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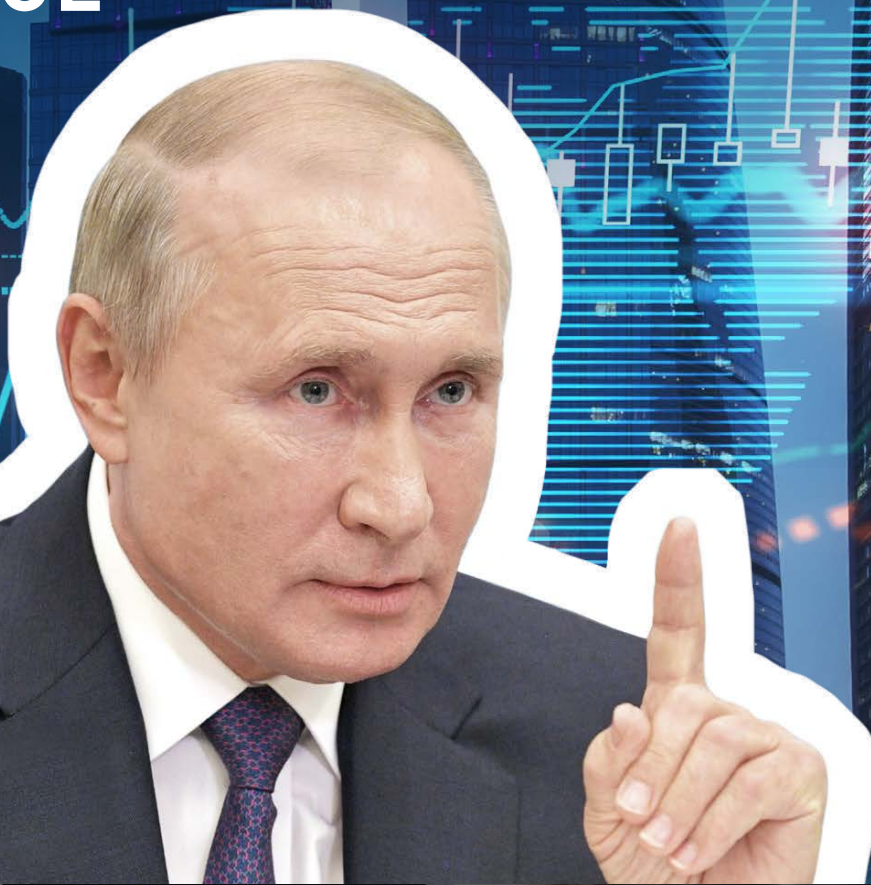
PUTINOMICS: RUSSIA'S OIL AND GAS REVENUE TO DOUBLE IN APRIL

Orban's son-in-law and Russian oligarch reportedly attempted to buy stakes in Spar

Magyar steps up as challenger to Orban in largest anti-government protest since 1988

Nobel Peace Prize nominee Olga Karatch on the squandered chance to change Belarus

Tajik foreign minister hits out at Russia's apparent torturing of alleged terrorist



**Uzbekistan MTO:
plastics in
the steppe**
P7



**Serbia's
President Vucic,
the prophet
of doom**
P42



**Ukraine's power
blackout means
a dark future**
P54



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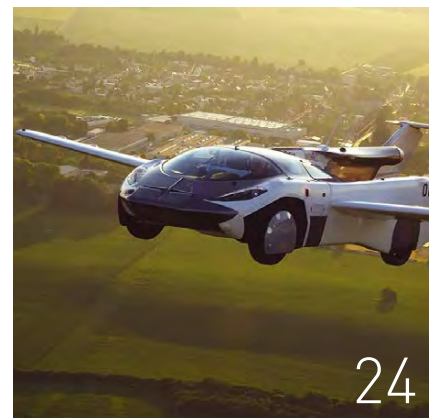
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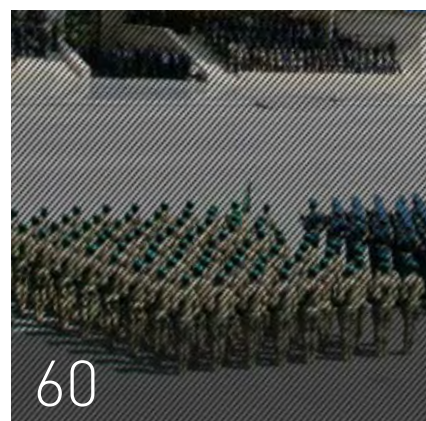
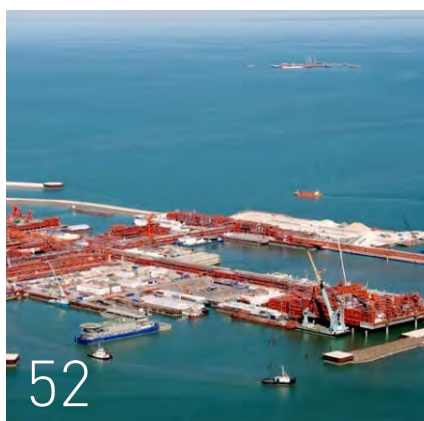
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**COMPANIES & MARKETS**

- 4** Poland's Orlen paid \$400mn to scammers for oil that never arrived
- 5** Orban's son-in-law and Russian oligarch reportedly attempted to buy stakes in Spar
- 6** Polish energy stocks fall after government hints at dropping plan to carve out coal assets
- 7** Uzbekistan MTO: plastics in the steppe
- 9** Azerbaijan doubles down by expanding gas exports to Europe
- 12** French billionaire to acquire Ukrainian telecom businesses in one of country's largest acquisitions
- 12** Court lifts EU sanctions on Russian billionaires Fridman and Aven
- 15** US investor to build \$1bn magnesium mining complex in Romania
- 15** Smarter US sanctions seen driving down Turkey-Russia trade
- 16** Over 22,000 Serbs sign petition to save bombed Belgrade landmark from Kushner development plans
- 20** AI and cybersecurity to drive CEE tech sector
- 22** Baltic states aim to go nuclear but have to wait
- 24** Chinese investor buys licence for Slovakia's flying car project
- 25** Banca Transilvania launches Romania's first neobank
- 26** Dubai airport, city and roads underwater from historic floods
- 27** Poland's first nuclear plant may carry €35bn price tag
- 28** Rain, rain go away
- 31** 100,000 forced from homes in Kazakhstan by "biblical" flooding linked to climate change



COVER FEATURE

- 32** Putinomics: Russia's oil and gas revenue to double in April

CENTRAL EUROPE

- 36** Magyar steps up as challenger to Orban in largest anti-government protest since 1988
- 38** Czech spy agency says pro-Kremlin media ring targets European Parliament elections in several states
- 40** Pellegrini beats Korcok to become the next Slovak president
- 41** Poland's Tusk says no to freshly agreed EU migration deal

SOUTHEAST EUROPE

- 42** Serbia's President Vucic, the prophet of doom
- 43** Bulgaria and Romania join air and sea Schengen area

- 44** Romanian president's hopes of leading Nato fade
- 45** Local elections victory is Turkish main opposition party's first national polls win since 1977

EASTERN EUROPE

- 46** Kremlin tries to link Hunter Biden to financing of Moscow's Crocus City Hall terrorist massacre
- 47** Nobel Peace Prize nominee Olga Karatch on the squandered chance to change Belaru

EURASIA

- 50** Tajik foreign minister hits out at Russia's apparent torturing of alleged terrorist
- 51** Armenia and Azerbaijan announce first border delimitation deal since the collapse of the USSR

- 52** Kazakhstan's Kashagan claims against big oil firms now reportedly top \$150bn
- 53** China expanding security footprint in Central Asia

OPINION

- 54** Ukraine's power blackout means a dark future
- 56** Armenia's decisive turn towards the West
- 59** What's behind the Georgian government's revival of the foreign agents law?
- 60** Caspian military drills that exclude Russia and Iran have some people in Moscow asking questions

NEW EUROPE IN NUMBERS

- 63** Ukraine's birth rate plummets to 300-year low as country's population collapses



News comes in wake of an Orlen stock exchange report, published on April 10, which said in veiled corporate language that it expected an “accounting one-off”.

Poland’s Orlen paid \$400mn to scammers for oil that never arrived

Wojciech Kosci in Warsaw

Orlen Trading Switzerland, the Swiss business of Poland’s listed energy conglomerate Orlen, paid PLN1.6bn (nearly \$402mn) to an unchecked company that turned out to be a scam, Polish media reported on April 11.

The news reports come in the wake of an Orlen stock exchange report, published on April 10, which said in veiled corporate language that it expected an “accounting one-off” coming from an oil deal that the company’s Swiss subsidiary had signed.

“In lack of deliveries of crude oil and refining products in accordance with the deadline provided in the certain agreements, the subsidiary requested reimbursement of the prepayments,” Orlen said in a market filing.

“The prepayments have not been returned in the deadlines and the subsidiary assessed the possibility to recover the owed funds as unlikely,” it also said.

Orlen Trading Switzerland’s CEO was detained in Poland as he flew in to meet the company’s new management, which the government-controlled supervisory board has recently appointed, Radio Zet reported.

Even though the arrest had to do with an investigation into an alleged VAT extortion scheme, it cast a stronger light on Orlen Trading Switzerland and Orlen under the leadership

“The prepayments have not been returned in the deadlines and the subsidiary assessed the possibility to recover the owed funds as unlikely”

of the previous CEO Daniel Obajtek, a political nominee of the previous government of Law and Justice (PiS).

Prime Minister Donald Tusk hinted at trouble brewing at Orlen because of its Swiss subsidiary in March.

“There are justified concerns that in connection with the activities of this company, Poland will face very serious problems,” Tusk told a press conference at the time.

The scandal is now prompting questions about internal procedures for verifying business partners at Orlen, as it

“was already clear in late 2023 that a contract had been signed with a random supplier who turned out to be a fraudster”, Poland’s business and industry news website wnp.pl wrote on April 12.

Another issue is “why such important information was only published in April”, it added. Orlen’s consolidated annual report for 2023 is scheduled for publication on April 25.

The company’s share price fell 2.17% to PLN68.2 on the Warsaw Stock Exchange on April 12. ●

Orban’s son-in-law and Russian oligarch reportedly attempted to buy stakes in Spar

Tamas Csonka in Budapest

A Russian oligarch and Hungarian premier Viktor Orban’s son-in-law approached Spar separately with bids backed by the government to buy stakes in the Dutch-based retail chain’s Hungarian operations over the past year, *Vsquare* reported on April 4.

The bids were allegedly part of a campaign by the government to force the retailer to allow businessmen close to the semi-authoritarian Orban regime to enter the company. The Hungarian government is on record for pushing for more domestic ownership of key strategic sectors and has allegedly used tactics close to extortion to achieve this aim, a process that has enriched businessmen close to the ruling Fidesz party.

The retailer filed a complaint with the EU about the windfall tax in Hungary introduced in 2022, accusing the Hungarian government of breaking EU law, and called on Brussels to intervene to mitigate the impacts. The government slapped the largest retailers in Hungary with a 4.1% revenue-based tax and introduced a string of unorthodox measures, such as price caps and mandatory discounts.

“We are the second-largest food retailer in Hungary with over 600 stores, but these measures make it impossible to operate profitably in Hungary”, Spar CEO Hans Reisch told German and Austrian media a few days later, adding that government measures have cost the retailer €120mn.

Spar paid €76mn in special tax last year, which is expected to rise to €92mn in 2024, pushing the company deeply in the red.

Reisch also said that Orban asked the company to let one of his relatives become a shareholder and announced that Spar is withdrawing assets from Hungary for fear of expropriation as part of a corporate restructuring.

The Austrian CEO openly spoke about the Orban government’s harassment and extortion, adding that the prime minister made the reduction of the windfall tax conditional to granting ownership to his relative.

Vsquare learned that more than a year ago, the Rahimkulovs, one of the richest families in Hungary, headed by oligarch Megdet Rahimkulov, made a bid for Spar, but got rejected. The Russian billionaire had a key role in drawing up a gas trading agreement between Hungary and Russia in 1996 and acted as an intermediary between MOL and Gazprom. He was also the head of a local bank owned by Gazprom at that time.

The site learned from a Hungarian business source that Istvan Tiborcz, Viktor Orban’s son-in-law, was the unnamed Orban relative mentioned by the Spar CEO in connection with the takeover attempt.



Orban’s son-in-law Istvan Tiborcz. / bne IntelliNews

Orban's family circles have done business with the Russian oligarch. Tiborc's real estate manager and holding group BDPST Group sold two Austrian hotels earlier this year to a company indirectly linked to Russian billionaire Megdet Rahimkulov.

Vsquare notes that the Rahimkulovs have also been closely coordinating with Orban's family since making their offer.

Government officials openly threatened the retailer after it went public with the asset grab attempt. Minister for Construction and Transport Janos Lazar said at a conference

on March 2 that the "company will pay the price for what it has done in recent days".

Lazar said he had advised the prime minister that the state should just buy up the company as a whole "after the lies".

