with [French] President [Emmanuel] Macron: not reforming on

our side before the next enlargement would be a fundamental mistake. Let's be honest – we have sometimes used the lack of progress of future member states to avoid facing our own preparedness. We must now take a serious look at the EU's capacity to absorb new members," he said.

Regarding tensions in Serbia and Kosovo, Macron said at the Bled forum that Belgrade and Pristina are expected to actively implement the Franco-German proposal. He cautioned that failing to do so might lead to a reconsideration of the EU's visa policy.

He further emphasised the need for a distinct and resolute commitment

to maintaining peace in the region, particularly concerning the forthcoming municipal elections in the northern part of Kosovo and the renewed involvement of Serbs in local institutions.

In a gesture of solidarity, Michel also assured Slovenia of the EU's unwavering support in its endeavours to reconstruct the nation following the devastating floods in early August.

As he toured the affected areas in the Kamnik municipality north of Ljubljana alongside Slovenian Prime Minister Robert Golob, he reinforced the EU's dedication to standing by its member states in times of crisis. ●

Is this man the successor to Erdogan?

bne IntelliNews

Fuelling speculation that he is being lined up to succeed Turkish leader of two decades Recep Tayyip Erdogan, Selcuk Bayraktar, chairman of Turkish combat drone maker Baykar and a son-in-law of Erdogan, has said he may enter politics if circumstances dictate, according to the Patronlar Dunyasi business news website.

Bayraktar was reported as saying that he has never dreamt of being in politics or becoming president, but was not totally against the idea.

The 43-year-old – increasingly in the spotlight in recent years, partly thanks to the success of Baykar's Bayraktar TB2 military drones in various conflicts – also reportedly stated that he was determined to develop Turkey's national technology and was prepared to do whatever is necessary to achieve that goal.

"If this goal requires me to enter politics, I won't hesitate," said Bayraktar, also chief technology officer at Baykar, when asked if he has any plans to enter politics in the future.

Bayraktar along with Turkish naval

commanders were in August invited aboard the visiting USS Gerald R. Ford, the US Navy's largest aircraft carrier, at the invitation of US Ambassador to Ankara Jeff Flake, while Flake visited the Teknofest Aerospace and Technology Festival in Ankara last week where he met with Selcuk Bayraktar and his brother Haluk, Baykar's CEO.

Erdogan, 69, was re-elected president at the end of May for a term of office that he has said will be his last. That tenure will conclude in 2028.

Economist Timothy Ash of BlueBay Asset

Management wrote on social media platform X that a photo posted by the US ambassador of himself with Selcuk Bayraktar showed that the president's son-in-law is seen as the future in many ways.

"I think there has been a changing of respective powers of advisers around Erdogan," Ash previously wrote in a note to investors in mid-August. "The rational/technocratic Bayraktars [...] are increasingly taking a bigger role, more trusted by Erdogan and he is listening. I think they are telling truth to power... and that's behind the policy 180 [on the economy] and key appointments." ●



Selcuk Bayraktar: Didn't say no. / President.az, cc-by-sa 4.0

Serbia's treatment of anti-war Russians is sabotaging its investment reputation

Ann Smith in New York

Anti-war campaigners are among the hundreds of thousands of Russians who moved to Serbia since President Vladimir Putin invaded Ukraine in February 2022. Months after they found a temporary home in Serbia and a safe place to continue their activism, Belgrade started challenging their residencies either without explanation or by labelling them as 'security risks'. These actions negatively affect Serbia's reputation as a desirable investment destination, and raise questions about who is behind such decisions since the only danger those individuals represent is to Russian President Vladimir Putin's propaganda.

The first anti-war Russians to be targeted were the founders of Belgrade-based civil association Russian Democratic Society (RDS), Peter Nikitin and Vladimir

Serbia within seven days and not come back for a year. Irzhanski is a music events organiser and he brings anti-war musicians, currently residing outside of Russia, to perform in Belgrade. The couple was declared a 'security risk'. Irzhanski engaged a lawyer, and appealed to the media and public to protest the decision so that he could stay in Serbia.

RDS asked the government to provide a better explanation of these decisions but received the sterile answer: "A body in charge of protection of security of the Republic of Serbia declared that there are security interferences", shows the correspondence published on the Facebook page of RDS. The answer doesn't provide information on who made the decisions – the Ministry of Interior's departments for border

Among them, according to research conducted by Radio Free Europe's Serbian service, are the Serbian-Russian Eagles, based in St. Petersburg and with ties to Serbian right-wingers.

The new trend of kicking out anti-war Russians raises the question of who is giving these orders – local police and intelligence services or some foreign factor. The way these actions are conducted indicates an intention to hide the ultimate decision-maker. If Moscow wants those people, it can use official channels to have them delivered. But, if Belgrade delivers them on Moscow's demand, that would be a horrible stain on its international reputation. On the other hand, if Serbia says it is acting in its own security interests when telling them to leave its territory, it is a milder step – but still a bad message to foreign investors.

"Anti-war Russians are not a threat to Serbia"

Volokhonsky. On July 13, Nikitin was banned from entering Serbia after he had been legally living there for more than seven years, with the explanation that the decision was based on "protective measure of removal, security measure of expulsion of parties, i.e. ban on entry". After spending two days at the airport, he was allowed in following local and international pressure, this time without any explanation. Ten days later Volokhonsky, his partner in the NGO and an anti-regime activist in Russia even prior to the invasion of Ukraine, was denied an extension of his temporary residence permit for employment based on an allegation that his stay threatened national security. He filed an appeal and his future residence is still uncertain.

In late August, Yevgeniy Irzhanski and his wife Elizabet were ordered to leave

control or foreigners, or the Security Intelligence Agency (BIA), or based on which legislation the decisions were made.

Stop the persecution

Since July, RDS has been calling on the Serbian government to stop the "persecution of Russian anti-war activists", filing a petition and organising gatherings in Belgrade. Their main motto is: "Anti-war Russians are not a threat to Serbia".

This NGO as well as other informal groups of Russian, Ukrainian and Belarusian expats in Belgrade have existed in Serbia almost since the invasion on Ukraine started and, until this summer, they only faced threats from Russian-Serbian right-wing groups and pro-Russian Serbian movements.

'Little Switzerland'

This is a problem for the Serbian government, whose ambition is to make the country a major investment destination in the region as well as the economic hub for Southeast Europe and a link between the capital coming from the East (UAE, China, etc) and the West (EU, UK, US). When admiring the economic development of the last ten years, President Aleksandar Vucic likes to compare Serbia with Switzerland. Since this is only his dream, people in Serbia reply to his comment saying: "Serbia is a little Switzerland".

This sentence became very popular when the government decided not to impose sanctions against Russia but at the same time to firmly support Ukrainian territorial integrity within United Nations and other international platforms. For many locals, this means that Serbia is staying neutral almost like Switzerland was in WWII. This reminds Serbians of the days of Yugoslavia when



Belgrade started challenging the residencies of anti-war Russians who moved to Serbia after the invasion of Ukraine. / bne IntelliNews

Josip Broz Tito managed to remain neutral in the Cold War and formed the Non-Aligned Movement.

However, many do not understand that, unlike in the socialist era, jobs in countries like Serbia today depend on foreign investments. Nor do they understand that close ties with the Russian government are not good in the eyes of potential investors and employers.

The brightest side of the decision to try and be 'neutral like Switzerland' was giving a chance to anti-regime and anti-invasion individuals to leave Russia and avoid the most certain retaliation. Now this is being undermined.

Still welcome?

In a similar theme, Serbia is also keen to attract foreign workers after a significant part of Serbia's own qualified workforce has left the country to work in Western countries. That left Serbia in need of bus drivers, tradesmen, nurses and other workers, and in turn, it imports them from other countries. Serbia has

a growing foreign workforce, attracted by the quality of life, friendly climate (both social and natural), guaranteed health insurance, good education and geographical position.

Among these immigrants, since the invasion of Ukraine, are many Russians. The possibility to fly directly from Moscow to Belgrade without a visa helped many Russians to avoid conscription. Others left to keep their jobs when the companies they worked for had to leave the Russian market because of the sanctions; many Russian companies relocated to Serbia. Yet others left in order to continue their own business with Western companies and opened their own enterprises in Serbia.

The Serbian Ministry of Interior told the BBC's Serbian service in August that 370,000 Russians entered Serbia since the invasion of Ukraine. Almost 30,000 received permanent residency. The total number of expats in Serbia is not known but just one Facebook group of foreigners residing in Belgrade has over 10,000 members.

Again, the recent targeting of anti-war Russians conflicts with the efforts to attract workers from abroad. According to Nikittin, legal protection is crucial for all expats.

Volokhonsky's situation, meanwhile, is attracting a lot of media attention that does not send out a good signal to people that plan to move their businesses to Serbia.

"The Serbian government makes a lot of effort to attract people to come to Serbia and invest here but their effort is destroyed by some bureaucrat who is not happy because I openly condemn Putin and his war," Volokhonsky said in an interview with daily Danas in late July.

Malign influence

Anti-war Russians faced issues with Serbian authorities just a few days after the director of the BIA, Aleksandar Vulin, was put on US list of sanctioned individuals, accused of spreading malign Russian influence. Vulin has never hidden his admiration for Russia and its president. He even occasionally meets

Nikolai Patrushev, secretary of the Security Council, the second most powerful person and institution in Russia (after Putin and the presidency), and allegedly the only one who can influence Putin.

Indeed the targeting of Russians opposed to Putin's regime started well before the invasion of Ukraine.

Back in May 2021, Vulin, then Serbia's interior minister, handed Patrushev transcripts from meetings that members of the opposition Russian organisation Open Russia held in Belgrade. In December that year, Vulin and Patrushev formed a joint working group to fight 'colourful revolutions', daily Danas reported at the time.