The company's board has sent a letter to 14,000 Hungarian employees informing them of the ongoing spat with the government and confirming their commitment to remain a Hungarian retailer. The windfall tax paid by the company came to €8,700 per employee in 2023, they add. ●

Polish energy stocks fall after government hints at dropping plan to carve out coal assets

Wojciech Kosci in Warsaw

Stocks of Polish state-controlled energy companies fell sharply on the Warsaw Stock Exchange on April 10 after a government official hinted at dropping the previous administration's plan to move the companies' burdensome coal assets to a separate entity.

The plan assumed spinning off coal assets to the National Energy Security Agency (NABE), which would secure their operation and maintenance before gradually retiring them in line with Poland's overarching strategy to reduce coal's share in electricity generation.

Relieved from the burden of coal assets, the companies – PGE, Tauron, and Enea – would be better positioned to attract green financing, it was hoped.

But Industry Minister Marzena Czarnecka said in an interview on April 10 that the previous government "wasted time" trying to establish the NABE and is working on an alternative solution now.

"The NABE project will not be implemented. [We will] link coal-fired power plants with specific mines instead," Czarnecka told the newspaper *Rzeczpospolita*.

Despite the minister's adding that the plan is still in a very early stage of development and legal analysis, stocks of PGE, Tauron, and Enea all fell sharply on the Warsaw bourse.

The stock price of Poland's biggest energy company PGE fell 8.56% as trading closed. Enea's stock price declined 6.75%. Tauron proved the least exposed, as its stock price slid just 1.36%.

The stock exchange's energy index WIG-Energia – which is 80%-dominated by the three state-controlled companies in question – fell 4.89%.

Czarnecka also said that "in July, we should present a plan to assign specific mines to specific power plants. In September, we will present legal solutions for implementing this idea."

Poland's energy generation sector remains heavily dominated by coal and lignite, which make up over 60% of the country's energy mix.

Major investments in nuclear power and offshore wind are expected to reduce coal's share in the energy mix to below 20% in 2040 and thus bring down climate-harming emissions.

Still, Poland's government is wary of the costs of the bloc's climate policy – transitioning away from coal to low-carbon energy sources in particular – that the still coal-reliant country is going to incur.

Those costs could exceed PLN500bn (€115.39bn) in "the coming years," said Climate and Environment Minister Paulina Hennig-Kloska in February. ●



The stock price of Poland's biggest energy company PGE fell 8.56%. Enea's stock price declined 6.75%. / bne IntelliNews

Uzbekistan MTO: plastics in the steppe



Uzbekistan has embarked on an ambitious project to build a petrochemical complex from scratch near the ancient Silk Road town of Bukhara to supply itself with plastics. / bne IntelliNews

Ben Aris in Bukhara

Uzbek President Shavkat Mirziyoyev is a man with a mission: to add value to everything he can. Uzbekistan is emerging from its hermit status under the previous president, Islam Karimov, who died in 2016, and since then Mirziyoyev has implemented one reform after another, where the goal has been to make better use of the country's resources and move the country up the value chain to create better paid jobs for the burgeoning young population.

The most obvious example is the cotton crop, which has traditionally been the country's bread and butter. A major foreign exchange earner for two decades since the country's independence in 1991, Mirziyoyev radically banned the export of raw cotton and then privatised the entire sector in 2021, forcing the owners to invest into new machines and move up the value chain to make textiles and thread amongst other things.

Now Mirziyoyev is at it again: Uzbekistan has launched the construction of a petrochemical plant from scratch to supply the country with over a million tonnes per year (tpy) of plastic.

The Gas Chemical Complex MTO (methanol to olefin) Central Asia Karakul Complex is a petrochemical complex being built near the ancient Silk Road city of Bukhara and is a showcase of the "New Uzbekistan" transformation.

The plant will transform methane into methanol and use that as the feedstock to make ethylene, propylene and various polymers (PP, PET, EVA, LDPE and HDPE) that when at full production is expected to make 1.1mn tpy of plastics. The facility will be unique in Central Asia and supply regional markets as well as Uzbekistan's own domestic market.

The country produces about 30bn cubic metres of gas a year – not quite enough to power its own economy – but it currently imports all its plastics.

The project started in 2019 when the government studied the country's needs and looked at a total of 47 different types of plastics before settling on five that it intends to make itself, using its own gas production as a feedstock from the Mubarak

gas fields. The GCC MTO was formally created by presidential decree in August 2021.

Uzbekistan has the advantage that its gas is very lean, inasmuch that it doesn't contain much contamination from longer carbon chains and so is ideal for conversion into methanol, the basic feedstock for MTO.

In addition, ArkChemical is a joint venture between Saneg and the state-owned energy champion, Uzbekneftegaz, that will add a naphtha cracker unit to the complex that uses synthetic naphtha as a feedstock to produce polymers. ArkChemical's investment cost is an estimated \$1.1bn and will process some 430,000 tpy of naphtha to produce

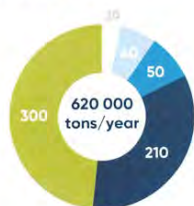
MTO main products

Name	Production volume	Use	Domestic/export share
Low density polyethylene terephthalate (LDPE)	80,000 tonnes per year	For pipes	50% sold domestically
High density polyethylene terephthalate (HDPE)	280,000 tonnes per year	Used in automotive industry for things like bumpers	18% will be sold on the domestic market
Ethylene vinyl acetate (EVA)	100,000 tonnes per year	Used in footwear, sports, and leisure applications	40% will be sold domestically with the rest for export
Polyethylene terephthalate (PET)	300,000 tonnes per year	The most common thermoplastic polymer resin of the polyester family and is used in fibres for clothing, containers for liquids and foods, and thermoforming for manufacturing, and in combination with glass fibre for engineering resins.	100% domestic
Polypropylene (PP)	350,000 tonnes per year	A robust heat-resistant plastic	60% will be sold domestically

Source: MTO

GCC products for domestic market

Planned volume of polymer feedstock sales in Uzbekistan, thousand tons/year



● Polyethylene terephthalate
● High density polyethylene
● Polypropylene
● Low density polyethylene
● Ethylene vinyl acetate

PET	Textile brand – 220 000 tons/year Bottle brand – 80 000 tons/year
EVA	Footwear production – 30 000 tons/year Floor coverings production – 5 000 tons/year Children's toy production – 5 000 tons/year
PP	Fibre production – 90 000 tons/year Bag production – 45 000 tons/year Pipe production – 45 000 tons/year BCPP production – 30 000 tons/year
LDPE	Film production – 20 000 tons/year Moulding production – 10 000 tons/year Other – 10 000 tons/year
HDPE	Blow moulding – 12 500 tons/year Tube production – 12 500 tons/year Tape production – 12 500 tons/year Injection moulding – 12 500 tons/year

280,000 tpy of high density polyethylene and 100,000 tpy of polypropylene.

A total of ten units are contained on MTO's relatively compact 225ha site that can easily be expanded in the future.

It has taken five years to go from drawing board to breaking ground construction of the plant has now begun and will take about two years to complete before it comes online sometime in 2026, according to Ruslan Navruzov, the technical director.

The MTO will be a full cycle plastics production complex based on methanol. It is being entirely funded by private investments, not from the budget. Private companies enjoy significant tax breaks and other perks as part of the Karakul Free Economic Zone, according to Bakhodur Khafizov, the CEO of the Karakul FEZ, which was established in 2021 to provide a home to the MTO plant.

“The Karakul FEZ is a cluster model: the plant processing natural gas into polymer raw materials and then into high added value products are all concentrated in one place,” says Khafizov. All the technology in the plant is being sourced from abroad and will be used under licence from international companies.

On the wall of the presentation centre, one of the few buildings that have already been completed, a quote from the president is transcribed on the wall of the centre: “Building a new Uzbekistan and laying the foundation for a third renaissance.”

The plastics that will be produced will mostly go to meet domestic demand in the food processing, packaging, construction and automotive sectors, another of Uzbekistan's industrial strengths, with the other half being exported to markets like China, Turkey and the other Commonwealth of Independent States (CIS) countries.

Today the main site is little more than a 400-hectare patch of earth, although the first warehouses have gone up and pipe-making equipment for the plant has been imported and installed on the main site. However, a whole logistics and support centre is already functioning right next to site with warehouses and storage areas, customs post, railroad access, gantry cranes, reinforced concrete and asphalt plants.

The total cost of the MTO is estimated at \$3.3bn with another \$700mn invested in the free economic zone development, but will generate an estimated \$14bn over 25 years in revenues when it is online and create about 5,000 jobs. At the same time, it will reduce the country's plastics import bill by some \$500mn a year and earn another \$350mn from exports, says Khafizov.

The plant will also get its own 500-MW solar-powered power station as well as being connected to the Uzbek grid. Uzbekistan has become the green energy leader in Central Asia, capitalising on its copious sunshine and wind resources.

The plant will consume 1.3bcm of gas a year (the whole free economic zone will consume 1.9bcm of gas) and be connected to the domestic gas network. The country has suffered from a gas deficit in recent years that has caused an energy crisis in the last two winters, but a deal signed with Russia at the end of last year will reverse the flow of Soviet-era pipelines and import Russian gas to make up the shortfall.

The MO plant will also need 3,500 cubic metres of water a year that will come from the nearby Amu Bukhara canal, as well as getting a new dedicated railway line to ship the finished product to customers around the world.

Partners

The project is owned by Uzbekistan's leading private energy company Saneg that will supply the 1.3 bcm of feedstock gas per year. The EPC general contractor is Enter Engineering, which has wide experience in heading major industrial and infrastructure projects. There are also half a dozen more partners that are providing design, environmental and legal advice.

The design and consulting partners include: John Wood Group Plc (UK), Topsoe (Denmark), Koch Industries Inc. (US), Chemtex Global Corp. (US), Scientific Design (US), Versalis (Italy), Sinopec (China) and Grace Catalysts Technologies (US).

The design and technical processes are already finished, and the detailed 3D model design phase is close to completion. The land plot is also already being levelled and the first warehouses and pipe workshops have already been built. Construction of the first chemical units will start in about June.

“The plastics that will be produced will mostly go to meet domestic demand in the food processing, packaging, construction and automotive sectors. The rest will be exported”

A number of production partners have already signed up to the project and joined the Karakul FEZ to make materials they need for their various industries: Karakulkimyo (fertilisers), Urgaz (flooring and covering), Merganteks (textiles), SAG (flooring and carpeting) and Vero (construction supplies).

There is a lot of upside to domestic demand. A survey by the government on plastics use in Uzbekistan found that the consumption was: 5.8kg per capita per annum for PE; 5.3 for PP; and 4.4 for PET.

Those are all multiples lower for use in the most advanced Western economies. For example, even in Turkey the consumption of PP is 23kg per capita per annum according to Boston Consulting group.

State of play

While the site remains little more than a field in the desert, construction work is well in hand and the land has been

levelled and prepared for construction of the chemical units that is about to start.

The site is already well served with a nearby rail terminal and water in the Amu Karakul canal. And there is a sizable town nearby that will provide most of the labour, although a worker's village is being constructed. Specialists will be hired in and accommodated at the site in the village too.

Procurement orders have already gone out for the large specialist pieces of machinery and the 314 tonne reactor has already been made in India by Larsen&Toubro and delivered. Another 500-tonne reactors made by China's Sinopec – the first time it has made a reactor outside China – is on order and will be ready soon, says technical director Navruzov.

For the next stage the smaller sub-critical equipment is now in process and will be arriving over the next 12 months before main construction work starts in July and August, according to Navruzov. ●

Azerbaijan doubles down by expanding gas exports to Europe

Seymur Mammadov in Baku

Romania has turned to Azerbaijani gas. The supply contract signed on February 3, 2023 by the State Oil Company of the Azerbaijan Republic (SOCAR) and the Romanian company Romgaz expired on March 31 of this year. The agreement was for Romania's purchase of 1bn cubic metres of gas. Deliveries were made through the Greece-Bulgaria Interconnector (IGB) from the TAP (Trans Adriatic Pipeline) exit point in Komotini, through Bulgarian territory to Romania, and onwards via the Bulgaria-Romania-Hungary-Austria (BRUA) gas pipeline system. SOCAR expressed a willingness to extend this contract until 2026.

Just after the contract expired, on April 1, the Romanian Minister of Energy, Sebastian Ioan Burduja, visited Azerbaijan. The meetings focused on the prospects of supplying liquefied natural gas from Azerbaijan to Romania, with particular attention to the possibility of producing LNG at the SOCAR terminal in the Georgian port of Kulevi, followed by its transportation to the Romanian port of Constanta. This project is deemed extremely important for strengthening not only Romania's energy security but also that of the EU as a whole, making Romania a transit corridor for Azerbaijani gas into Europe in the process.

After the EU was cut off from Russian gas in 2023, European Commission President Ursula von der Leyen travelled to Baku to

meet with President of Azerbaijan Ilham Aliyev, and they signed off on a 10 bcm supply deal to shore up Europe's gas supplies.