Previously, Open Russia's members had met in Belgrade believing that they were safe from their intelligence services and because they could go there without applying for a visa and triggering attention. However, the leader of the group, Andrei Pivovarov, was sentenced to four years in prison in February 2022. Another Russian opposition politician Vladimir Kara-Murza, who is also in prison now, told Serbian media back then that Pivovarov's arrest was a result of Vulin's actions.

When talking about the current situation, Volokhonsky said he believes that either Vulin personally or someone from his circle was behind the problems

he has faced extending his temporary residence permit.

"Vulin doesn't hide that he is a politician who supports Russia. For him, Russia is a backbone and without it, Serbia cannot survive," he told Danas.

Break from the past?

The BIA that Vulin heads is supposed to be independent of the Ministry of Interior Affairs, unlike the old Sector of State Security (DB) that it replaced. This transformation was supposed to signify a radical break from the past, after the DB conducted horrible crimes serving governments led by dictator and convicted war criminal Slobodan Milosevic.

Even after the reforms, however, Serbian citizens and the media haven't forgotten the past and try to keep an eye on the agency.

The situation with anti-war Russians was a perfect chance for Serbia to show that its intelligence is independent, and works based on the law and in service to the people of the country.

If decisions to expel anti-war Russians can be traced back to the BIA, that sets a dangerous precedent for Serbia, and also threatens the economy as foreign corporate giants look for an investment climate where rule of law is not just a phrase but reality.

Unfortunately, the way Serbian intelligence is structured is similar to the Russian system, a direct consequence of Moscow's influence for decades, even centuries. It is not a secret that the Kremlin tries to recruit people that are part of the local system. Even today, Serbian and other regional intelligence agencies still have old fashioned methodology, and the old fashioned suspicion of foreigners persists. Old fashioned agents among intelligence service employees create networks by employing people that are going to be loyal to them and their doctrine, thus perpetuating the problem.

This becomes part of a broader culture within the country as well. Overall, if exposure to Putin's influence grows, nepotism and corruption grow. This usually means a downward trend for foreign capital inflows or at least a deterioration in the quality of investment. Consequently, when Serbia does attract FDI, it risks ending up with problematic investors that do not obey its legislation, do not respect human and labour rights and do not protect the environment.

Who is behind the targeting of Russian anti-war activists is still unclear, and there hasn't been any official response from the government. If the public put enough pressure on government, it may cancel those decisions. Going back to the WW2 analogy, if Serbia fails to do this, instead of being "Little Switzerland", it risks becoming a "Little Argentina", that rather than providing a safe haven for Russians opposed to the war, may in future harbour current Russian leaders escaping retribution for their crimes. ●

Ann Smith has been following and writing about transitional justice, war crimes, human rights, security (defence and terrorism), European and Euro-Atlantic aspirations and international relations in the Balkans since 2000. She holds a masters degree in humanitarian international law as well as in journalism/political sciences.



Vladimir Volokhonsky. Photo: Personal archive



Russian President Vladimir Putin and Iran's supreme leader, Ali Khamenei, have for some time been drawn together by a shared vision for a multipolar world order that diffuses power away from the West. / bne IntelliNews

Russia and Iran: the Pariah Club

Ben Aris in Berlin

The war in Ukraine has led to unprecedented levels of Russian-Iranian co-operation in the military, economic and political spheres. The rise of anti-Western hardliners in both Moscow and Tehran means that this co-operation is likely to continue and intensify, despite the differences between them. Their relations are not so much a marriage of convenience, as a “club of pariahs.”

“The new relationship between Russia and Iran is a direct threat to the EU and European countries. Russian-Iranian co-operation could prolong the war in Ukraine, increase Iranian capacity to advance its nuclear programme, destabilise the Middle East and undermine Western influence in institutions of global governance,” wrote Ellie Geranmayeh, the Deputy Director for the Middle East and North Africa programme at the European Council on Foreign Relations (ECFR)

with Nicole Grajewski, a visiting fellow, in a recent paper that studied how the war in Ukraine is shaping Russo-Iranian relations.

“European governments should seek to mitigate this damage through calibrated pressure and diplomacy. An important opening has now emerged for the West to de-escalate tensions with Iran and use its economic leverage to halt the advance of Russian-Iranian co-operation and isolate Russia,” the authors went on.

The Ukraine war and Russia's pariah status has fundamentally changed much of the geopolitics in the emerging world. Under sanctions for decades, Iran has suddenly become a natural partner for Russia. This alliance has only been bolstered by the emergence of a BRICS bloc that the East-West clash has catalysed, and indeed Iran was added to the BRICS+ at the summit in August.

Tehran has welcomed the allies and the additional clout that comes with joining a club that includes several of the biggest and most powerful emerging markets in the world, led by China.

Where the West had hoped to cut Russia out from the herd and weaken its economy by imposing crushing sanctions, neither of those goals have been achieved. Potentially a united BRICS bloc could challenge the Western hegemony, which Beijing would like to see, but even a loose confederation more focused on trade has improved the position of both Iran and Russia, providing them with ready-made allies. They are pariahs no more, as countries are forced to choose sides in the showdown.

“These realities present new, direct security threats to European governments. First, the strengthened partnership may enable Russia to prolong the war and increase the

destruction in Ukraine. Secondly, together they can alter the balance of power in the Middle East through Russian support of Iran's nuclear ambitions, arms transfers to Iran, and threats of military escalation in Syria. Thirdly, they might undermine Western influence in institutions of global governance," the ECFR authors said.

The Ukraine conflict only accelerated what were already steadily deepening ties between Iran and Russia, but Moscow restrained itself in order to avoid antagonising the West and Israel by getting too close to Tehran. Now Moscow is in open conflict with the West. Those restraints have fallen away, and indeed, the motivation is now to deepen their mutual relations as fast as possible. Iran has emerged as one of Moscow's most steadfast allies.

Russia now finds itself reliant on Iran in ways that were unimaginable prior to February 2022, says ECFR. Tehran's provision of drones and rockets have greatly increased the Russian army's destructive capabilities, making Iran Russia's most significant military collaborator in the war.

The rupturing of normal cautious diplomacy that has been exaggerated by the war, but was already present in the trade wars begun by former US President Donald Trump and China, is also manifest in Iran. After Trump reimposed sanctions on Iran in 2018 and the collapse of the Joint Comprehensive Plan of Action (JCPOA) talks, President Ebrahim Raisi abandoned efforts at normalising relations with the West and, like China and Russia, started to prepare itself with open conflict instead.

The increasingly hostile nature of the US towards Iran has created fertile ground for the rise of harder line fractions amongst the Iranian elite.

"A significant factor pushing Iran to support Russia's war in Ukraine is the rise of hardliners and the deep state in monopolising decision-making. This power balance dynamic directly influenced Iran's decision to support Russia in the conflict," the ECFR authors say.

The authors quote an Iranian expert who described the relations in a secret briefing in Brussels as: "the West repeatedly disappointed [the more moderate] faction by betraying their deals and giving them nothing. Meanwhile, Russia has nurtured and strengthened the hand of the hardliners now in power. It has offered and delivered economic gains, military upgrades, and security assistance to maintain their position."

New relations

The new close relations between Russia and Iran are not based on shared goals and ideology. Indeed, ideologically Iran and Russia are poles apart. One is a Middle Eastern Islamic theocracy while the other is a European autocracy based on Orthodox Christian conservative values.

It is also said that the lack of common ground will also stymie the development of the BRICS bloc, as the members have little in common. However, the glue that is holding the BRICS together in general, and Russia and Iran together in particular, is a shared fear and resentment of the G7+ control of the international geopolitical stage and the implicit threat that the sanctions tools that have been used on Russia and Iran can be used on any member of the emerging markets, should they cross the West. Russian President Vladimir

co-operation to facilitate each country's national interest goals.

Security co-operation: Prior to Russia's invasion of Ukraine, Moscow and Tehran had a patron-client military relationship, with Russia supplying Iran with military equipment. However, Iran's contribution of drone technology to Russia, notably used in Ukraine, has transformed this dynamic. US officials are now concerned that Moscow and Tehran are evolving into a "full-fledged defence partnership." This co-operation includes the potential transfer of Russian Sukhoi Su-35 fighter jets that could significantly advance the performance of Iran's military arsenal. Another area closely watched in Western and Middle Eastern capitals is whether Russia provides Iran with its S-400 air defence system and supports Iran's missile production. Russian cyber technology is also a capacity that Iran wants to acquire.

"These developments are not only advancing Russia's capabilities in Ukraine, but they also have the potential to provide Iran with a stronger military hand in the Middle East," ECFR said.

Economic co-operation: Russia is now virtually on a par with Iran as one of the most heavily sanctioned countries in the world and the bulk of their relations going forward will be built on economic tie-ups. Iran has navigated sanctions for over four decades and has developed

"The Ukraine conflict only accelerated what were already steadily deepening ties between Iran and Russia"

Putin and Iran's supreme leader, Ali Khamenei, have for some time been drawn together by a shared vision for a multipolar world order that diffuses power away from the West, but that is the extent of the overlap in their common worldviews.

As a result, the relationship between Russia and Iran, and the other members of the BRICS+, is built on pragmatic

almost a blueprint for Russian officials on how to evade them. In the aftermath of Ukraine-related sanctions, according to one Russian economic expert, there has been "a lot of serious work" to improve economic ties between Russia and Iran, which had always been "a weak point" in the relationship.