"The European Union has therefore decided to diversify away from Russia and to turn towards more reliable, trustworthy partners. And I am glad to count Azerbaijan among them," von der Leyen said in a speech to Aliyev during her visit to Baku. "You are indeed a crucial energy partner for us and you have always been reliable."

As part of the new energy arrangements, in October 2022, a memorandum was signed in Bucharest between SOCAR and Romgaz to develop a technical and economic feasibility study (TEFS) for the transportation of Azerbaijani gas along the Baku-Kulevi-Constanta route. This project could encompass the construction of LNG production and regasification plants in Kulevi and Constanta respectively, along with the creation of other necessary infrastructural facilities. The TEFS of the project is expected to be completed within the current year, reaffirming Romania and Azerbaijan's commitment to deep energy cooperation amidst the remake of the global energy market.

However, Romania is far from being the only European destination for Azerbaijani gas, as Aliyev said in a speech at a grand opening ceremony of the Bulgaria-Serbia Interconnector in Nis, Serbia.

Azerbaijan's Oil And Gas Export Routes



Source: S&P Global Platts

Azerbaijan has been increasing its exports of gas to Europe to make up some of the Russian shortfall. It is also planning to increase the amount of Kazakh oil transiting its territory to reach the international markets.

The president said Azerbaijan is advancing towards an ambitious goal of doubling its gas exports to Europe by 2027. That means Azerbaijan will not only have to increase natural gas production volumes but also significantly expand the capacity of three key pipelines of the Southern Gas Corridor (SGC). This corridor is a vital artery for delivering Azerbaijani gas from the shores of the Caspian Sea directly to European markets.

Production and export rising

By the start of 2024 Azerbaijan was the fourth largest supplier of pipeline gas to the EU behind Algeria, Norway, the United Kingdom and Russia.

Italy, Greece and Bulgaria are the main customers in Europe and increased their imports to record volumes in 2023, reaching approximately 12.9 bcm, based on Eurostat data.

The EU used to import some 150 bcm from Russia of which about 25 bcm is still delivered via pipelines via Turkey and Ukraine, so there is still plenty of unsated demand. Gas production expanded by 3.8% in 2023, reaching 48.5 bcm, and exports grew by 6.9% to 23.8 bcm. Minister of Energy of Azerbaijan Parviz Shahbazov said recently the republic's plan is to increase production to 49 bcm of gas in 2024, with 24 bcm earmarked for export. And that plan is on track after Azerbaijan exported 4.1 bcm of gas, of which 2.1 bcm was sent to Europe in the first two months of this year.

Azerbaijan also wants to expand the list of European countries purchasing Azerbaijani gas, which currently includes Italy, Greece, Bulgaria, Romania, Hungary and Serbia.

For example, in 2026, Albania intends to start using Azerbaijani natural gas to meet its energy needs. According

to information published by the international rating agency S&P Global Ratings, plans are currently being developed to establish the necessary infrastructure for gas distribution in Albania.

This initiative will allow Albania to diversify its energy sources by leveraging existing infrastructure such as the Trans-Adriatic Pipeline (TAP), reducing the country's dependence on hydroelectric power, and let Albania transit gas on to the wider European markets, including Italy, according to S&P.

Albania is expected to receive approximately 200mn cubic metres of Azerbaijani gas annually. This coincides with the planned first phase of the expansion of the Trans-Adriatic Pipeline, which will increase its capacity by an additional 1.2 bcm. Of this volume, 1 bcm is intended for Italy.

TAP's capacity will also be expanded to receive an additional 1.2 bcm of Azerbaijani gas by the end of 2025. From 2026, Italy will receive 1 bcm from this volume, while Albania will receive an additional 200 mcm.

Whose gas is it?

But Azerbaijan growing gas exports is not without controversy. While Azerbaijan exports to the EU have risen, so have imports of gas to the country from Turkmenistan and Russia, effectively enabling the re-export of Russian gas to Europe by the backdoor, say critics. However, these claims have not been corroborated by official sources and have been disputed by representatives from both Azerbaijan and the EU.

“Italy, Greece and Bulgaria are the main customers in Europe and increased their imports to record volumes in 2023, reaching approximately 12.9 bcm”

A representative from the European Commission for Climate Action and Energy, Tim McPhie, emphasised that the EU imports exclusively Caspian resources from Azerbaijan. The volumes of imports from Russia to Azerbaijan are significantly less than the volumes Azerbaijan exports to Europe, McPhie said.

SOCAR vice president Elshad Nassirov also addressed the question of the re-exporting of Russian gas, pointing out the technical impossibility of any gas other than that from the Shah Deniz field entering the South Caucasus Pipeline.

Azerbaijan does import gas from Russia, which is used to

meet the country's domestic gas demand, but that frees up more gas from the Shah Deniz field to be exported to European customers, strengthening its position in the international market.

The Energy Ministry highlights that Azerbaijan and Russia generally sign short-term contracts concerning limited gas volumes. For instance, in 2022, about 1 bcm of Russian gas was imported to Azerbaijan – about a tenth of the volume exported to the EU.

Oil export declines

Long primarily an exporter of oil, the gas business is relatively new for Baku, and although Azerbaijan still produces and exports oil, the volumes have been falling in recent years.

The decline in oil exports is becoming a significant factor for Azerbaijan's economy. The government forecasts that in 2024 oil production will remain at about 29.5mn tonnes, or just under 600,000 barrels per day (bpd), which is 3.3% less than the previous year. This decrease is part of a broader trend, with a gradual reduction in production volumes anticipated to reach 8.8% by 2027.

This trend is highlighted by a comparison with previous years, where in 2023 production had already decreased by 7.4% compared to 2022. The Azerbaijani government anticipates that production volumes will continue to decrease, reaching approximately 26.9mn tonnes by the end of 2027.

On the other hand, OPEC in its January report predicts relative stability in Azerbaijani production at 700,000 bpd throughout 2024-2025. The launch of the seventh platform at the Azeri Central East (ACE) field is expected to be a key factor contributing to the stabilisation of production.

Oil transit

As domestic oil production begins to fall, Azerbaijan is seeking to increase its role as a transit country for Kazakh oil. In March 2023, SOCAR announced the start of the transit of Kazakh oil through the Baku-Tbilisi-Ceyhan (BTC) pipeline that connects the oil fields in the Caspian Sea to oil ports in Turkey on the Mediterranean coast.

The first batch of Kazakh oil from its massive Tengiz field was delivered to Azerbaijan's Sangachal terminal from the port of Aktau on the tanker President Heydar Aliyev on March 23. A few days before this, Kazakhstan had made its first test shipment of 6,900 tonnes of crude oil from the Kashagan field on the tanker Academician Khoshbakht Yusifzade to Baku. The next shipment of Kazakh oil from the port of Aktau took place on the tanker Shusha on March 27.

The transportation of Kazakh oil through the BTC and then by tanker to the rest of the world is part of an agreement between SOCAR and state-owned oil and gas company KazMunayGas, providing for the transit of 1.5mn tonnes per year (tpy) of oil.

For these purposes, SOCAR upgraded the pipeline network at the Sangachal terminal in 2022.

In mid-March, Georgian media, citing the Minister of Economy of Georgia, Levan Davitashvili, reported that oil transportation through the Baku-Supsa pipeline, which ends on the Black Sea coast, could resume by the end of 2024.

"The position of the Azerbaijani side is very important for the use of the pipeline, and here we are engaged in

"The launch of the seventh platform at the Azeri Central East (ACE) field is expected to be a key factor contributing to the stabilisation of production"

intensive dialogue, as this pipeline has been operating under Azerbaijani oil since the spring of 1999. Now the transit of Kazakh oil, which is of a different type, is being discussed. I think that we will have clarity on the main issues, and we hope that the pumping of this oil (from Kazakhstan) will begin this year. In the future, we think we can handle over 1mn tpy of oil. I hope that oil transportation will begin this year," said Davitashvili.

The Baku-Supsa pipeline can carry up to 5mn tpy of oil. Since the spring of 1999, this pipeline has been used for transporting oil from Azerbaijan's Chirag offshore field in the Caspian Sea, but in the spring of 2022, due to problems with oil shipments in the Black Sea – the number of tankers entering the Sea was reduced due to the military conflict between Russia and Ukraine – it was decided to redirect all Azerbaijani oil to the Baku-Tbilisi-Ceyhan pipeline which ends on the Mediterranean. Since then, the Baku-Supsa pipeline has been effectively idle.

Azerbaijan needs to increase the capacity of connecting pipelines at terminals and expand its tanker fleet. Relaunching Baku-Supsa pipeline requires these measures.

If Kazakhstan is to pump up to 5mn tpy of oil through Baku-Supsa and another 3mn tpy through BTC, to transit these 8mn tpy of fuel, it will be necessary to modernise the Kazakh terminal and the interconnector between it and the Azeri port of Sangachal so they can support these large volumes.

There is also the issue of the shallowness of the sea that requires dredging works on both sides of the Caspian. And agreements with pipeline owners, BP and shareholders of ACG, need to be signed as well as new transit tariffs set. ●

French billionaire to acquire Ukrainian telecom businesses in one of country's largest acquisitions



In a joint press release issued on April 8, NJJ Capital, belonging to French billionaire Xavier Niel (pictured), announced its regulatory approval to acquire Datagroup-Volia, one of Ukraine's largest fixed telecom and pay-TV providers.

bne IntelliNews

French billionaire Xavier Niel's investment company, NJJ Capital, is poised to make one of the largest acquisitions in Ukraine's history, with plans to acquire two major telecom businesses in the war-torn country.

In a joint press release issued on April 8, NJJ Capital announced its regulatory approval to acquire Datagroup-Volia, one of Ukraine's largest fixed telecom and pay-TV providers. Following this approval, the company is set to acquire Lifecell, Ukraine's third-largest mobile operator, owned by Turkey's largest telecommunications company, Turkcell.

Reports first emerged in January that Turkcell would sell its Ukraine units to NJJ Capital for an estimated \$525mn. Subsequently, NJJ expressed interest in acquiring Datagroup-Volia, formed after Datagroup's acquisition of Volia Group in 2021.

Upon completion of the acquisitions, NJJ Capital intends to merge Datagroup-Volia with Lifecell to create a combined entity. This landmark transaction is expected to surpass \$1bn in value, making it one of the largest acquisitions in Ukraine since its independence.

The acquisitions are set to inject crucial investment into Ukraine's telecommunications sector, which has suffered from disruptions due to the war.

Commenting on the deal, Xavier Niel stated, "We are confident that our landmark transaction will serve as a signal to others that the time to invest in Ukraine is now, to support the rebuilding of the country and realise its potential."

NJJ Capital's capital expenditures will focus on expanding fixed and mobile infrastructure, as well as building out 5G networks across Ukraine.

Upon completion of the acquisitions, the combined platform is expected to employ around 5,000 people and serve approximately 11mn customers. Datagroup-Volia CEO Mykhaylo Shelemba will continue to lead the merged entity, while Horizon Capital will retain a minority stake in the company.

With Ukraine's antitrust regulator currently reviewing the Lifecell acquisition, the deal is on track to close pending regulatory approval, signalling a new chapter in Ukraine's telecommunications landscape. ●

Court lifts EU sanctions on Russian billionaires Fridman and Aven

bne IntelliNews

The European Court of Justice in Luxembourg has lifted sanctions on two of Russia's richest men, Petr Aven and Mikhail Fridman of Alfa Group, RBC business portal reports citing the documents published on the court's website on April 10.

Forbes estimates Aven and Fridman's fortunes at \$4.3bn and \$13.1bn respectively. They are two of Russia's best known oligarchs

that rose to prominence in the 1990s during the chaotic Yeltsin-era when the first generations of super-rich emerged.

"The General Court upholds the requests of Petr Aven and Mikhail Fridman and annuls both the initial acts and the acts maintaining the lists of [EU] restrictive measures for the period from 28 February 2022 to 15 March 2023," the document reads.

The court believes that “although the grounds put forward by the [European] Council may be such as to establish, as the case may be, a degree of proximity between Petr Aven and Mikhail Fridman and Vladimir Putin or his entourage, they do not demonstrate that they have supported actions or policies that undermine or threaten the territorial integrity, sovereignty and independence of Ukraine, or that they have provided material or financial support to the Russian decision-makers responsible for the annexation of Crimea or the destabilisation of Ukraine, or that they have benefited from those decision-makers.”

To remind, in March 2023, the EU Council has redacted the grounds for sanctioning Aven and Fridman, labelling them as “leading entrepreneurs involved in sectors of the economy providing a substantial source of income to the government of the Russian Federation”.

The sanctions under this criterion continue to be challenged by Aven and Fridman in separate lawsuit proceedings, with no judgement on these complaints yet. The two businessmen still formally remain on the EU sanctions list.

Fridman commented to *RBC* that he was satisfied with the EU court’s decision to lift sanctions against him. “We are satisfied with this decision,” he said.

As followed by *bne IntelliNews*, in 2022 some 20 Russian billionaires threatened to contest sanctions imposed on them by the EU following Russia’s invasion of Ukraine.

This includes the family members of metals and tech tycoon Alisher Usmanov, Dmitry Konov, the former CEO of petrochemicals manufacturer Sibur, who is also appealing against the sanctions against him, industrialist and former EuroChem director Andrey Melnichenko and others.

Fridman and Aven join a slowly growing list of oligarchs that have been removed from the sanctions list. In July the UK government lifted its sanctions on exiled Russian banker Oleg Tinkov, who published a sharp foul-mouthed critique of the “insane war” in Ukraine on his social media, but then was forced to sell his TCS banking group to Russian oligarch Vladimir Potanin.

bne IntelliNews already suggested that Tinkov being cleared of sanctions could pave the way for separating Russia’s richest into “good” and “bad” oligarchs by the West.

In March 2024, the EU has lifted sanctions on Arkady Volozh, the founder of Russian internet giant Yandex. The lawyers of Volozh had reportedly formally requested for the EU sanctions on him to be lifted back in August 2023.

Their arguments are understood to have gained more traction after Volozh publicly condemned Russia’s “barbaric war” full-scale military invasion of Ukraine. However, the sanctions were not lifted until the completion of Volozh’s exit from Yandex

in the largest corporate exit from the country since Russia invaded Ukraine in February 2022.

As closely followed by *bne IntelliNews*, Fridman and Aven’s Alfa Group has also exited most of its Russian assets. Although neither have explicitly condemned the war in Ukraine, they have offered mild criticism calling for an end to the hostilities.

Veon (47.9% owned by LetterOne, an investment vehicle of Alfa Group’s main shareholders Fridman, German Khan and Alexei Kuzmichev) in the end of 2023 completed the exit from its anchor asset Russian mobile major VimpelCom through a management buyout (MBO) in a cashless deal.

“Fridman and Aven join a slowly growing list of oligarchs that have been removed from the sanctions list”

Alfa Group also sold another major asset in Russia – one of the largest private banks Alfa Bank – for RUB178bn (\$2.3bn) to long-time partner Andrei Kosogov. Apart from Alfa Bank and VimpelCom, another Alfa’s major asset in Russia is the country’s largest offline food retailer X5 Group, owned by Luxembourg-based CTF Holdings.

So far, no reports suggested that X5 could be up for sale, but the company redomiciled to Russia and was included in the state list of economically important organisations (EEO).

Alfa Group was part of a consortium of Russian oligarchs AAR (Alfa Access Renova) that held a major share in the Russo-British oil joint venture TNK-BP that they sold to state-owned oil major Rosneft in March 2013 in a \$55bn deal. Fridman took his share of the proceeds and set up LetterOne (aka L1) in



The European court in Luxembourg has lifted EU sanctions from Russian billionaires Mikhail Fridman and Petr Aven. / *bne IntelliNews*

London. Prior to Russia's invasion of Ukraine this investment vehicle had been trying to get back into the oil business internationally, as well as making other profitable investments.

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

“It is unlikely that the Council of the EU will not implement the decision of the Court – and if it does, it will create an important precedent for challenging sanctions decisions made without proper legal grounds”

Volkov criticises the decision

The decision to lift sanctions on the two tycoons was not welcomed by Leonid Volkov, the former head of the late opposition activist Alexei Navalny who died in prison on February 16.

Volkov was ensnared in a scandal when it emerged that he had written to the EU supporting Fridman's application to have sanctions lifted. As an active member of the anti-Putin movement, critics said it was inappropriate for such a high-profile opposition leader to be lobbying on behalf of an oligarch that was seen to be supporting the Russian regime by maintaining profitable businesses in Russia. Volkov was forced to resign.

However, reversing his former support for Fridman, Volkov condemned the decision in a post on X, saying there were no grounds for the EU's change of heart.

“When a year and a half ago I (extremely unsuccessfully) tried to act as a mediator between the owners of Alpha and European officials, the point of the story was to

- a) create a precedent, open the way for the escape of the pro-Putin elites,
- b) condition the lifting of sanctions on a public break with Putin and active repentance,
- c) create a transparent, reproducible mechanism for getting out of sanctions.

“It didn't work out – but I still think there was a point in trying. But what the Europeans have done now makes no sense.

“Fridman and Aven never said a word publicly against the war and did not come into conflict with Putin. The EU Court simply gave them what they wanted on a silver platter. For what? What signal does the court send to Putin, his friends, and Russian oligarchs? A transparent mechanism for exiting sanctions through a public break with Putin and active repentance has not been created. ‘Better hire more European lawyers and lobbyists,’ says the court. This is all very, very bad,” Volkov wrote.

Setting a precedent

But the two Alfa Group tycoons are not out of the woods yet. The ruling by the European court in Luxembourg was clear that one set of sanctions will be lifted, but the second set will remain in place – a partial victory.

Influential Russian academic Vladislav Inozemtsev, the former director of the Moscow-based non-profit think tank Centre for Research on Post-Industrial Societies and now classed as a “foreign agent” by the government after he fled into exile, said in a post on Telegram that he was sure the Council of Europe lift the sanctions on Fridman and Aven and set an important precedent by doing so.

“It is unlikely that the Council of the EU will not implement the decision of the Court – and if it does, it will create an important precedent for challenging sanctions decisions made without proper legal grounds,” Inozemtsev wrote. “I am not saying that all sanctions are wrong, but I am pointing out that politicians are not too “bothered” when they were introduced,” Inozemtsev added.

Inozemtsev points out that fellow tycoon Alisher Usmanov was placed on the same sanctions list as Aven and Fridman on the same day at the start of the war in Ukraine, accused of acting as a front for Russian President Vladimir Putin's financial affairs, as reported by Forbes.

Part of the text of that article, “migrated to the decision of the EU Council in the best Russian traditions - simple copy-paste,” says Inozemtsev.

However, that article is no longer available as *Forbes* was forced to remove it after a court in Hamburg three months ago ruled the claims were baseless, Inozemtsev points out, citing a *bne IntelliNews* report on the case.

Inozemtsev speculates that given the precedent set in the Fridman-Aven case will have a knock on for other cases such as Usmanov's battle to have his name cleared. Usmanov appealed against his inclusion in the sanctions list, but in February his plea to have his name removed was rejected.

I think that now the decision on A. Usmanov will not stand up in the EU Court either. In general, the precedent of M. Fridman and P. Aven shows that in the West the judiciary is still able to correct the mistakes of the executive branch. This is certainly good news for the West itself: with the likely increase of populism in developed countries, the courts will have more work to do in the coming years....” says Inozemtsev. ●

US investor to build \$1bn magnesium mining complex in Romania

bne IntelliNews

Verde Magnesium, backed by Amerocap investment fund, plans to invest \$1bn in Romania within eight to ten years to develop a magnesium mine and a processing plant that would use the magnesium to recycle aluminium and produce aluminium alloys.

The company is poised to be the EU's leading producer of metallic magnesium, offering Europe an alternative domestic supply for its demand, which is currently 100% imported, mainly from China. The metal is in high demand to produce lightweight aluminium alloys that are used in cars and packaging, among other applications.

The company was issued the permit to reopen a closed magnesium mine located in western Romania, near Oradea, on April 15.

The investor plans to start magnesium production in Romania within four to five years and estimates an annual production capacity of some 90,000 tonnes afterwards.



The magnesium mine is located in western Romania, near the city of Oradea (pictured).

The exploitation works will last up to five years, and in parallel, work will also be carried out for the development of the magnesium metal production unit, said Verde Magnesium CEO Alexandru Rosu.

The last two European mines producing magnesium, one in Norway and the other in France, were closed in 2001, one of the reasons being competition from cheap imports from China.

Currently more than 90% of the EU's magnesium is imported from China, making the 27-country bloc vulnerable to disruptions in Chinese production such as that seen in 2022 as a result of high energy prices.

Depending on the development of the production capacity, the project is presented as creating up to 1,000 direct jobs and up to 10,000 indirect jobs. ●

Smarter US sanctions seen driving down Turkey-Russia trade

bne IntelliNews

Turkey's exports to Russia fell 33.7% y/y in the first quarter, according to preliminary Turkish trade ministry data, with smarter targeting of sanctions and secondary sanctions by the US seemingly taking a heavy toll.

Turkey-Russia trade leapt after the Russian invasion of Ukraine in February 2022, with Ankara opting to maintain neutrality in the conflict between Moscow and Kyiv and thus not imposing sanctions of its own. Though Turkey's Erdogan administration claimed to be at least adhering to Western sanctions, the US and EU grew increasingly dismayed as evidence mounted that there were accelerating flows of "dual-use" goods – which can be used

by Russia's defence industry – arriving in Russia via Turkey, a Nato member.

Since the end of last year, Washington has refined its targeting of sanctions in relation to financial institutions and companies that are facilitating and sustaining trade with Russia. A particular concern is products such as industrial machinery and spare parts that can help equip Vladimir Putin's war machine.

Machinery exporters, who gained most from Turkey's surging shipments to Russia in 2023, could see sales there fall by \$1bn this year due to "ambiguous" and "rapidly expanding" sanctions lists, together with a crackdown on items deemed



US sanctions enforcers want more compliance, less defiance. / SanctionsAssociation.org, cc-by-sa 4.0

to have potential military uses, Kutlu Karavelioglu, chairman of the 22,000-member Turkish Machinery Exporters' Association, was cited as saying by *Bloomberg* on April 5.

A billion dollars represented around a third of last year's sales to Russia, he reportedly added, noting that machine tools, pumps and electric motors have seen some of the biggest drops so far in Turkey's dwindling trade with Russian market.

"It doesn't seem possible for any serious corporate machinery manufacturer to sustain its previous interest in Russia in the face of increasing pressure on the banking system and supply chains," Karavelioglu was also reported as saying.

The blow to trade with Russia will not go down well with Turkish officials struggling to correct imbalances in Turkey's

crisis-stricken economy, partly with efforts to drive down the chronic current account deficit.

Like Turkey, China has also lately intensified due diligence on bank clients' connections to Russia. A big concern is a US threat made in December to hit financial institutions enabling sanctions-busting trade with secondary sanctions.

Highlighting the growing sanctions crackdown on exports and re-exports to Russia of components like machine parts, chips and circuit boards, Tan Albayrak, a sanctions and export controls lawyer at Reed Smith, told *Bloomberg*. "Most of these items have both civilian and military applications. They can be used in a washing machine – or a battle tank."

Amid various reports indicating the sanctions regime applied to Turkey-Russia trade has been tightened to clear impact, Turkish media outlet *Ekonomim* reported in early March that shipping companies were the latest to feel the effects of "the West's very tight blockade against the Turkish banking system".

Also in early March, mid-sized Turkish oil trans-shipment terminal Dortyol – at the centre of controversy in January when US senators claimed that "masked Russian oil" supplied via the facility even ended up in US warships after being processed at a Greek refinery – announced it would no longer accept Russian imports.

In late February, the US Treasury Department pointed to data showing how the Biden administration's threat to hit foreign financial institutions with secondary sanctions had significantly impacted financial flows between Russia and countries including Turkey, the United Arab Emirates and Kazakhstan. ●

Over 22,000 Serbs sign petition to save bombed Belgrade landmark from Kushner development plans

bne IntelliNews

Over 22,000 people have signed a petition calling for the bombed General Staff building in central Belgrade to be preserved.

Jared Kushner, the son-in-law of former US president Donald Trump, is understood to be planning to develop the site of the General Staff building, bombed during the Nato bombardment of Serbia and Montenegro 25 years ago, as a hotel.

The General Staff building is still partly standing, but derelict. The building that once housed the Ministry of Defence of

Yugoslavia is situated a busy intersection in central Belgrade. In its heyday it was seen as a prime example of Yugoslav post-war modernist architecture.

News of Kushner's plans to develop the site have sparked a backlash in Serbia.

The petition's organiser, the Kreni-Promeni (Go-Change) movement, announced on March 25 that over 10,000 signatures had flooded in within a mere 24 hours.



The General Staff building in Belgrade was bombed by Nato in 1999, and is now derelict. / bne IntelliNews

“In less than 24 hours, 10,000 of you signed a petition demanding that the law be respected, which mandates that the building of the General Staff can only be returned to its original function, in which the Museum of Serbian History can be stored, which to this day does not have adequate space for a permanent exhibition,” the movement said in a Facebook post.

“The construction of a hotel on the site of this building is illegal and represents the destruction of dignity.”

A day later, the number of signatures stood at 22,677.

Kushner’s interest in the Serbian capital was initially revealed when opposition politician Aleksandar Jovanovic, of the Ecological Uprising movement, told a press conference on March 13 that Minister of Construction, Transport and Infrastructure Goran Vedic had signed a memorandum of understanding (MoU) on behalf of the government gifting a building in Belgrade that was bombed in 1999 to two offshore companies, Kushner Realty and Atlantic incubation Partners LLC.

“The cultural and historical complex of the bombed General Staff of the Army in the municipality of Savski venac must not be given away or substantially altered,” Ecological Uprising said in a Facebook post.