Russian-Iranian bilateral trade has seen a notable increase since February 2022,

with Moscow focusing on strengthening trade ties with Tehran. Official reports claim a 20% boost in bilateral trade in 2022, reaching \$5bn, although IMF data suggests a total of \$2.4bn. This trade includes undisclosed oil swap deals and military trade. Moscow has become the largest foreign investor in Iran, investing \$2.76bn in the latest fiscal year. The trade mainly consists of foodstuffs exempt from US sanctions, but with new Western sanctions on Russia, the trade landscape may change.

Both nations aspire to expand annual bilateral trade to \$40bn, a lofty goal considering their current trade volume lags far behind Russia's trade with other major partners like China, Turkey, and the EU.

Sanctions have severely limited their access to global financial and banking platforms, hindering trade and investment efforts. To address this, Russia and Iran have been cooperating on strengthening alternative banking avenues. The two countries are also united by their desire to dump the

dollar in international trade. Russia initiated de-dollarisation efforts following Western sanctions after the Crimea annexation in 2014, creating its own financial messaging system known as the SPFS. Progress has been made in bypassing the dollar in transactions with China, Venezuela and Iran. Iran, too, actively pursues de-dollarisation as a response to what it views as the weaponisation of the dollar. The countries have connected their banks directly and introduced a rial-ruble exchange to de-dollarize trade. Russian banks are also issuing rial-denominated payments to Iranian banks, and credit card services are set to operate within Iran.

Iran's strategic geographic location has made it an attractive destination for investment in transit routes connecting Russia to Asia. These routes, including the Caspian Sea and the International North-South Transport Corridor (INSTC), offer road, rail and sea connections from northern Russia to India. However, the INSTC has faced challenges due to

insufficient investment and sanctions against Iran. The Eurasian Development Bank (EDB) estimates over \$26bn is needed to complete the INSTC, raising questions about which countries are willing and able to finance it.

Russia and Iran, both oil producers, are traditionally competing energy exporters. Now they are showing a willingness to co-operate. Energy swap deals are underway, and Russia plans to utilise Iran as a storage hub to reduce oil delivery costs to Asian markets. Gazprom has also pledged a \$40bn investment in Iran's energy sector, including the development of Iranian oil and gas fields and gas pipelines. Iran's energy infrastructure, constrained by Western sanctions, can benefit from Russia's expertise in secondary gas production technology. However, Moscow cannot provide the funds Iran needs to modernise its energy system. Iran's strategic petroleum sector alone is estimated to require \$250bn in investment, an amount that is unlikely to come from Russia. ●

Kolomoisky charged with embezzling \$250mn from PrivatBank in landmark case

Ben Aris in Berlin

Former PrivatBank owner and oligarch Ihor Kolomoisky along with five associates has been charged with embezzling UAH9.2bn (\$250mn) from Ukraine's biggest commercial bank, PrivatBank, kicking off what will be Ukraine's biggest ever corruption case.

The charges were brought by the National Anti-Corruption Bureau of Ukraine (NABU) on September 7 and allege that Kolomoisky established a scheme in early 2015 to transfer funds from PrivatBank to his offshore companies and increase his own share in the bank's capital.

In the wake of the bank's subsequent collapse in 2016, National Bank of

Ukraine (NBU) hired corporate sleuths Kroll to conduct a forensic audit, which reported "large-scale corruption" and that much of the money was siphoned out via shell companies in the UK and Cyprus. At least half a billion dollars of that money ended up in Cleveland in the US, where Kolomoisky is also being investigated for money laundering.

Despite his obvious culpability, no criminal charges were brought against Kolomoisky, who continued to operate in Ukraine with seeming impunity.

However, the management of the now state-owned PrivatBank has launched a series of civil cases against Kolomoisky in London, Cyprus and elsewhere, in an

effort to recover what the management call the "fraud loans". The cases are wending their way through the courts, but a London judge has frozen \$2bn worth of Kolomoisky's assets while the UK case proceeds.

Founded by Kolomoisky, PrivatBank was the biggest and most successful bank in the country. However, the bank collapsed and was nationalised after a *bne IntelliNews* cover story "Privat Investigations" published in November 2016 showed that its loan book was riddled with fake loans. A scandal and an NBU investigation later, the bank was nationalised in December after the regulator determined that over 90% of the bank's loans were fake and there

was a \$5.5bn hole in its balance sheet.

The bank was put under state control and received a bailout that remains not only the biggest in Ukraine's history, but one of the biggest in all of the Former Soviet Union (FSU). *bne IntelliNews* included the looting of PrivatBank as one of its list of greatest scams in the post-Soviet space since 1991.

Question marks were raised over Ukrainian President Volodymyr Zelenskiy's relationship with Kolomoisky following his election in April 2019, as the former comedian sold many of his productions to Kolomoisky's media network, which in turn is credited with helping Zelenskiy win the election thanks to its enthusiastic support of his campaign. After Zelenskiy took office, Kolomoisky returned from self-imposed exile in Israel and launched what the NBU senior management dubbed a campaign of terror to recover control of PrivatBank.

Under pressure to reign in the oligarchs by both the International Monetary Fund (IMF) and Ukraine's Western partners, Zelenskiy finally launched a crackdown on the oligarchs, starting with his oligarch speech in March 2021 and followed by an oligarch law in September the same year. He also headed off Kolomoisky's campaign to recover PrivatBank with the so-called anti-Kolomoisky law in May 2020 that made it impossible for the former owner of the currently nationalised bank to retake control of it.

After years of ignoring the looting of PrivatBank by Kolomoisky, NABU is now bringing specific charges against him in the case. The NABU investigation revealed that the bank was obliged to pay over \$250mn to an offshore company, ostensibly for repurchasing its own bonds at an inflated cost. Subsequently, approximately \$12mn of these funds were transferred to five legal entities, purportedly for facilitating the purchase, but eventually ended up in Kolomoisky's personal account, NABU said.

Among the six suspects implicated in

the scheme are PrivatBank's former chairman of the board and other senior ex-officials.

The new PrivatBank charges are a significant scaling up of charges already brought against Kolomoisky last weekend, when he was arrested by the Ukrainian Security Service (SBU) on suspicion of money laundering and fraud for manipulating \$14mn of funds in his oil and gas holdings, which were also nationalised last November. Kolomoisky was arraigned the same day but refused to post the \$14mn bail set by the judge, and was placed in pre-trial detention.

If Kolomoisky is put on trial for wrongdoing at PrivatBank, it would be a landmark case in Zelenskiy's campaign to crack down on corruption and for the country as a whole. Previously NABU has attempted to charge and prosecute very senior officials only to see its efforts melt away thanks to the venal state of Ukraine's judicial system.

In March 2017, NABU arrested its first ever big fish in what became a litmus test for Ukraine's anti-corruption efforts. NABU arrested Roman Nasirov, the head of the State Fiscal Service of Ukraine and President Petro Poroshenko's right-hand man, on embezzlement charges and attempted to have him prosecuted.

However, the case fell apart. His wife immediately posted his bail of over a million dollars in cash and several Rada deputies appeared at the courthouse to lobby for his release. The investigation was declared closed by July that year and not only did Nasirov never have to stand trial, he ran for president in the 2019 elections won by Zelenskiy.

NABU's director Artem Sytnyk told *bne IntelliNews* in an exclusive interview in 2018 that he was increasingly frustrated by the government's more and more blatant efforts to block his agency's work. He also slated Poroshenko's failure to clean up the judicial system where a quarter of the judges were known to be corrupt.

The fact that a senior Ukrainian oligarch has been arrested and is now sitting in a jail cell is a first. If Kolomoisky actually stands trial for his crimes, that would be a landmark moment. If he is convicted and sent to prison that would be a revolution.

In the three decades since the fall of the Soviet Union, only one senior oligarch has ever been arrested, convicted and jailed: Russia's former Yukos owner Mikhail Khodorkovsky, who served ten years on tax fraud charges, after he tried to defy Russian President Vladimir Putin in the noughties. The difference with the Kolomoisky case is he could be jailed for actually breaking the law. ●



One of Ukraine's biggest and most powerful oligarchs, Ihor Kolomoisky has been taken into custody and charged with embezzling \$250mn from his former PrivatBank in what should be Ukraine's biggest ever corruption case. / *bne IntelliNews*

“I won’t abandon my state.” Zelenskiy to run for president if elections held

bne IntelliNews

Ukrainian President Volodymyr Zelenskiy says he will stand for re-election if scheduled elections are held early next year, despite promising to only serve one term in office when he took over in 2019.

“If there’s an election, it should take place on our territory, so that members of the military could vote on the front line. This is why we need election monitors from all over the world. I want everything to be lawful, transparent and democratic, just like the election when I became president, when everybody called it an honest election. This is something I don’t want to lose,” Zelenskiy said on August 31.

Zelenskiy expressed his “unwavering” commitment to his country’s well-being amidst the ongoing conflict with Russia. In an interview with Portuguese public television RTP, Zelensky affirmed that if Ukraine remains embroiled at war in 2024, he will seek re-election for another term in office, should elections be held.

Technically Zelenskiy’s four-year first term in office expires early next year and presidential elections should be held on March 31, 2024. However, Ukraine’s

constitution forbids elections if the country is under martial law, which was imposed immediately following Russia’s invasion last year.

The Rada extended martial law for another 90 days recently and will continue to do so until a ceasefire is called, theoretically making elections impossible, as there is no end to the hostilities in sight. Indeed, Zelenskiy warned citizens to brace themselves “for a long war.”

The issue of elections came up thanks to a visit to Kyiv by US Senator Lindsey Graham as part of a US delegation on August 23; Graham said elections should go ahead. Zelenskiy glibly replied that he was open to the idea, “if our Western partners pay for them.” Zelenskiy estimated the cost to be UAH5bn (\$135mn) and also called on the West to send election observers to the front line, something that is very unlikely to happen as the battles there rage and it is extremely dangerous. Ukraine’s casualty figures are mounting, according to US intelligence reports. Official casualty figures remain a Ukrainian state secret, but a US intelligence report put the number

of dead at 70,000, with over 100,000 wounded out of a total force of half a million men and women – a third of the Armed Forces of Ukraine (AFU) have been killed or wounded.