Kushner, through his firm Affinity Partners, later unveiled initial design concepts for the project in downtown Belgrade. Affinity Partners also confirmed plans to integrate a museum and

memorial into the development, designed by Serbian architects, to commemorate the site’s significance in Serbian history.

As well as the project in Serbia, Affinity Partners is in discussions on property investments in Albania, the combined value potentially surpassing \$1bn, the former White House senior advisor confirmed earlier in March.

In Albania, Kushner aims to convert Sazan Island, previously a military base, into a luxury Aman branded eco-resort, he told *Bloomberg*.

“The construction of a hotel on the site of this building is illegal and represents the destruction of dignity”

There is a history in Belgrade of protests against the demolition of significant buildings to make way for new developments. Back in 2016, there was a wave of protests in the Serbian capital against the Belgrade Waterfront development after parts of the historic Savamala district were demolished. Thousands of people joined the protests organised by the Don’t Drown Belgrade initiative, set up in response to the demolition. The symbol of the protests was a yellow duck. ●



Premier Energy announces €125mn IPO in Bucharest to boost renewables portfolio

bne IntelliNews

Premier Energy, a vertically integrated energy group particularly active in Romania and Moldova, announced on April 18 it initiated procedures with the Romanian Financial Supervisory Authority (ASF) to carry out a €125mn initial public offering (IPO) on the Bucharest Stock Exchange (BVB).

Premier Energy, owned by Jiri Smejč's Emma Capital, said the funds raised through the IPO will accelerate its development, and particularly mentioned the renewables production segment.

"[N]ow is the right time for Premier Energy Group to conduct an IPO and to leverage the exciting opportunities for accelerated development that a public listing on the Bucharest Stock Exchange will deliver," said Jose Garza, chief executive officer of Premier Energy Group.

"As the largest renewables production manager and aggregator of solar and wind plants in Romania and Moldova, Premier Energy Group is well-placed to benefit from the forecasted growth of renewables in the region," he explained.

The offer will start after ASF approves the IPO prospectus and is expected to be completed as early as May, subject to capital market conditions.

The final terms of the transaction have not been yet announced.

Under the IPO, Premier Energy seeks to raise about €100mn by issuing new shares, while the group's main shareholder, Emma Capital, plans to sell shares worth €25mn.

Following the IPO, Emma Capital will remain the majority shareholder of Premier Energy.

This will be the first IPO on the Bucharest Stock Exchange

www.bne.eu



The Bucharest Stock Exchange has become increasingly attractive for investors after last year's Hidroelectrica IPO.

after the €2bn listing of Romanian state-owned power producer Hidroelectrica in 2023.

A spokesperson for Premier Energy told *bne IntelliNews* that the Hidroelectrica IPO had been transformative for the local capital market.

Premier Energy has been active in Romania for ten years in the distribution and supply of natural gas, as well as in the production and supply of electricity from renewable sources.

"The company currently has 1,000 MW of green projects under ownership, management or in development in Romania, evenly split between wind and solar and across the country"

The company currently has 1,000 MW of green projects under ownership, management or in development in Romania, evenly split between wind and solar and across the country. In March, it told *Reuters* it aims to boost its renewable energy portfolio to 1.5 GW over the next two to three years.

News of the IPO comes shortly after Premier Energy announced it completed the acquisition of electricity supply firm CEZ Vanzare from Macquarie Asset Management.

The joint global coordinators hired for the IPO include Citigroup, UniCredit Bank GmbH (Milan Branch) and WOOD & Company. Alpha Bank Romania SA and BT Capital Partners SA are acting as joint bookrunning managers. ●



Turkish exporters demand dual exchange rate system, push for 40 to dollar minimum

Akin Nazli in Belgrade

Kazim Tayci, head of Istanbul Cereals Pulses Oil Seeds and Product Exporters' Association (IHBIR), has called on the Turkish government to introduce a dual exchange rate system, Reuters reported on April 5.

As things stand, Turkish exporters are obliged to sell 40% of their FX revenues to the central bank.

The dual exchange rate system would help exporters deal with "ballooning costs" and international competition by letting them sell their dollars to the central bank at a better price, according to Tayci.

Tayci is demanding a dual USD/TRY exchange rate of at least TRY 40.00.

Since last month, Turkey's Erdogan administration has returned to its straight-line USD/TRY rate policy. It has drawn a line around the 32-level this time around.

"The current exchange rate is far behind inflation," Tayci also told reporters late on April 4.

On April 3, the Turkish Statistical Institute (TUIK, or TurkStat) said that Turkey's consumer price index (CPI) inflation officially stood at 69% y/y in March.

On April 5, the USD/TRY was up 66% y/y to 32.

The Istanbul-based ENAG inflation research group of economists, meanwhile, has calculated a Turkish inflation figure of 125% y/y for March.

Currently, all stakeholders in Turkey's economy are awaiting a post-local elections lira devaluation, while the Erdogan regime has been circulating information that the central bank is buying (not selling) dollars in the market.

"The current exchange rate is far behind inflation"

Tweeted views: If it is not the Erdogan regime that is drawing a straight-line on the USD/TRY chart, then who is behind it?

Public relations and techniques amounting to manipulation can be deployed, i.e. circulating information that is the exact opposite of what you are actually doing or creating confusion about the perpetrator.

But it obviously does not work. ●



Cereals exporter Tayci is demanding a dual exchange rate system that will help companies deal with ballooning costs.



AI and cybersecurity to drive CEE tech sector

Clare Nuttall in Glasgow

PwC and CEE Digital Coalition believe countries in the Central and Eastern Europe (CEE) region have the potential to strengthen and develop their ICT sectors, and create the EU's Silicon Valley, a new report says.

The analysts highlight a contrast between CEE countries and those in Western Europe across various digital domains. Proportionately, there is a higher presence of digital sector businesses and a larger workforce engaged in the sector within the CEE region. Moreover, nations in Central and Eastern Europe are increasingly investing in research and technological advancement, according to the report, "The ICT sector in the CEE countries as a regional driver of growth".

Looking ahead, the report's authors single out artificial intelligence (AI) and cybersecurity as two sub-sectors they expect will be the driving force of the region in the coming years.

"The digital economy and the Information and Communications Technology (ICT) sector in Central and Eastern Europe (CEE) has witnessed significant growth and transformation in recent years. This region ... has emerged as a hub for technological advancements, innovation, and digitalisation," the report says.

"The importance of the digital economy and ICT sector cannot be overstated. It plays a crucial role in driving economic growth, creating job opportunities, and enhancing the overall competitiveness of the region. With the increasing global demand for digital services and technologies, CEE has positioned itself as a significant player in the digital market," it adds.

The report covers the EU members of Central and Southeast Europe that together have a population of almost 100mn people and account for 12.3% of EU GDP.

Not only has the region achieved faster growth than Western Europe as countries catch up with their Western peers, the report also points to the rapid pace of development of the region's ICT sector.

"This is visible in the permanent increase in the share of value added in GDP, new jobs, and the dynamics of international trade – exports of commercial ICT services in the CEE region have increased more than six-fold between 2005 and 2021," it says.

In fact, the authors add, "There are some areas in which the CEE region is already ahead of more developed economies in the EU – such as the share of employment in the ICT sector or a number of enterprises in ICT sector per 1000 inhabitants."



Central and Southeast European countries have higher numbers of digital sector businesses and a larger workforce in the sector compared to Western Europe.

In 2022, the cumulative value of ICT goods exports in Central and Eastern Europe surged to \$98.6bn, a 185% increase from 2005. Conversely, ICT goods exports in Western Europe declined by 9.5% over the same period, potentially due to the relocation of ICT equipment manufacturing to the CEE region, driven by lower labour costs.

Czechia and Slovakia lead in ICT goods exports per capita, boasting robust manufacturing sectors in computers, peripherals, communication and consumer electronic equipment.

Lagging behind

On the other hand, the report points out, ICT enterprises in Western Europe tend to have higher labour productivity with €135,512 in value added per employee, compared to €45,351 in the CEE region.

CEE countries have also shown weaker results in digitisation of enterprises and individuals, such as e-commerce sales, cloud services and big data use and e-government activities of individuals, the report adds.

There are also significant differences between countries in the region, as shown by their performance on the Digital Economy and Society Index (DESI) that evaluates the digital connectivity, proficiency in digital skills, online engagement, and provision of digital public services.

Based on the DESI for 2022 only three out of the 11 CEE countries – Estonia, Slovenia and Lithuania – exceed the EU average. Most of these nations are positioned in the lower half of the index. Notably, Estonia emerges as a standout leader in digitisation among CEE countries, distinguished for its exceptional digital services within public administration.

When it comes to R&D spending, Slovenia leads among the CEE nations, dedicating 2.11% of GDP, albeit falling below the EU average of 2.23%. Ranking eighth in the EU, Czechia and Estonia allocate over 1.5% of GDP. Bulgaria, Latvia and especially Romania lag behind.

Sectors to watch

The rapid evolution of the business landscape has hastened the rise of emerging trends poised to shape the digital economy's future. Key among these are artificial intelligence, cybersecurity and cloud technology.

AI is expected to exert a growing influence across the region, impacting not only the ICT sector but also various industries through its applications.

"Amidst diminishing significance of traditional growth drivers, many pin their hopes on artificial intelligence (AI) as a source of sustained economic growth and increased productivity in CEE, Western Europe and globally," says the report.

According to PwC, AI has the potential to contribute up to \$15.7 trillion to the global economy by 2030. With its ability to transcend traditional limitations of capital and labor, AI is seen as a transformative force that can assist decision-makers, business leaders, and industry experts amidst significant challenges such as aging populations, inadequate R&D investments, regulatory complexities, stagnant productivity, and talent shortages. Effectively embracing AI-based solutions offers the CEE region and the EU a crucial opportunity to bolster economic competitiveness and confront these challenges directly.

The cybersecurity sector, driven by escalating market demand stemming from hybrid threats like those posed by Russia, is also likely to witness significant growth in the near term.

"In recent years, the Central and Eastern European countries have experienced a rapid evolution of the cybersecurity landscape. With intensification of hacker attacks and emergence of novel forms of cyberthreats, the environment became riskier and more difficult for both public and private actors to navigate," says the report.

"Due to growing interdependencies, critical infrastructure has been embracing more and more areas. Once it used to be bridges and buildings, but now, it is covering ICT systems and apart from usual sectors like healthcare, energy or finance, also new ones like agriculture, chemical and electromechanical sectors are added. Hence the growing importance of cybersecurity. Current national and regional legislative efforts must be aimed at mobilising key actors to ensure that their operations are secured and businesses are ready for threats of the future," commented Karol Okonski, director, PwC and CEE leader for cybersecurity in public sector, as quoted in the report.

Meanwhile, cloud technology is anticipated to serve as the backbone supporting the advancement of both AI and cybersecurity.

Strategic measures needed

Looking forward, the report points to the need to advance the ICT sector through several strategic measures. These include raising awareness about the digital economy and actively embracing emerging tools and technologies. CEE countries are grappling with a shortage of skilled ICT professionals, stemming from a gap between educational offerings and current industry demands, as well as a rising need for digital experts like robotic engineers, operators, and cybersecurity specialists.

In light of these challenges, fostering cooperation among all CEE nations is essential, the authors argue. This involves developing shared priorities and coordinating regional technology-related activities. Umbrella organisations, such as the CEE Digital Coalition, play a critical role in unifying the voices of businesses across different countries to represent their collective interests at both European and global levels,

particularly ahead of the upcoming European Parliament elections.

Encouraging increased investments to support startups and the growth of small and medium enterprises, while also cultivating a business-friendly environment to attract global investment, is paramount.

Private equity investments in CEE have already been on a steady upward trend, with the venture capital ecosystem in particular seeing exponential growth since 2016.

“This surge is backed by the region’s solid foundation for economic growth, a high percentage of engineering graduates, and a significant talent pool of developers,” says the report.

However, it warns of the impact of the war in nearby Ukraine. “The geopolitical tensions, notably Russia’s invasion of Ukraine, have intensified existing challenges in the investment scene, including supply chain disruptions and labour shortages,” it says. “However, the CEE region continues

to navigate these complexities, adapting to changing market conditions and maintaining a trajectory of recovery and growth.”

Finally, establishing a balanced regulatory framework is vital to ensure competitiveness and foster the continued development of the digital economy in the CEE region.

“The evolution of new trends in the digital economy has prompted discussions on the need for further regulatory interventions,” said Michal Kanownik, initiator of CEE Digital Coalition and president of Digital Poland Association.

“As the multitude of norms can be a source of compliance costs for companies, creating a balanced regulatory environment is critical not only to accelerate development and facilitate activities of CEE companies engaged in innovating the EU’s economy but also to attract investments from like-minded countries outside the EU. Cooperation between the policymakers and the private sector is crucial for ensuring the competitiveness of our region when regulating the rapidly growing ICT sector.” ●

Baltic states aim to go nuclear but have to wait

Linas Jegelevicius in Tallinn

First, it was Estonia that said it wants a compact, state-of-the-art nuclear power plant built in the country in the future. Lithuania swiftly followed up, saying it also pins its hopes on nuclear energy. And, recently, Latvia, the third Baltic nation, admitted it is pondering a nuclear future, too, perhaps via a shared nuclear power project with Estonia to the north.

The three Baltic states – which have had no nuclear reactors since the closure of Lithuania’s Soviet-designed Ignalina plant 15 years ago – are now all looking at small modular reactors (SMRs), though no firm decisions have yet been taken. As the Baltic states move over to renewables in order to reduce their carbon emissions, SMRs could provide a back-up to irregular renewable energy output, while also enhancing energy



Lithuania is working on a plan to transfer radioactive waste that has been removed from the decommissioned Ignalina nuclear plant to a deep geological repository in the country. / EBRD

security in the wake of the Ukraine war and rising demand due to the growing electromobility sector.

“It seems that nuclear energy, which saw a major blow in Japan’s Fukushima [nuclear plant disaster] is seeing a strong comeback – and the Baltics is not an exception,” Vidmantas Jankauskas, former head of Lithuania’s Energy Pricing Commission and, now, international energy regulatory expert and independent analyst, told *bne IntelliNews*.

Juris Ozolins, a Latvian energy expert, adds that, with the growth for electricity demand in the Baltic region, and considering that solar and wind energy may not be always handy, nuclear power reemerges as “perhaps the most reliable” source of electricity.

Unlike solar and wind energy, which depend on natural conditions, nuclear plants allow for constant and reliable hydrogen production, making the process more stable and predictable regardless of the season, both analysts emphasise. Baltic eyes are set on SMRs. When stacked up against large nuclear power plants, SMRs are thought to have several advantages: they require a relatively small area of land, meaning their area requirement can be measured in the dozens of hectares, not in the hundreds of hectares.

Compared with existing reactors, SMR designs are simpler, and, when it comes to the most important things, the security, they often relies on passive systems. This means that in such cases, no human intervention or external power sources are required to turn off the systems, as passive systems rely on physical phenomena such as convection and gravity.

Estonia shifts away from shale oil

Estonia is so far the only state to specify the capacity of the mooted plant – ca 400 MVA (megavolt amperes), equivalent to 400 MW.

According to the report unveiled by Estonia's national nuclear energy working group last year, it would take 11 years to get it online after the decision to build it has been made.

"The decision has to be made by 2030, but it is not on the current Riigikogu [parliament] agenda," a source told *bne IntelliNews*.

The working group's 164-page report states, among other things, that a SMR should be constructed in a region with scarcer, below average earning population, located further afield from Tallinn, such as, for example, in Varbla, Loksa, Kunda and Toila regions. Any nuclear power plant must be located near a large water source such as the Baltic Sea.

Liis Eiser, Communication Project Manager at Elering, Estonia's transmission system operator, told *bne IntelliNews* that "there is a public debate about nuclear power plants, but no decision has been made by government or potential investors".

Estonia has set a goal of 100 per cent renewable energy sources for electricity generation by 2030.

She says a prognosis shows that, in 2030, there should be about 6,000 MW of energy production, of which around 3,000 MW would be wind and around 2,000 MW would be sun (and 1,000+ MW of on-demand capacities such as nuclear energy).

However, renewable energy generation can be unpredictable, particularly at 59 degrees North. Electricity storage facilities would be needed, to ensure the stability of supply and of prices, the Estonian Ministry of Climate said recently. Likewise, nuclear power would also act as a market stabiliser when renewable power generation was insufficient.

Estonia has also another good reason to go nuclear – the shale oil

production it has relied for years is about to be phased out because of environmental concerns, although the country ramped up the excavation volume in the wake of the war in Ukraine.

Lithuania needs to fill power gap

Meantime, in Lithuania, there has been a buzz about nuclear energy since March after the country's updated National Energy Independence Strategy was revealed by the energy ministry. It foresees more electricity production, more consumption, more hydrogen, as well as a revival of nuclear energy through the development of SMRs.

Energy Minister Dainius Kreivys claims the so-called fourth-generation reactors are safer than those built in the past, and nuclear energy would reduce the burden on industry and consumers of maintaining the energy system.

Lithuania shut down its Soviet-type Ignalina nuclear power plant at the end of 2009, giving in to the pressure of the European Union, which maintained it was unsafe to use. Thus, Lithuania went from being a major power exporter to a power importer.

"We will need to make a decision after assessing the development of this technology. If we want to have a reactor around 2040, we will have to make a decision in around 2028-2030... We will see very clear costs and all the pros and cons, but this decision is a very important part of our strategy so that we can start following those technologies," Kreivys told BNS, a Lithuanian newswire, adding that that future nuclear reactors in Lithuania would not be built by the state, but by privately-owned businesses.

Under the ministry's scenario, onshore wind farms (28.1 TWh), offshore wind farms (18.8 TWh), nuclear reactors (11.2 TWh), and solar power plants (9.5 TWh) are expected to generate the most electricity in 2050.

Meanwhile, hydrogen (35.5 TWh) and the rest of industry (12.6 TWh) and transport (6.3 TWh) are expected to be the largest consumers of electricity in 2050.

Lithuanian TSO Litgrid data shows that Lithuania produced almost 5.7 TWh of electricity last year and consumed 11.1 TWh.

"Renewable resources alone will not be enough to meet Lithuania's growing electricity consumption and its goals in the future, so mulling a nuclear power plant is logical," Jankauskas says.

Both President Gitanas Nauseda and Prime Minister Ingrida Simonyte said following the revelation of the updated energy strategy that next-generation nuclear technology should be considered as an option.

According to Kreivys, the import of energy resources and increased electricity production remain Lithuania's key energy challenges.

Latvia does not want to lag behind

Latvia does not plan to lag behind its neighbours in its nuclear ambitions. The country's Ministry of Climate and Energy (KEM) stated at the presentation of a report to the Saeima's [parliament] Environment, Climate and Energy Subcommittee in March that, in order not to increase Latvia's dependence on electricity from other countries, the possibility of developing nuclear energy should be considered.

The report also named six places in Latvia as potential sites for a nuclear reactor, one of which is at Lake Razna in Latgale region.

"In the timeline, we could talk about the year 2035, probably because there are more questions than answers at the moment," the ministry says.

A second option for Latvia could involve Estonia, which is generally regarded as having better geological conditions for the construction of a nuclear plant. It would also solve the issue of nuclear waste storage, which worries Latvian environmental activists.

Yet Baiba Jakobsone, Deputy Director of the Strategic Coordination Department at the Latvian Ministry of Climate and Energy, told *bne IntelliNews* that "modular reactors have a long way to go."

"Latvia is interested in following the development of regulation [on nuclear power development] in Estonia, as a large part of the regulation is security-related. Estonia and Latvia have agreed to exchange information on regulatory progress," she says, adding: "We are at an early planning stage now when we start discussions."

In the quest, Latvia plans to carry out an in-depth study on the development of a nuclear energy programme in accordance with the guidelines developed by the International Atomic Energy Agency.

"The ministry plans to conclude the procurement procedure for the studies by October this year," Jakobsone says.

In line with the forecasts of the Latvian transmission system operator (JSC Augstsprieguma Tīkls) for an optimistic scenario, by 2030 wind energy will be the largest source of power, contributing 4,356 TWh per year (including 1,386 TWh by offshore wind and 2,97 TWh by onshore wind energy).

Large hydropower plants will remain significant and the second largest source of power with an estimated contribution of 2,673 TWh. Meanwhile the role of gas is forecast to decline to approximately 0.233 TWh per year.

"Regardless of how much one is pro-wind and pro-solar, or pro any other [energy] source, nuclear energy provides something unique – reliability and comfortability that is not relevant to weather conditions. Even the countries with developed wind and solar energy understand that you need a counter-balancing energy source, which nuclear energy is," Jankauskas emphasised.

Concurring, Juris Ozolins says: "Nuclear power plants still remains as perhaps the most reliable good-quality and the easiest-manageable source of electricity but the technology we want is still not here, so, like the others, we have to wait, but the picture by the end of the decade can already be different."

"Nuclear power is seeing a lot of interest now...At the moment, we are in a kind of waiting mode, looking what will happen [with nuclear power] not only in Europe, but also in the United States and Canada and elsewhere...But nuclear energy now is in much better positions compared where it was just relatively recently, so talks about a renaissance of nuclear energy are not baseless," he says. ●

Chinese investor buys licence for Slovakia's flying car project

bne IntelliNews

Slovakia's AirCar project has sold its licence to a Chinese investor for an undisclosed sum. AirCar is a dual-mode car-aircraft vehicle that transforms from sports car into light aircraft at the click of a button. A prototype completed its first inter-city flight from Nitra to Bratislava in 2021.

Referring to its sources, the liberal daily *DennikN* wrote that "the licence was sold for about the same price" as the entire AirCar development has cost, "in the volume of €2mn".

With the returns, AirCar is set to complete production plans in Slovakia for the European and American markets.

DennikN pointed out that AirCar's precursor, AeroMobil, which was unveiled by Albert II of Monaco, went bankrupt and that its designer, Stefan Klein, left AeroMobil seven years before its bankruptcy in 2016 to join the new project AirCar.

"AeroMobil spent altogether €25mn on its development,

including a state subsidy worth €6mn," *DennikN* wrote, adding that "AirCar has to date cost just one-twelfth of this amount".

Klein and Anton Zajac, who is a co-owner of the most valued Slovak company Eset and shareholder in *DennikN*, remain the shareholders of AirCar.

"A contract with a Chinese partner is exceptionally good for us," Klein was quoted as saying.

DennikN wrote the new partner is Chinese entrepreneur Zhu ShouChen, who collaborates with the chemistry conglomerate BASF and is already active in the Slovak industry after he bought a licence for the production of small Slovak aircraft by Senec-based company Shark.Aero founded by Vladimir Pekar.

Another shareholder linked to Chinese aircraft production in Slovakia is Eduard Sebo, who rose through the notorious Harvard funds during the 1990s privatisation era in Slovakia. Sebo is active in the Slovak wine, milk and health industries and has developed a wine business in China, too.

DennikN wrote that according to Klein, the AirCar production will be based in Nitra in western Slovakia, and part will also take



AirCar is a sports car that transforms into a light aircraft at the click of a button. / www.klein-vision.com

place in the US. The Chinese investor wants to begin producing several tens of pieces and gradually move to hundreds.

AirCar already has a plane certificate and is now working on obtaining a car certificate. The price of the four-seat AirCar should be €0.5mn.

Klein flew the AirCar from Nitra to Bratislava and was featured in the car show *Grand Tour*, previously *Top Gear*, and in a popular video by YouTuber Mr Beast. ●

Banca Transilvania launches Romania's first neobank

bne IntelliNews

Romania's leading financial group Banca Transilvania launched Salt Bank, the first neobank on the local market, on April 4.

Salt Bank – salt means leap or jump in Romanian – was created on the foundations of Idea Bank, which was taken over by Banca Transilvania, according to *Ziarul Financiar*. However, the ties with the financial group that fully owns it were not visible at Salt Bank's launch.

"By launching Salt, not only are we bringing the first 100% Romanian neobank to the Romanian market, but we are also proposing a unique perspective that combines technology and finance," said Gabriela Nistor, director of Salt Bank, who previously worked in Banca Transilvania and was appointed to the management of Idea Bank after the takeover.

Targeting individuals with Romanian citizenship, the bank has a strong focus on technology and regulatory compliance at the same time. The bank is considering the option to offer services to authorised natural persons and then possibly to micro-companies as well.

Salt Bank promises more affordable and profitable banking. Under a campaign that lasts until October 1, the current accounts will bring a 3% interest if payments over RON1,000 (€200) are made each month from that account.

The bank also offers a multicurrency card with transactions in 17 currencies worldwide.

As a marketing tool, the bank gave future customers the chance to become "founders" and, over time, shareholders of the bank in the eventuality of a stock exchange listing, by setting up accounts in the pre-launch period.

In less than three weeks, more than 80,000 people joined the waiting list to become Salt founders. ●

"The bank also offers a multicurrency card with transactions in 17 currencies worldwide"



Dubai still under inches of water as lack of drainage drowns city. / bne IntelliNews



bne:Green

Dubai airport, city and roads underwater from historic floods

Deema Kanaani in Dubai

Dubai witnessed "a state of chaos" on April 17, with continued road closures and travellers urged not to come to the airport, a day after a storm accompanied by rains flooded large portions of the city.

Heavy rain has been battering Persian Gulf states, causing flash floods that have killed 20 people and disrupted flights at several of the busiest airports in the region. Flooding has been reported in several countries and emirates, including Oman, Iran, Dubai, Sharjah and Abu Dhabi. Al Ain in the east of the Emirates saw 254 mm (10 inches) falling in less than 24 hours.

The operator of Dubai Airports urged travellers not to head to one of the world's busiest airports in terms of international passenger numbers except in cases of extreme necessity. Meanwhile, regional countries have cancelled their flights to Dubai International Airport.

UAE state news agency WAM quoted Emirates Airlines announcing the company's "suspension of travel procedures

for departing passengers from Dubai as of 8:00 a.m. Wednesday, April 17, until midnight on April 18, due to operational challenges arising from the adverse weather and road conditions."