The comment also contradicts a promise Zelenskiy made when he was first elected in April 2019 on an anti-corruption and ending the conflict with Russia platform. He said that he didn’t want power and would only stand for one term while he fulfilled this promise. However, the Russian invasion changed everything, and contrary to expectations, Zelenskiy has emerged as a highly respected war-time leader, who has united the country to resist the Russian aggression.

During his interview with RTP, Zelenskiy underscored his role as the custodian of the constitution, asserting that he has a solemn duty to defend it under any and all circumstances.

Addressing the prospect of a wartime election, Zelenskiy outlined the essential prerequisites that would need to be met. Paramount among these is to ensure the safety of voters and also including the some 8mn refugees that are living abroad, mostly in the EU. ●



Zelenskiy says that if presidential elections are held next March he will seek another term in office, although elections are unlikely while the war continues to rage.

Kyiv slams Russian parliamentary elections in Crimea and four annexed Ukrainian regions

bne IntelliNews

Kyiv slammed Russia for holding what it described as "sham elections" on September 8 in Crimea and several other Ukrainian regions that were annexed by the invading forces last year.

The elections in Crimea, the second since Russia annexed the peninsula in 2014, were won with an overwhelming majority by Russia's ruling party, United Russia.

The Ukrainian foreign ministry declared the vote a violation of Ukraine's sovereignty, territorial integrity and international law.

"Russia's sham elections in the temporarily occupied territories are null and void. They will not have any legal consequences and will not lead to a change in the status of the Ukrainian territories captured by the Russian army," the statement said.

Ukraine's foreign ministry called upon its international partners to denounce Russia's actions and impose sanctions on those responsible for organising the elections.

US Secretary of State Antony Blinken joined Ukraine in condemning the vote, labelling them as "illegitimate." In response to these allegations, the Russian embassy in the United States accused the US of meddling in Russia's internal affairs.

Crimea has long since been recognised in the Russian constitution as part of the country. Last autumn Russia changed the constitution again to include four regions captured by the Russian army – Donetsk, Luhansk, Kherson and Zaporizhzhya – as Russian sovereign territory. The four regions voted in a September referendum – widely seen as rigged – to leave Ukraine and join Russia.

Crimea was annexed using a similar referendum nine years ago.

Kyiv has consistently refused to recognise the legitimacy of elections held in the five regions under Russian control, including Crimea.

The elections took place between September 8 and 10 in various Russian regions. In total, elections of different levels occurred in 85 Russian regions, with

including respect for state sovereignty and territorial integrity, which are fundamental to global security and stability.

The elections in these regions were marred by controversy and a lack of transparency. Many residents, fearing violence and brutality, had fled the areas.

The exiled mayor of Mariupol, now controlled by Russia, was quoted as

"Russia's sham elections in the temporarily occupied territories are null and void"

top regional officials and lawmakers being chosen in 21 and 20 regions respectively.

Secretary Blinken said that Russia's actions in holding these elections ran contrary to UN Charter principles,

saying by Reuters that the elections were taking place with no voter lists and candidate lists. "It is clear that there is no trust from the people toward this process, which should be called a sham election," he said in an interview. ●



Russia held parliamentary elections in the Crimea and four annexed regions, where the ruling United Russia won an overwhelming majority. / bne IntelliNews



Vladimir Putin's mobilisation drive announced in September 2022 provoked a mad dash for the border among many Russians. / Marcel Crozet / ILO

How many of the Russians who fled Putin's war machine for Kazakhstan stayed there?

Nizom Khodjayev in Almaty

By some accounts, towards half a million Russians flooded across Russia's long border with Kazakhstan roughly a year ago when Vladimir Putin announced a partial military mobilisation to add soldiers to the war effort in Ukraine. So where are they now? How many stayed, how many moved on to third countries and how many returned to Russia?

Good questions all, but the mish-mash of statistics released by the Kazakh authorities, combined with the dubious numbers offered by Russian diplomats, make answering them a hopeless task. Kazakh officials release sets of figures lacking clarity and out of step with the various realities painted by observers with something to say on the matter. And they are in no hurry

to clear things up. The issue of Russian men of fighting age in Kazakhstan is something of a hot potato. Quite apart from Moscow frowning on any country that allows itself to be seen as relaxed about Russians escaping the draft, there are the frustrations of Kazakh citizens for whom the influx triggered by the mobilisation brought surges in consumer prices and rents as the newly arrived Russians sought to establish expatriate lives. For Kazakhstan's Tokayev administration, the less said about all of this, the better.

Lacking the requisite statistics to pursue this article in the direction originally envisaged, your correspondent pushed the work on picking through statistical discrepancies to one side and went out to speak to some Russian expats in Almaty

to try to obtain a useful picture of the situation as it stands.

One issue that came up again and again was a Kazakh government resolution that became effective from late January. The resolution closed a loophole in the stay permitting process that essentially allowed foreign individuals unbroken indefinite stays in the country. The resolution, hitting not only Russians, but also citizens of other member nations of the Moscow-led Eurasian Economic Union (EEU), means that after the expiry of a stay permit, the permit holder is required to leave Kazakhstan for a minimum of 90 days before potentially qualifying for another stay.

One Russian citizen, who gave the name Andrey, indicated that Russian expats

in Kazakhstan were managing to work around the situation, but said: "While the limits on permits themselves have not had a major effect on Russians staying here, they've definitely contributed to a general feeling that we might not be welcome here."

Andrey said much of his Russian social circle in Kazakhstan dissolved as individuals opted to move on to other countries like Georgia, Armenia, Kyrgyzstan, Uzbekistan and Serbia, depending on the perceived opportunities.

'Leaving via Russia, not to Russia'

Andrey also noted: "I suspect there might be an inconsistency in the statistics on people who only went back to Russia from Kazakhstan in order to leave for other countries, such as Georgia, Armenia or one of the East European nations.

"Most of my friends have left for other countries, but I only know of one person who returned to Russia."

Andrey then hit on another difficulty, conceding that his observations might be less than reliable since most of his friends and acquaintances are middle-class Russians who can afford to either stay in Kazakhstan or move on.

"I can say for certain that most people who decided to stay or leave for other countries were people who were more or less financially well-off," he said.

Many working-class Russians who attempted to make the move to Kazakhstan appear to have had rather worse luck.

Troubles adapting

"I work with a lot of Russians and quite a few of them could not bear the economic burden of having to move to a different country and thus failed to settle down," another Russian, who preferred to remain anonymous, said. "Building a new life from scratch is not for everyone."

Another Russian citizen, who introduced himself as Gosha, told this publication: "When I arrived last September, I settled in a hostel full of approximately 60 Russians. Out of those 60, only five ended up staying in Almaty, half of them left for other countries and the rest went back to Russia."

Mid-August brought claims from then Russian consul general in Almaty, Yevgeny Bobrov (during the writing of this article, Bobrov was fired from his position after making controversial claims that Kazakhstan was discriminating against the Russian language in schools), that a substantial number of Russian citizens who relocated to Almaty, Kazakhstan's biggest city and commercial capital, in the months after the mobilisation have returned to Russia. Bobrov referred to an estimated 100,000 Russians who came to the city. He asserted that nearly half were by now back in Russia. Some others, he said, were by now in third countries.

Chairman of the Migration Committee of Kazakhstan's Ministry of Labour and Social Protection, Ilyas Ispanov, last December muddled the picture on how many Russians fled the mobilisation by journeying to Kazakhstan. He talked of around 3mn Russian citizens arriving in the country since the beginning of 2022 and 837,000 crossing the border in the wake of Putin's call for more citizens to be signed up by the armed forces. But it was not at all clear that Ispanov was not bundling together migration, tourism and business travel arrivals.

Whatever the actuality on Russians still determined to stay away from their homeland – and beyond the reach of military recruitment officials – by pursuing a life in Kazakhstan, with the war in Ukraine possibly set to become a long slog, we are entering a new phase in which both Russians and Ukrainian individuals intent on staying away from the conflict will have to move from temporary to more permanent existences.

At the same time, war fatigue in host nations is growing and sympathy for these individuals could wear thin in some quarters. This week, for instance, brought worrying stories of Ukrainian refugees becoming populist targets in Czechia. It's clear that many of the Russians attempting to stay beyond the reach of the Putin war machine in Kazakhstan and elsewhere would dearly wish to return home. But for that, they need a home that they would want to return to. ●

Plight of Kyrgyzstan's 'canary in coal mine' news service Kloop worsens

bne IntelliNews

The plight of Kyrgyzstan's independent Kloop news service, under attack from the country's populist Japarov regime, worsened on September 13 as several internet providers in the Central Asian nation put a block on its website.

The blocking, announced by Kloop, comes just two weeks after the Bishkek Prosecutor's Office commenced legal proceedings against the media outlet's owner, Kloop Media Public Foundation. The prosecutor is bidding to suspend Kloop's operations, pointing to the

title's relentlessly critical coverage of the government. Kloop is becoming something of a canary in the coal mine for media freedom and free speech in Kyrgyzstan, once regarded as a relative "island of democracy" in Central Asia, but now increasingly subject to illiberal

and authoritarian moves by strongman President Sadyr Japarov, some of which are oppressive laws and actions that have become the hallmark of Russia's Vladimir Putin.

The exercising of power by Japarov has been under scrutiny since he became Kyrgyzstan's leader in late 2020 after supporters sprung him from prison, where he was serving a sentence for allegedly attempting to kidnap a regional official in 2013. During the turmoil in the country ahead of Japarov and his allies taking power three years ago, the US embassy in Bishkek issued an unusually

This week has also seen Kloop, established 16 years ago, respond to a culture ministry demand that it take down an article about the alleged torture of jailed opposition politician Ravshan Jeenbekov. On September 12, Kloop published an article in which it said it would not remove the material, noting that the news story attributed all information about Jeenbekov's situation in custody to actual individuals and sources.

According to Kloop, the Bishkek Prosecutor's Office initiated its lawsuit against it after an audit by the State Committee for National Security (UKMK)

RFE/RL's Kyrgyz Service, Kloop, and OCCRP have collaborated on a series of investigations concerning corruption in the former Soviet state.

By now, it is well recognised that there is a deepening authoritarian crackdown in Kyrgyzstan that includes targets across civil society.

One example of this is the case of more than 20 people, including NGO leaders and other activists, who are facing trial on serious charges for their opposition to a controversial border agreement between Kyrgyzstan and Uzbekistan that was announced by Japarov last year.

The Committee to Protect Journalists (CPJ) has urged Kyrgyz authorities to stop the move to liquidate Kloop. It deemed the actions of the Japarov administration "an outrageous and deeply cynical attempt to stifle some of Kyrgyzstan's most probing investigative journalism, including investigations of alleged corruption involving leading state officials."

In the annual media freedom rankings, published lately by the Reporters Without Borders watchdog, Kyrgyzstan dropped 50 places to 122nd out of 180 countries.

In its latest coverage of Kyrgyzstan focused on Japarov's links to some big investment projects in the country, OCCRP cited Temur Umarov, a political analyst and fellow at the Carnegie Russia Eurasia Center.

"This is a country," said Umarov, "that's authoritarian, but pretends to be democratic. The person who leads it can create an illusion. We have two ways to understand every situation. The first is the official one, the one they want to convince us of. And the second is the real one. In reality, I think that Japarov and those who surround him just want to create a good life for themselves."

Umarov added: "Journalists will write that ... all of this shouldn't be happening, that Japarov can't use his position to let the people around him, and especially his relatives, earn money from unknown places. But everyone understands that, while formally he can't, in reality he can. No one will get in his way." ●

"It is clear that one of the obstacles towards democratic progress is the attempt by organized crime groups to exert influence over politics and elections"

frank statement, saying: "It is clear that one of the obstacles towards democratic progress is the attempt by organized crime groups to exert influence over politics and elections."

Three days ago, a September 11 report from the Organized Crime and Corruption Reporting Project (OCCRP), which often works with Kloop in news investigations, described how Japarov has promoted two major projects – a large mosque and a complex in central Bishkek – that will be developed by an infamous tycoon accused of smuggling.

concluded that Kloop's "published materials are aimed at sharply criticising the policies of the current government" and that "most of the publications are purely negative, aimed at discrediting representatives of state and municipal bodies".

Most of Kloop's contributors are students and graduates of the Kloop Media Public Foundation School of Journalism. The media outlet has indeed become known for publishing reports on corruption in government. It provides training to Central Asian journalists in fact-checking and investigative techniques.



Kyrgyzstan's tradition of critical media reporting does not sit easily with the instincts of Sadyr Japarov. /duma.gov.ru



The president's meetings were aimed to garner support for Georgia's campaign to attain EU candidate status, with a decision expected by year-end. / bne IntelliNews

Georgia's ruling party initiates impeachment proceedings against president over EU visits

bne IntelliNews

Georgia's ruling party announced on August 1 its intention to launch impeachment proceedings against President Salome Zourabichvili, citing her visits to the European Union without the government's permission, the Georgian news agency Interpress reported.

The leader of the Georgian Dream party, Irakli Kobakhidze, accused President Zourabichvili of a "flagrant violation" of the constitution, according to Interpress sources.

President Zourabichvili recently met with German President Frank-Walter Steinmeier in Berlin on Thursday and had a scheduled meeting with European Council President Charles Michel in Brussels on Friday. These meetings were aimed to garner support for Georgia's campaign to attain EU candidate status, with a decision expected by year-end.

Kobakhidze asserted that the government had previously sent a letter denying her permission to hold these meetings. In response, President Zourabichvili shared a photo on her Instagram account, depicting herself holding a smartphone and smiling.

Acknowledging the uphill battle, Kobakhidze admitted that the impeachment process is unlikely to succeed. Georgian Dream, holding only a simple majority in parliament, would need to secure votes from opposition

parties for the impeachment to pass.

Elected in 2018 with the support of the Georgian Dream party, President Zourabichvili, a former French diplomat of Georgian descent, has since distanced herself from the party. She has repeatedly accused the Georgian Dream of pro-Russian tendencies and insufficient commitment to Georgia's aspirations to join the European Union and the Nato defence alliance. Georgian Dream has affirmed its desire for Georgia to become a member of both blocs.

The European Union, which declined Georgia's candidate status last year, alongside Ukraine and Moldova, has repeatedly cautioned against the deepening of authoritarianism in Georgia, emphasising that such a trajectory could jeopardise Georgia's EU application. Georgia hoped but failed to receive candidate status last year because of EU criticism of its democratic backsliding and polarisation.

European lawmakers reacted with astonishment to the Georgian government's move to punish the president for attempting to garner support for the country's candidate status.

MEP Miriam Lexmann described the impeachment initiative as "a completely absurd move". "[...] G[eorgian] D[ream] once again shows that it has no interest either in addressing political polarisation or in Georgia's European future," she said.

"Georgian People. I stand in solidarity with President Zourabishvili, a true European leader," said Chairman of the Foreign Affairs Committee of the German Bundestag Michael Roth. ●

"European lawmakers reacted with astonishment to the Georgian government's move to punish the president for attempting to garner support for the country's candidate status"

Iran releases five US citizens after receiving €5.5bn of frozen funds

bne IntelliNews

Iran has released five dual Iranian-US citizens and handed them over to US diplomats waiting in Qatar's Doha's International Airport.

Flight data tracked by *bne IntelliNews* showed QTR7313 landed earlier in the day on September 18 in Tehran as part of a complex negotiation process which has taken several years to complete between the US and Iran, which included frozen Iranian funds in South Korea, Iranian citizens held in the US and sanctions on Iranian oil shipments.

The flight, which took off as *bne IntelliNews* went to press, landed in Qatar's capital Doha by mid-afternoon CET following the arrival of two Iranian prisoners held in a US prison.

Earlier, Iran's Central Bank (CBI) announced that its funds had been transferred to several bank accounts

held by Iranian commercial banks in Qatar's Central Bank, totalling \$6bn. The money was held previously in Korean won before being converted into euros. That announcement enabled the Supreme Leader's Office to give the nod for the release of the dual citizens.

The governor of the CBI had earlier announced the receipt of an official letter

Governor Mohammadreza Farzin, in an interview with the 2 p.m. news segment of the national broadcaster, discussed the release of Iran's frozen assets in South Korea. He said that, as per the agreements made, all of Iran's inaccessible foreign resources in two South Korean banks and the Bank Melli branch in Seoul were transferred to the Swiss Central Bank on August 10.

"Iran's Central Bank (CBI) announced that its funds had been transferred to several bank accounts held by Iranian commercial banks in Qatar"

from Qatari authorities confirming the transfer of €5.5bn to the accounts of six Iranian banks, IRGC-linked Mashregh reported on September 18.

The Governor continued, explaining that the six Iranian banks, including the Bank Keshavarzi, Saman Bank, Pasargad Bank, Tourism Bank, Karafarin Bank,



Five US-Iranian prisoners have been released from jail in Iran and left the country by plane after €5.5bn for frozen funds were released by US. / bne IntelliNews

and Bank Shahr, have opened accounts in Qatar's Al-Dukhan and Al-Ahli banks.

All payments will be facilitated by the international brokers of these two Qatari banks through the SWIFT system.

Qatar has emerged as a negotiation hub between the US and Iran. It has hosted at least eight rounds of talks as regards the prisoners, one source said. The actual prisoner exchange is expected to transpire on Qatari soil.

In a preliminary move last August, Iran shifted four US citizens from a Tehran prison to house arrest, while one US citizen was already under such conditions.

Among those slated for release by Iran are businessmen Siamak Namazi and Emad Sharqi and environmentalist Morad Tahbaz, who also holds British citizenship.

Tehran has previously sought the release of a dozen Iranians held in the US. They include seven Iranian-American dual nationals.

Iran named the five Iranians released by the US as Mehrdad Moin-Ansari, Kambiz Attar-Kashani, Reza Sarhangpour-Kafrani, Amin Hassanzadeh and Kaveh Afrasiabi, a frequent commentator on Tehran's state-controlled Press TV.

Iranian officials previously noted that Afrasiabi would stay in the United States.

On their arrival, a US diplomat said the release had not softened Washington's stance on Tehran "If we see an opportunity, we will explore it, but right now, I've really nothing to talk about," the official told Reuters, speaking anonymously.

At the same time of the release, Iranian President Ebrahim Raisi has landed in New York for an upcoming meeting at the UN General Assembly in the next few days. ●

Iranians are returning to Dagestan after 300-year absence

bne IntelliNews

The first Iranian tour groups will visit Russia's North Caucasus area as part of the visa-free group exchange launched on September 20, *RIA Novosti* reported on September 13.

Iran has historical ties with Dagestan's oldest city Derbent (meaning "gateway" in Persian) that can be traced back to ancient Persia, when the region was a crucial strategic outpost for various Iranian dynasties. The region was occupied by Russia in the 17th century.

Nikita Kondratyev, Director of the Department of Multilateral Economic Cooperation of Russia's Ministry of Economic Development, announced the first trip as part of a change in visa rules for tour groups from the Islamic Republic.