However, the company "clarified that it continues to process procedures for arriving passengers to Dubai and transit passengers," according to the UAE news agency.

Heaviest rains ever

The United Arab Emirates witnessed the heaviest rains ever, flooding parts of major highways and Dubai International Airport. Local meteorologists described the rains as a "historic weather event" surpassing "anything documented since data collection began in 1949."

Rainfall began late April 15. Storms intensified around 9:00 a.m. on April 16 and continued throughout the day, leading to more rain and hail in Dubai.

By the end of the day, over 142 mm of rain had fallen on Dubai within 24 hours.

On average, Dubai International Airport (DXB), considered the world's busiest for international travel and a hub for Emirates Airlines' long-haul flights, receives 94.7 mm of rain annually.

At the airport, long queues formed for taxi cabs, with passengers scattered around mostly sleeping while waiting for their delayed flights.

Amid the storms, the airport suspended operations for 25 minutes in the afternoon and was forced to divert incoming flights for about two hours before gradually resuming arrivals.

Karen, a tourist from the UK, wrote on her social media page that the situation at the airport was perilous on April 16, with many vehicles abandoned by their owners.

"Lots of abandoned vehicles up to their roof with water. We made it to the airport, but check-in closed," the British tourist said on her social media page.

Residents stuck due to flooded streets

Many roads remain closed due to rainwater accumulation, with *bne IntelliNews*' correspondent trapped inside their apartment building as flood waters in the central areas of the city emirate have not yet receded.

Videos circulated on social media also showed vehicles stranded on a highway connecting the emirate of Sharjah to Abu Dhabi via Dubai.

Another expat, Patrick who asked not to use his second name, in Abu Dhabi, witnessed flooding in his apartment building

Speaking with *bne IntelliNews*, he said, "[It] was nuts though. We had flooding on the 29th floor. Not something I ever expected!"

A man died in the emirate of Ras Al Khaimah, where the emirate's police wrote on X: "A citizen in his seventies died after his vehicle was swept away by floodwaters while trying to enter Wadi Asfani in Ras Al Khaimah."

Oman hit the hardest across Gulf

It pointed out that the "highest amount of rainfall was recorded in the Khatt Al Shaklah area in Al Ain (in Abu Dhabi), where it reached 254.8 mm in less than 24 hours.

The National Center of Meteorology announced that the UAE witnessed, on April 17, the largest amount of rainfall since the beginning of climate data recording in 1949, predating the country's establishment in 1971.

Meanwhile in neighbouring Oman, 302mm of rain was recorded by the national meteorology organisation.

Oman was hit with a deluge hitting significant parts of the Arabian peninsula country, with at least 19 people reported to have died in the floods that swept several locations.

Authorities across the region warned of a potential for further heavy rain in the coming hours, with strong winds also expected. ●

Poland's first nuclear plant may carry €35bn price tag

bne IntelliNews

Poland's ambitious plan to build its first nuclear power plant comes with a hefty price tag. The project's estimated cost could reach PLN150bn (€34.6bn), according to Jan Chadam, the acting head of Poland's nuclear power SPV Polskie Elektrownie Jadrowe (PEJ).

Construction on the Baltic Sea coast is scheduled to begin in 2026, with the first unit coming online in 2033. Two additional units are expected to follow within the next three years. US companies Westinghouse and Bechtel are leading the project.

"We don't have the final value of this project, but one can imagine that it will probably be around PLN150bn," Chadam

said at the Europower conference, according to PAP.

Financing details, particularly securing debt, are still being worked out. PEJ is seeking assistance from financial advisors to attract global investors.

"We are, of course, counting on the participation of Exim, which supports all US export projects," Chadam pointed out, referencing the US Export-Import Bank.

Potential delays add another layer of uncertainty. Chadam acknowledged that the project is unlikely to meet its initial timeline.



Jan Chadam (centre), the acting head of Poland's nuclear power SPV Polskie Elektrownie Jadrowe (PEJ), comments on the cost of the planned nuclear power plant. / Konferencja Energetyczna EuroPOWER.

Despite these challenges, Poland remains committed to nuclear energy as a way to reduce carbon emissions in its energy sector, currently dominated by coal and lignite.

A report by consulting firm PWC, commissioned by Westinghouse, estimates the first 20 years of the project could contribute PLN118bn to Polish GDP.

Poland's foray into nuclear power marks a significant shift within Central Europe. Poland currently stands alone as the only country without such facilities.

A decision on the location of the second plant is expected by 2028, with construction starting in 2032, according to the government's strategy. ●

Rain, rain go away

Ben Aris in Berlin

The hotter the world gets, the more water the air can hold and the more it will rain. Last year's disaster season saw catastrophic floods around the world caused by record levels of rainfall. After putting in the hottest year on record, this year is going to be worse, with sea temperatures already breaking all-time records – records that were only set last year.

The atmosphere already holds circa 10% more water vapour today than just 30 years ago. The warmer the atmosphere gets, the more water it can hold – about 7% more per 1°C of warming according to the Clausius-Clapeyron equation – and scientists have already observed a significant increase in atmospheric moisture, reports Climate Signals.

“Storms supplied by climate change with increasing moisture are widely observed to produce heavier rain and snow. Research indicates that the increase in atmospheric moisture is primarily due to human-caused increases in greenhouse gases [GHGs],” Climate Signals reports.

All the attention has been focused on CO₂ emissions, with now rising awareness that methane emissions are also a big problem. But NASA points out that water vapour is actually the world's most abundant GHG.

“It's responsible for about half of Earth's greenhouse effect – the process that occurs when gases in Earth's atmosphere trap the sun's heat. GHGs keep our planet liveable. Without them, [the] Earth's surface temperature would be about 33C colder. Water vapour is also a key part of [the] Earth's water cycle: the path that all water follows as it moves around Earth's atmosphere, land and ocean as liquid water, solid ice and gaseous water vapour,” NASA said in a note on water vapour.

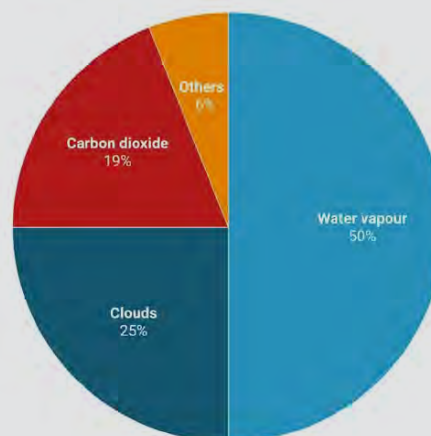
Having said that, water vapour is not a driver of Earth's current warming, but a consequence of it, explains NASA, although increased water vapour in the atmosphere amplifies the warming caused by other GHGs.

The global average temperature has risen by about 1.1C since the start of the industrial age in 1800 and that has led to more water being evaporated, says NASA. And the United Nations' Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report states total atmospheric water vapour is now increasing by 1% to 2% per decade.

The main components of the atmospheric greenhouse effect

For all-sky conditions, including clouds

Water vapour Clouds Carbon dioxide Others



Created with Datawrapper

Water vapour plays a significant role in Earth's natural greenhouse effect, and it amplifies current, human-induced warming. Adapted from Trenberth (2022), CC BY-SA

But the pace of water vaporisation is now accelerating rapidly. Last year was the first time that temperatures were 1.5C above the long-term industrial base line, which means as much as 10% more water is in the atmosphere than only a year earlier.

What is special about water vapour is that unlike the other five main GHGs – carbon dioxide, methane, nitrous oxide, ozone, and chlorofluorocarbons – water will condense at lower temperatures, while the other five gases won't. In simple terms, lower temperatures mean more rain and vice versa.

“This makes water vapour the only greenhouse gas whose concentration increases because the atmosphere is warming, and causes it to warm even more,” says NASA.

As water vapour is rapidly increasing thanks to the accelerating rate of global warming, scientists worry that increases in vaporisation could turn into one of the runaway vectors of global warming that will heat the earth faster than the current models predict.

More water in the air will also fuel more storms and knock the global water cycle out of kilter. Wet regions will get wetter and dry regions drier. The more water vapour that air contains, the more energy it holds. This energy fuels intense storms, particularly over land, and causes more extreme weather events.

Spring has barely arrived, yet northern Italy has already experienced extreme water-related weather. Heavy rainfall, snow and strong winds have been affecting northern Italy since 26 February, causing snow avalanches, flooding and landslides, resulting in at least 11 deaths.

But more evaporation from the land also dries soils out. When water from intense storms falls on hard, dry ground, it

runs off into rivers and streams, causing flash floods instead of dampening soils. Ironically, the more water there is in the air increases the risk of drought in drier lands, which as *bne IntelliNews* reported, is already afflicting the arid lands in Central Asia.

While Northern Europe is already seeing dramatic increases in water vapour and hence can expect much more rain, Southern Europe is already on course to see a repeat of last year's baking 40C-plus temperatures that will cause widespread droughts.

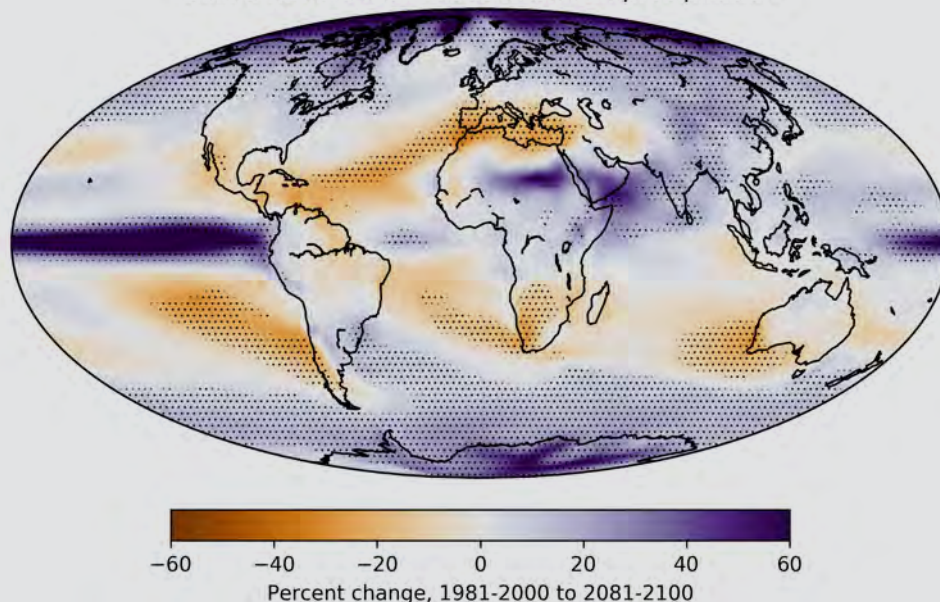
As *bne IntelliNews* recently reported, the changing patterns of rainfall are going to lead to extreme water stress by 2050 in large swaths of sub-Saharan Africa, the whole Arabian peninsula and India, and scientists predict that 3bn people will live in zones that will have been made uninhabitable by 2070.

The situation will be made even worse if the AMOC (Atlantic Meridional Overturning Circulation), currents that carry warm water from the equator to the northern seas, collapses and will cause a mini-ice age in Northern Europe when it stops flowing. The collapse of the AMOC is predicted to happen with 95% certainty sometime before 2050 and is one of the environmental tipping points that will have unpredictable environmental consequences. That will shift the rain patterns over the Amazon; the Amazon River was already drying up last year and water levels in the Panama Canal also fell to record lows. The melting of Russia's permafrost is another tipping point that is probably less than a decade away.

Raining cats and dogs

The map below shows projected percentage change in precipitation between the current climate (represented by the 1981-2000 average) and the end of the century (2081-2100) as an average of all of the climate models featured in

CMIP5 RCP8.5 multimodel mean all precipitation



As first figure, but with areas where 90% of the models agree on the sign of the change highlighted with dots. Data from KNMI Climate Explorer; map by Carbon Brief.

the latest IPCC report, using the high-end warming scenario. Purple shows areas where precipitation will increase, orange indicates less future rain and snow, and the dots indicate where nine out of ten climate models agree.

“The average of the models shows large increases in precipitation near the equator, particularly in the Pacific Ocean. They also show more precipitation in the Arctic and Antarctic, where cold temperatures currently limit how much water vapour the air can hold,” a note by *Carbon*

“Unlike average annual precipitation, almost the entire world is expected to see an increase in extreme precipitation as it warms”

Brief explained. “The Mediterranean region is expected to have around 20% less precipitation by 2100 in a [high end 4C warming assumption] world, with similar reductions also found in southern Africa. Western Australia, Chile and Central America/Mexico may all become around 10% drier.”

However, a lot of uncertainty surrounds the changing rainfall predictions. The above chart is based on an averaging of the 39 different climate models used by IPCC and many of them give very different predictions of what will happen to rainfall patterns over the long term. In at least one model much of the world outside high-latitude areas and the tropical oceans

shows sizable drying and there is at least one model where nearly any given location in the world gets wetter.