He added that a group of tourists from Russia should arrive in Iran on the same dates as Iran has also removed visas for groups as part of the development.

Iran previously said that it hoped that Russian tourists would holiday on islands in the Persian Gulf area, which have historically been the country's outbound tour strategy.

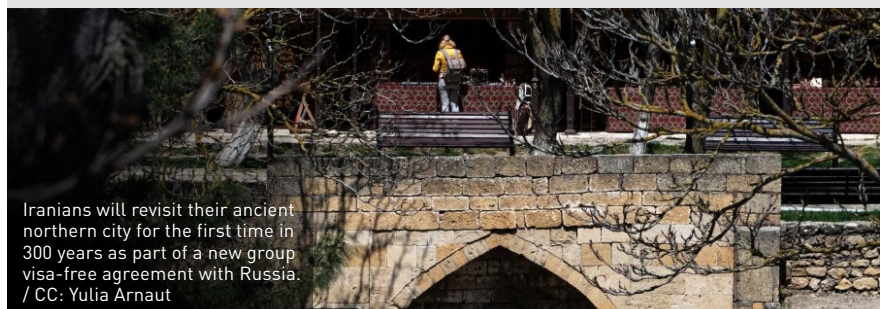
"This will be a business mission organised by Kavkaz.RF," the Russian official said.

"It takes representatives of the tourism industry to the territory of the North Caucasus Federal District, and we decided to join forces and thereby also test the mechanism with the first group from Iran," he added.

Earlier, the head of the Russian Ministry of Economic Development said that Russia had proposed to Oman, Bahrain, Kuwait, Saudi Arabia and Malaysia to completely abolish tourist visas.

Iranian aviation company Pars Golden Sky (PGSC), announced on April 27 that it had signed an agreement with Republic of Dagestan that it would establish an aviation hub in the Russian region.

The hub will reportedly include an air cargo section and an aircraft repair facility. The latter could prove useful to Russia in that, although Iran's aviation industry is under Western sanctions in the same way that Russia's is, the Iranians have many years of experience in sourcing aircraft components on the shadow market and localising the production of plane parts.



Iranians will revisit their ancient northern city for the first time in 300 years as part of a new group visa-free agreement with Russia. / CC: Yulia Arnaut



The consequences of Putin becoming embroiled in "a much bigger action than he intended" could open the way to a new era for Central Asia, according to Fukuyama. / Fronteiras do Pensamento, cc-by-2.0

Francis Fukuyama says a weakened Russia will present opportunities for Central Asia

Ben Aris in Berlin

Renowned US political scientist and philosopher Francis Fukuyama – best known for his 1992 book *The End of History and the Last Man* – says a diminished Russia caused by losses in the Ukraine war would remove any territorial threats to Kazakhstan and give Central Asian countries more opportunities to devise their own policies.

Fukuyama, director of the Center for the Advancement of Democracy and the Rule of Law at Stanford University, was in Almaty, Kazakhstan, for the Kazakh-language release of his new book, *Liberalism And Its Discontents*. While there, he was interviewed by RFE/RL's Kazakhstan Service.

Fukuyama, who sees Russia's invasion of Ukraine as a strategic mistake by the Kremlin, said: "I think that Putin thought that he could launch that so-called special military operation and the regime in Kyiv would fall in two or three days, and he can install somebody to be sympathetic to Moscow. But more than a year and a half later, the Russian Army has suffered horrendous casualties. This was a much bigger action for Russia than Putin had intended."

Fukuyama also observed that the fall of Ukraine to Russian forces would pose a significant threat to Kazakhstan, given that some ultranationalist politicians in Moscow claim parts of northern Kazakhstan should be Russian.

"Any weakening of Russia...could give Central Asian countries – and [specifically] Kazakhstan – a greater ability to set their own policies [without Russian interference]," he said. "You can imagine the opposite if [Russians] conquer Ukraine or take some part of Kazakhstan, like they have in Ukraine. But a weakened Russia would allow [Central Asians to make their] own decisions without worrying what the Russians will say or how they will react."

Fukuyama mentioned the importance of a liberal development of society in Central Asia.

"It is important to form a national identity that truly includes all those who live in Kazakhstan rather than allowing one group or another to dominate. During the [Soviet era] there was an attempt [coming from Moscow] to Russify everything, to make everyone speak Russian, to make Russian culture somewhat dominant. And that was wrong," he said. "People really need the freedom to live in their own cultural environment without being blocked by others."

Fukuyama also spoke of his surprise at strict measures on Central Asia's borders, saying that a greater implementation of a free market and the opening of borders would lead to a surge in the region's economic development.

"One of the things that's been quite striking in visiting this region is how little communication trade interchange there is among the countries in Central Asia," he said. "[There could be much] bigger markets and much more prosperity if the countries in this region didn't impose border controls and didn't pursue more economically nationalist kinds of policies but rather were integrated into a larger single market. That's a project that the leaders in these countries could pursue at some point."

Looking at the present situation in terms of freedoms in Kazakhstan, Fukuyama said: "I think [Kazakhstan has] a very centralised authoritarian regime. I think that the transition to Mr. Tokayev [Kassym-Jomart Tokayev, the current president of Kazakhstan] nonetheless opens up certain possibilities that probably didn't exist under the first president, just because [former Kazakh president Nursultan]

"It is important to form a national identity that truly includes all those who live in Kazakhstan rather than allowing one group or another to dominate"

Nazarbayev was there for so long and had centralized so much power... [but] even if you don't have full democracy, I think you can still have an authoritarian regime that permits a greater degree of individual freedom."

"If you look at China, there's a big difference between China in 2010 and China in 2023 because individual Chinese in 2010 had much more freedom to travel, to speak, to think for themselves. Under [Chinese leader] Xi Jinping, those freedoms have been taken away. It's still an authoritarian regime as it was back then... but I think the degree of

"If you have a population that is not very educated, it's easier to run a dictatorship"

individual freedom has been gravely restricted. Those are the kinds of choices that exist in Kazakhstan, even if it continues to be a highly centralised regime," he added.

The possibilities for greater democracy in Central Asia are restricted because of its two big authoritarian neighbours, China and Russia, said Fukuyama, while pointing to some hope in Mongolia.

"Mongolia is also caught between Russia and China and yet, ever since 1991, it's had democratic elections," he said. "It's permitted a great deal of freedom for its citizens. So, I don't think that geographical location necessarily dictates the internal form of government. [But] if the power of Russia and China were to weaken, it will permit more freedom of action for Central Asian countries."

Fukuyama also observed that a poor level of education amplified dictatorship in Central Asia, though he noted the critical role of the new generations of Kazakhstan going abroad for their university education.

"If you have a population that is not very educated, it's easier to run a dictatorship," he said. "[But] if you have a country that's got a larger middle class where people travel abroad, they have different ideas, then you're going to have a greater demand for a more open society, and that's been happening in Kazakhstan. The number of students that have gone abroad to study outside of Central Asia is quite impressive, and they are in time going to make a difference. So that's a major social change in the last generation." ●

FRANCIS
FUKUYAMA
LIBERALISM
AND ITS
DISCONTENTS

TEHRAN BLOG

Iran's challenges remain daunting, one year after Amini's death

bne IntelliNews

This weekend it will be one year since Mahsa Amini, a 22-year-old ordinary Iranian woman, died in the custody of the so-called 'morality police', a patrol to make sure everyone in the country, especially girls and women, stick to the state's strict religious codes.

The tragedy of her death on September 16, 2022 – still shrouded in mystery amid police denials of having anything to do with it – unleashed an all-out uprising that came to target the pyramid of power in the country. The driving forces combined social discontent with the theocratic ruling system and its control of the daily lives of the citizens, economic grievances, as well as a fight for women's rights.

The goal to change the ruling system didn't come to pass despite all the lives lost and the price paid, yet it all led to what some have described as "a point of no return". Iranian society today is so well informed and up-to-date that it stands in stark juxtaposition to the current interpretations of the ruling system from Islamic teachings of the 7th century.

Many Iranians are finding common social freedoms taken for granted in many parts of the world are not too much to ask for. This is perhaps best encapsulated by the slogan that came to be a rallying cry for the protestors: "Woman, Life, Freedom".

Besides all the social causes at work, the decline in economic conditions of Iran has arguably made a conspicuous contribution to this movement. Compounded by years of sanctions after

sanctions, life has become a matter of survival for many in Iran. The Iranian rial has lost half of its value against the dollar since the last Persian calendar year (March 2022), leading to runaway inflation that is also fuelled by structural issues within the economy. Under the circumstances, with the ever declining purchasing power, the average Iranian is increasingly struggling to make ends meet.

The sanctions have also largely blocked the Iranian market's access to much of the goods, services, investment and technology the developed countries have to offer, which means Iranian consumers mainly have had to make do with what limited domestic industries with their outdated technology can produce – plus those provided by a handful of countries that have maintained ties with the Islamic Republic under sanctions, Russia and China in particular. Tehran is still working to mend its strained ties with countries in the region and beyond to improve this situation.

The absence of foreign investors under sanctions have left many sectors underdeveloped in Iran, which has mainly had to rely on its vast oil resources to keep the economy afloat. To date, oil revenues remain a major part of funding for government spending in Iran, with increasing taxes being another significant source of income.

There is no end in sight to most of these economic woes until the ruling system somehow manages to remove the sanctions on the one hand and implement structural economic reforms on the other. The looming anniversary of the Mahsa Amini tragedy is once again bringing all these challenges to the forefront. ●



Iranian women walk in a street in Tehran, Iran, April 9, 2023. / WANA

Time for Europe to get tough on Azerbaijan

bne IntelliNews

"By launching a military offensive in Nagorno Karabakh, President Aliyev forfeited the trust of Europeans. Azerbaijan's status as a transport hub cannot be a reason for the EU to go soft on Baku," Thomas de Waal, a veteran scholar of the Caucasus, concludes in a note for think tank Carnegie Europe on September 26.

The events unfolding in Karabakh are rapidly turning into a humanitarian crisis with tens of thousands of refugees making their way out of the enclave, fearing for their lives. An increasing number of unverified reports of atrocities are emerging on Armenian social media.

At least 200 people have been wounded and there are reports of dozens killed in the shelling that was part of the Azerbaijani so-called anti-terrorist operation that began on September 19.

The attack has ignited a heated debate about the need for a profound recalibration of Europe's policy towards Azerbaijan, observes de Waal. "While the immediate cause of concern revolves around the Karabakh conflict, the implications extend far beyond this territorial dispute," he adds.

Baku's unprovoked attack on Karabakh, known as Artsakh by the ethnic-Armenian locals, has crossed a red line established by both the European Union and the United States.

"The consequences are cataclysmic. The eventual casualties will run into the hundreds. Fearful for their future, thousands of Karabakh Armenians are now making a mass tragic exodus from their homeland to Armenia," says de Waal.

"Many in Brussels and Washington feel shocked and betrayed by Azerbaijan's use of force. Up until the last minute, Azerbaijani President Ilham Aliyev was reportedly assuring high-level interlocutors – including European Council President Charles Michel and U.S. Secretary of State Antony Blinken – that he would not launch a military operation," he notes.

German Foreign Minister Annalena Baerbock, in raising the issue of the conflict while still at the United Nations in New



Tens of thousands of civilians are fleeing Karabakh in fear for their lives after Azerbaijan retook control of the enclave by force. / bne IntelliNews

York during its General Assembly week, didn't mince her words, saying: "Baku broke its repeated assurances to refrain from the use of force, causing tremendous suffering to a population already in dire straits."

There was no need for the attack, argues de Waal. "An egregious aspect of this is that Azerbaijan was getting pretty much everything it wanted at the negotiating table."

After years of deadlock and many equivocations, the Karabakh Armenians had already agreed to engage in talks with Baku, signalling a willingness to strike a deal on integration into Azerbaijan. Armenian Prime Minister Nikol Pashinyan had even acknowledged Azerbaijan's territorial integrity, including Karabakh, aligning with international norms. A compromise deal was already half-done.

Now the status quo cannot persist, as the human rights dimension takes centre-stage. Azerbaijan says it now has full control over the region, insisting that the remaining Armenians have nothing to fear. Yet, the complexities of ethnic conflicts paint a different picture, with reports of alleged abuses by Azerbaijani soldiers already surfacing on Armenian social media.

Baku's refusal to allow international monitoring missions into the region has only fuelled concerns. Human rights groups, for instance, are attempting to document multiple alleged atrocities carried out by Azeri soldiers on Armenian soldiers and civilians accused of taking part in the 44-day Second Nagorno-Karabakh War that took place in late 2020.

"If atrocities are confirmed in Baku's war of choice or remaining Karabakhis suffer abuse, there should be calls for prosecution of the abusers concerned, along with cases in the European Court of Human Rights," says de Waal.

The EU has yet to respond in any meaningful way to the situation, announcing on September 26 that it was earmarking a mere €5mn for humanitarian aid to deal with the crisis. Beyond the immediate consequences, the attack has probably brought Baku closer to Moscow at a time when Europe was keen

to work more closely with Azerbaijan as a gas transit hub and source of non-Russian oil. European Commission President Ursula von der Leyen travelled to Baku last year to meet with Azerbaijani strongman Aliyev and signed off on a big gas delivery deal. She called Aliyev a “reliable partner” and failed to mention any of Azerbaijan’s well-documented human rights abuses.

“That is all the more relevant as the next big issue is the planned transport route [from the main part of Azerbaijan] across Armenia to Azerbaijan’s exclave of Nakhchivan. Russia, Azerbaijan, and Turkey all have a shared interest in imposing their own version of what the latter two call the Zangezur Corridor with as little Armenian control of the route as possible – and perhaps by force,” says de Waal.

Aliyev has also started to talk about “Western Azerbaijan” to describe southern Armenia’s Syunik region, which is home to a large Azeri population. Given recent developments in Karabakh, his comments have become ominous.

While acknowledging Azerbaijan’s past hardships, particularly during the 1990s, and the resulting displacement of its population in the first war with Armenia which the Azeris lost, it is essential to steer clear of civilisational rhetoric, says de Waal. Yet, the use of force to deal with unresolved outcomes of the second conflict in 2020 renders the “occupation” argument obsolete. Aliyev’s aggressive stance and recent remarks suggest a need for a more cautious approach to Baku by Europe.

“Aliyev qualified that this return [by Azerbaijan to the entirety of the enclave] would happen ‘peacefully.’ But after what happened in Karabakh, how seriously can reassurance be taken?” asks de Waal.

Von der Leyen blankly ignored Aliyev’s dictatorial record during her meeting, yet she rails against Russian President Vladimir Putin’s record on an almost daily basis.

“Aggression continues on the home front, too. Azerbaijan’s democracy ranking with Freedom House is rock-bottom. In July the well-known economist and opposition activist Gubad Ibadoghlu, linked to U.S. universities and the London School of Economics, was arrested on palpably bogus charges and is now in ill health in detention,” says de Waal.

But the EU has been willing to ignore all of this for the sake of energy deals and attracting regional players into its anti-Russia camp. Azerbaijan’s appeal to the West centres around oil and gas, business and geography. Baku has positioned itself as the sole country bridging Russia and Iran with essential east-west oil, gas, and transport infrastructure along the Middle Corridor.

“In Western capitals this frequently produced a silo effect. One part of the establishment – in the Brussels case, Michel and the European External Action Service – would press for peacemaking and resolution of the conflict with Armenia. Another – the European Commission in Brussels – would hold talks with Baku on energy and transport projects,” says de Waal.

What little trust there was between Brussels and Baku has now been broken. Aliyev has crossed a line with his unprovoked attack on Karabakh. The EU says it stands for values, and those values are now on the line.

“In short, it is time for the EU to talk a lot tougher with Azerbaijan,” says de Waal. ●

RIDDLE

Russia’s vanishing trade surplus

Vladislav Inozemtsev of the Centre for Post-Industrial Studies

Over the last quarter century, the Russian economy has experienced a roller coaster ride: it has seen both rapid growth in the 2000s and the failures of 1998 and 2008, not to mention the stagnation of the 2010s and the ensuing restructure to a “war footing” in recent months. Yet regardless of whether things were up or down, one feature remained constant and unchanged: from its very birth, the Russian Federation acted as a net exporter, maintaining a positive balance in foreign trade in any conditions.

Any economist will say that this gap between exports and imports was where the Russian elite extracted growing budget revenues, where entrepreneurs close and not very close to power enriched themselves, and where Russians received growing benefits and pensions. Oil and gas

have always remained the key exports and the driver of a trade surplus.

In modern Russia, the trade surplus has grown quite steadily – and fluctuations in global market conditions have had a much more significant impact on it than the Kremlin’s policy: in 2008, 2014 and 2022 its values reached new records despite Russian aggression against Georgia and Ukraine, while local minimums were recorded against the backdrop of collapses in 1998, 2009 and 2016. Average annual figures were \$45.7bn in 1997-2001, \$109.8bn in 2002-2006, and then it reached a plateau: \$174.2bn in 2007-2011, \$178.7bn in 2012-2016 and \$165.1bn in 2017-2021, setting a spectacular record at the end of 2022 (\$332.4bn). At the same time, the foreign trade surplus has never been less than the volume of

capital outflow from the country: at the end of the 1990s, the difference between these indicators ranged from \$5 to \$20bn, in the 2010s – from \$50 up to \$65bn, and last year reached a maximum of \$91bn. The foreign trade surplus was what defined Russia over these long years.

However, all these trends, like a lot of everything else in our lives, were broken by Putin's war in Ukraine, which in this case highlighted two points that previously seemed obvious but did not attract much attention.

The first was the main direction of Russian exports. Until the financial crisis of 2008-2009, more than half of Russian foreign trade was accounted for by the European Union, which bought Russian oil and gas at high (and sometimes extremely high) prices, and even despite all the conflicts and sanctions, this share did not fall below 40% until 2019. Russia bought a lot of things from the EU, but imports never matched more than half of exports – and therefore it was the EU that provided the lion's share of Russia's foreign trade surplus: from 58 to 79% (the maximum value was reached in pre-war 2021). Despite all the difficulties in bilateral political relations, it was easiest for Russian companies to make money in Europe, even in the days when President Putin issued his ultimata to Nato. Meanwhile, already in the second half of the 2010s, the Russian authorities began to consciously "turn to the East": trade with China, Turkey and other non-Western countries began to grow, and to develop new markets they had to accept less favourable conditions. Based on estimates of the average price of gas supplies to China via the Power of Siberia between \$170 per thousand cubic metres in 2020-2021 and \$297 per thousand cubic metres this year, one cannot help but notice that it was 7-9 times lower than the cost of gas shipped to "geopolitical opponents" in the EU last year (not even mentioning the logistics). In 2022-2023 this process accelerated; China has easily displaced the European Union from first place in the ranking of Russia's main trading partners, and the situation has changed: average export prices for Russian goods decreased significantly as a result of the "price ceiling" for oil and petroleum products, while the scale of imports only increased due to the breakdown of relations with Western investors who organised production in Russia with a high degree of localisation; purchases of finished products or their ersatz began (as in the case of Chinese cars, which, before delivery, are disassembled into main components, in order to then be ceremoniously assembled at Moskvich or other production facilities previously taken from Western owners). As a result of this change of partners, the trade surplus between Russia and the EU was replaced by a deficit by the summer of 2023, while the positive balance of trade with China continued to fluctuate around zero.

The second factor turned out to be foreign exchange support for Russian export flows. Since the 1990s no one has any doubt that buyers pay Russia in dollars or euros; and in recent years there has been a Russian desire either to switch to rubles in

trade (mainly with EU), or with other counterparties in their national currencies (since the war broke out, payments in monetary units of "unfriendly" countries became unsafe). However, even the Chinese yuan (which has fallen in value against the dollar by 12.6% over the past 24 months) is not used by many new Russian partners – and most of the remaining trade surplus is generated by them: India alone now accounts for more than half of this amount. Accordingly, Russia found itself hostage to those who buy its goods: both because it blocked the path of its export flows to the West, and because it decided on radical de-dollarisation, receiving in payment unstable and mostly non-convertible currencies (the story of India is telling here, which paid Russian oil suppliers with rupees, formally valued at more than \$10bn, but which could not be exchanged and withdrawn from the country. At the same time, India resells this oil to Germany for euros).

Thus one of the results of the war was a radical change in the main pattern of Russian foreign trade: even with a moderate increase in world oil prices to \$100 per barrel or slightly higher, Russian raw materials will continue to go to developing markets, where they will be sold at a 20% discount (and in the case of China in general, the average discount for energy products from Russia will be even higher), and part of the proceeds will either be paid with non-convertible currencies (as in the case of India), or simply turn into a commodity loan (as is happening with Turkey, whose gas payments for more than \$600mn were postponed in 2023 for at least two years). All this is the indirect cost of the war in Ukraine and a direct consequence of the "switch" from partners who in many ways felt themselves dependent on Russia to those on whom Russia itself is dependent, as per most critically important parameters.

To all these troubles, we must add that over the past 12 months the volume of Russian imports has practically not decreased despite the two-fold depreciation of the ruble and the sharp decline in export supplies (for comparison, it is worth recalling that in 2009 imports sank by 37.5%, and in 2015 by 36.5%). ●



Throughout all its ups and downs in the last three decades, Russia has always had a net trade surplus and has always brought in more money than it has sent out. But things are changing now. / bne IntelliNews

Ukraine GDP quarterly growth y/y

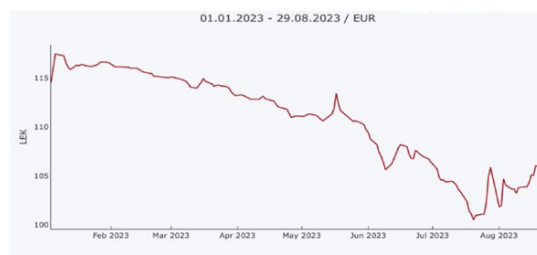
Source: NBU, ICU

Ukraine's Ministry of Finance revises GDP growth up to 3% for 2023

Ukraine's Ministry of Finance has revised up its GDP growth forecast to 3%, the ministry said on September 12.

According to 2023's activity, Ukraine's GDP will grow by more than 3%, Minister of Finance Serhii Marchenko said.

"The balance of payments has been adjusted thanks to external infusions. The NBU's reserves and the hryvnia are strengthening, but exports are not growing, and imports are increasing, which is an alarming signal," said Marchenko, UBN reports.

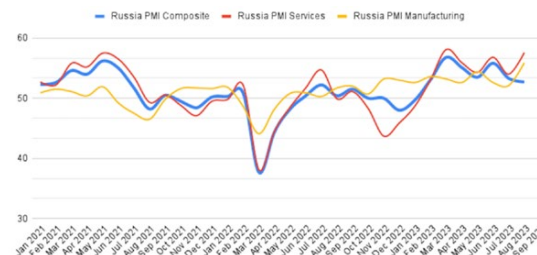
The lek has fallen against the euro since late July

Source: Bank of Albania

Albanian lek falls against euro after months of appreciation

The Albanian lek has fallen against the euro and other major currencies over the last month, following months of appreciation that concerned exporters.

The lek rose to a peak of ALL100.49 to the euro on July 20, but did not break through the ALL100 to the lek mark. Instead, it has mainly fallen over the last month, and stood at ALL109.67 to the euro as of August 28, central bank data showed. This is close to the level the ALL/EUR exchange rate was at in late May.

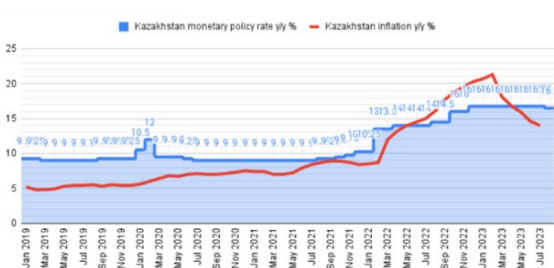
Russia PMI

Source: S&P Global

Russian services PMI jumps to very strong 57.6 in August

The seasonally adjusted S&P Global Russia Services PMI Business Activity Index posted a very strong 57.6 in August, up sharply from 54.0 in July.

"The latest data signalled a sharp expansion in business activity across the Russian service sector, with firms often attributing the rise to stronger domestic client demand. The rate of growth in output was the second-fastest for three years and steeper than the series average," S&P said in a press release on September 5.

Kazakhstan monetary policy rate vs CPI inflation y/y

Source: Central bank of Kazakhstan

Kazakh central bank introduces first policy rate cut since 2020

Kazakhstan's central bank on August 25 introduced its first policy rate cut since 2020, reducing the benchmark by 25 bp to 16.5%.

The decision to implement the cut was taken in light of improving inflation projections within the country. Galymzhan Pirmatov, governor of the National Bank of Kazakhstan, also highlighted the evolving global economic landscape, characterising it as "disinflationary" due to declining food prices and the tightening of monetary policies by central banks worldwide.

Europeans support ongoing aid and weapons for Ukraine even if politicians waver

bne IntelliNews

Ukrainian President Volodymyr Zelenskiy told *the Economist* that he saw signs of wavering amongst Ukraine's Western partners in an interview on September 10, but the people of Europe still want to support Ukraine in its fight with Russia, according to a recent poll.

Zelenskiy, a former television actor with an acute sense of his audience, has detected a change of mood among some of his partners, *The Economist* wrote. "I have this intuition, reading, hearing and seeing their eyes [when they say] 'we'll be always with you,'" Zelenskiy said. "But I see that he or she is not here, not with us."

The slow progress of the counteroffensive and looming elections in the US and elsewhere have led to visible signs of Ukraine fatigue among the Western partners, but for the moment funding and weapons supplies remain in place for all this year and well into next year.

While the politicians may be starting to waver, the population of Europe remains committed. Most Europeans support further financial aid to Ukraine and sanctions against Russia, according to an EU survey.

In particular, 65% of those surveyed support ongoing financial aid and 71% of respondents back the sanctions regime. Another 57% believe that the EU should support the purchase and supply of military equipment for Ukraine and the training of the Ukrainian military.

Most Europeans believe that the war in Ukraine requires the EU to ensure its energy and economic security (85%) and expand military co-operation between member states (75%).

About two-thirds of Europeans (67%)

believe that the EU should support Ukraine's path to European integration, and 65% are behind Ukraine's integration into the single European market.

Most Europeans (86%) approve of the EU continuing to provide humanitarian support to people affected by war, and three-quarters (77%) agree to accept people fleeing war into the EU.

Only 15% of Europeans are categorically against financial aid to Ukraine. However, 71% of Europeans show full solidarity with Ukraine.

A separate survey found that Ukrainians trust large private Western companies and banks, and without corruption, to carry out the post-war reconstruction of their country effectively. Just over a quarter (28%) of respondents trust these companies, while 19% trust the international financial organisations such as the IMF and the World Bank.

"There is distrust in society towards domestic companies for post-war

economic and infrastructural reconstruction. In July 2023, only 17.5% of respondents agreed that state-owned Ukrainian companies and banks can effectively and without corruption carry out post-war reconstruction of the country. The level of trust in Ukrainian for private companies and banks is even lower – 8%," the study says.

Least popular, only 3% of respondents believe that large non-Western companies and banks (for example, from Asian countries) will be able to restore Ukraine efficiently and without corruption.

In a worrying development for Ukrainian President Volodymyr Zelenskiy, most Ukrainians consider the president to be directly responsible for corruption in government. According to a recent poll published by the Ilko Kucheriv Democratic Initiatives Foundation, 78% of surveyed Ukrainians believe that the president bears direct responsibility for corruption in the government and regional administrations. Only 18% of respondents disagreed with this statement. ●



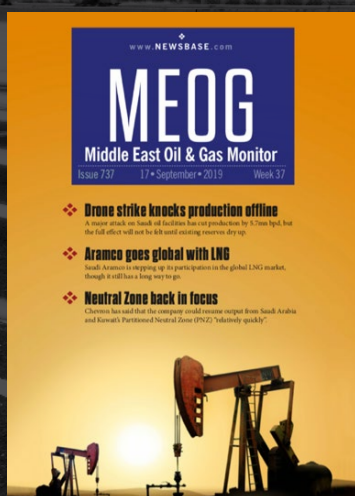
There has been some signs of Ukraine fatigue in recent months, but an EU survey found most Europeans want to continue their support of Ukraine. / bne IntelliNews

COVERING THE WORLD OF ENERGY

Someone bombed Saudi Arabia's biggest oil production facility knocking out 5.7mbpd of production – the biggest oil supply outage ever. Oil prices in Asia opened 20% higher the following day – the largest single increase ever. Investors had to scramble to keep up.

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

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