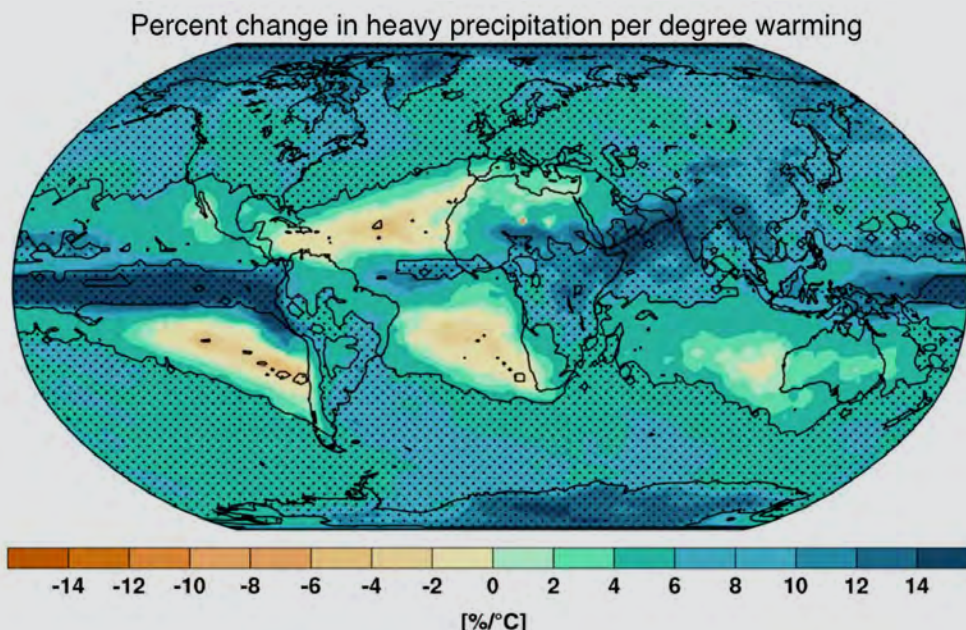
But there is widespread agreement among the models that both the tropical Pacific and high-latitude areas will have more precipitation in the future. India, Bangladesh and Myanmar will all become wetter, as will much of northern China.

The models largely agree that the Mediterranean region and southern Africa will have less precipitation in the future. They also agree on reduced precipitation in southwest Australia around Perth, in southern Chile, the west coast of Mexico and over much of the tropical and subtropical Atlantic ocean.

Interestingly, despite all the focus on drought in the state of California, there is no consensus among climate models that the region will experience less precipitation on average in a warmer world.

Models also generally agree that precipitation, when it does occur, will become more intense nearly everywhere. Unlike average annual precipitation, almost the entire world is expected to see an increase in extreme precipitation as it warms. The science suggests that while a one degree rise in temperature leads to a 7% increase in water vapour, it also results in a 15% increase in extreme rain, especially at higher elevations, according to research published in *Nature*.

Models suggest most of the world will have a 16-24% rise in heavy precipitation intensity by 2100. In other words, heavy rain is likely to get heavier. In the map red areas show decreases in heavy precipitation, while blue areas indicate increases. ●



Percent change in heavy precipitation per degree warming, defined as the heaviest daily precipitation event of the year for each location. Figure adapted from Fischer et al 2014.

100,000 forced from homes in Kazakhstan by “biblical” flooding linked to climate change

Kanat Shaku in Almaty

More than 100,000 people have now been evacuated in Kazakhstan's battle against the worst flooding to have hit the country in eight decades.

People have been working through both day and night to reinforce embankments and dykes.

Authorities have also evacuated over 81,000 farm animals to higher ground and safer areas.

Across the border in Russia, where the battle is on to rescue people and property from “biblical” flooding of a similar scale, the role of climate change in the disaster has been under discussion after emergency officials attributed the catastrophe to a combination of soil that was waterlogged before winter, rapid snowmelt amid a sudden early spring weather change after the big freeze of the cold months and heavy spring rains.

The extremely fast snowmelt is clearly a big factor but, as *bne IntelliNews* recently reported, last year's disaster season saw catastrophic floods around the world driven by record levels of rainfall. The hotter the world gets, the more water the air can hold and the more it will rain, and the consequences of this scientific reality are expected to be even worse this year, according to Climate Signals.

In Kazakhstan, it was necessary to evacuate as many as 12,000 people from a single town, Kulsary in the western region of Atyrau, according to 24.KZ news agency.

The flooding is largely attributed to major rivers originating in Russia bursting their banks. The rivers include the Ural and Tobol, which flow into the Caspian Sea. Water levels in the rivers rose more than 70 centimetres (2 feet, 3 inches) beyond the overflow-point to more than 10 metres (33 feet). Spring flooding is a common occurrence across Russia and Central Asia as winter snows melt, causing rivers to swell, but this year's floods are clearly far beyond the norm. A big anxiety is, of course, that they could signal a new norm.



The scenes of devastation on April 10 moved Pope Francis to pray for victims in Kazakhstan and Russia during his weekly audience in St Peter's Square. / rfe/rl video report, screenshot

On the Russian side of the border, authorities have evacuated at least 14,000 people to date, according to reports.

One Russian official, Presidential Plenipotentiary in the Urals Region Vladimir Yakushev, has reportedly suggested that Kazakhstan is to blame for the extent of the flooding as the Central Asian nation could have coordinated water discharge more effectively. Kazakh officials, meanwhile, noted that much of the water originated from Russia, with rivers flowing in both directions along the countries' shared border, the world's longest land border.

Drone footage put out by RFE/RL's Kazakh Service depicted scenes of devastation in northern Kazakhstan, with buildings submerged under water and collapsed mud-brick houses.

In a televised address, Kazakh President Kassym-Jomart Tokayev urged national unity and implored commentators and bloggers not to incite panic. The government, meanwhile, announced the establishment of a specialised agency for the digital management and monitoring of groundwater.

Pope Francis conveyed his sympathy for the victims on April 10 during his weekly audience in St Peter's Square, accompanying his condolences with a prayer.

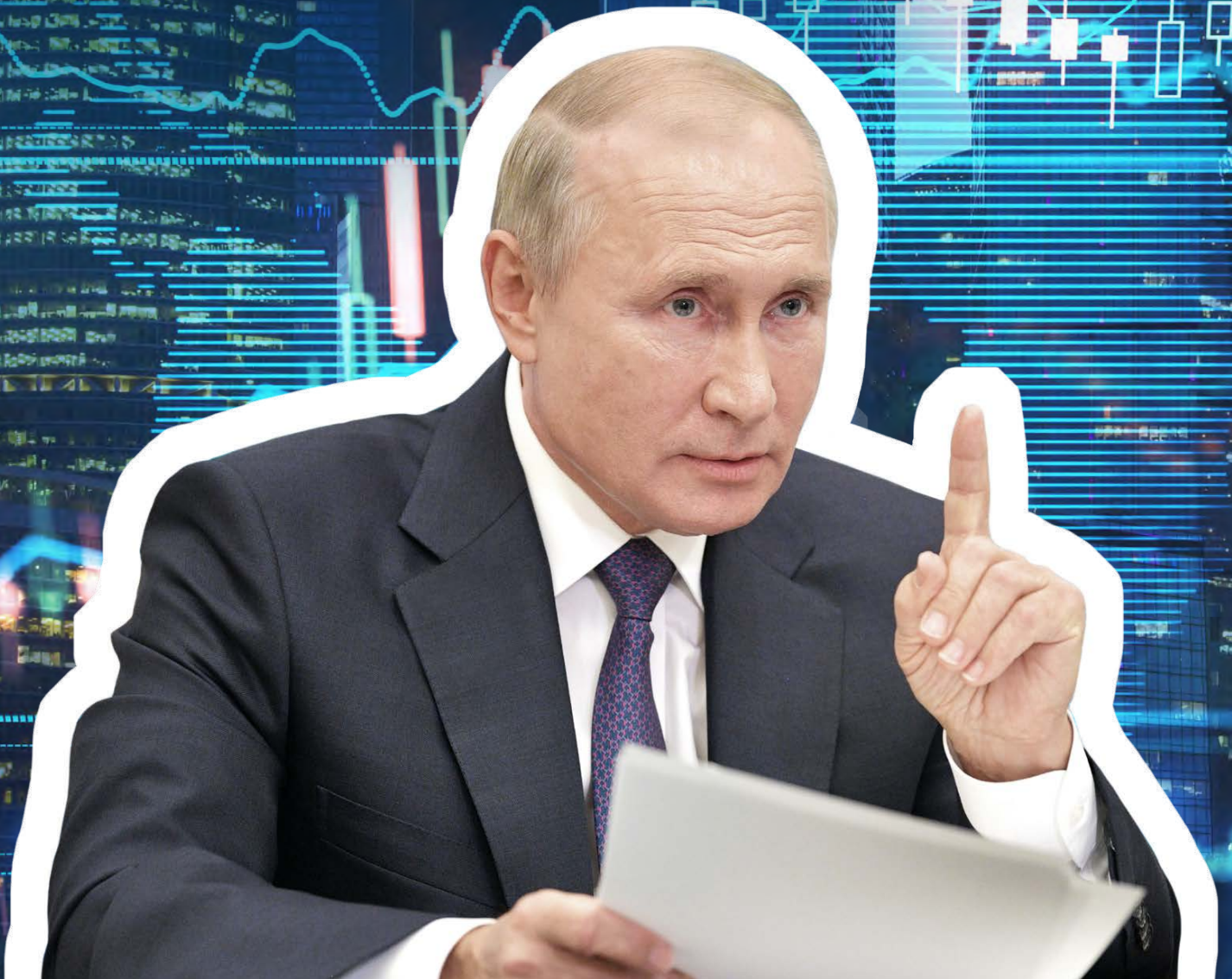
"I also want to convey to the people of Kazakhstan my spiritual closeness at this time, when a massive flood has affected many regions of the country and caused the evacuation of thousands of people from their homes," he said.

A state of emergency remained in effect in eight of Kazakhstan's 17 provinces, down from 10 provinces. However, the Kremlin noted that the worst flooding was still ahead – at the very least on the Russian side of the border.

At an April 8 briefing, Moldir Abdualiyeva, spokesperson for the Kazakh Ministry of Water Resources and Irrigation, said that water levels in Kazakhstan's rivers were continuing to rise. In East Kazakhstan Region, water reservoirs were filled to an average of 62%. ●

PUTINOMICS: RUSSIA'S OIL AND GAS REVENUE TO DOUBLE IN APRIL

Ben Aris in Berlin



Russia's oil and gas revenues surged in the first three months of this year by 79%, but Reuters calculated they will double in April compared to the same month a year earlier, the newswire reported on April 24.

Reuters calculates Russia's total revenue at RUB1.292 trillion (\$14bn), up from RUB648bn (\$7bn) in April 2023. That is slightly down from the RUB1.308 trillion (\$14.1bn) generated in March.

The results of the first three months saw Russia's budget deficit halved, affected by a poor result in February. Russia's budget deficit fell from RUB1.5 trillion in February against the full-year forecast of RUB1.6 trillion, but narrowed to RUB607bn for the first three months of the year, or 0.3% of gross domestic product (GDP), supported by a surge in oil prices. Oil and gas revenues in the first three months of this year surged 79% year on year and make up about a third of Russia's tax take.

The Ministry of Finance (MinFin)'s forecast for the full 2024 deficit is also half last year's deficit of 2023 of RUB3.2 trillion, or 1.9% of GDP.

For 2024 as a whole, the government has budgeted for federal revenue of RUB11.5 trillion from oil and gas sales, up 30% from 2023 and reversing that year's 24% decline owing to weaker oil prices and sanctions-hit gas exports. Reuters' calculations are based on data from industry sources and official statistics on oil and gas production, refining and supplies on domestic and international markets.

As *bne IntelliNews* reported, one year on from Russia's disastrous start to 2023, the Russian budget has improved remarkably.

Reuters' upbeat assessment is partly due to a low base effect, after oil and gas revenues fell by 49% y/y in January last year as the twin oil and oil product sanctions came into force on December 5, 2022 and February 5, 2023 respectively.

At the same time, Russia posted a very large RUB3.2 trillion deficit at the end

of 2022 after 11 months of surpluses, and started 2023 with a record breaking RUB1.7 trillion deficit in January 2023 – almost the entire allotment for the full year – and actually exceeded the full-year deficit forecast in March 2023.

By December 2023, the budget was on course to come in under 1% of GDP when many analysts were predicting it would finish 2023 at 3-6% of GDP. However, traditional heavy spending in December saw the final full-year deficit

“One year on from Russia’s disastrous start to 2023, the Russian budget has improved remarkably”

However, the situation rapidly reversed last spring and all those results recovered as the year wore on. The MinFin tinkered with the tax system to take account of the new realities and oil tax dollars began to flow again in around March. Oil revenues recovered completely in the second half of the year.

of 1.9% of GDP, or RUB3.4 trillion. December usually accounts for a fifth of all spending in that month alone, as the chart shows.

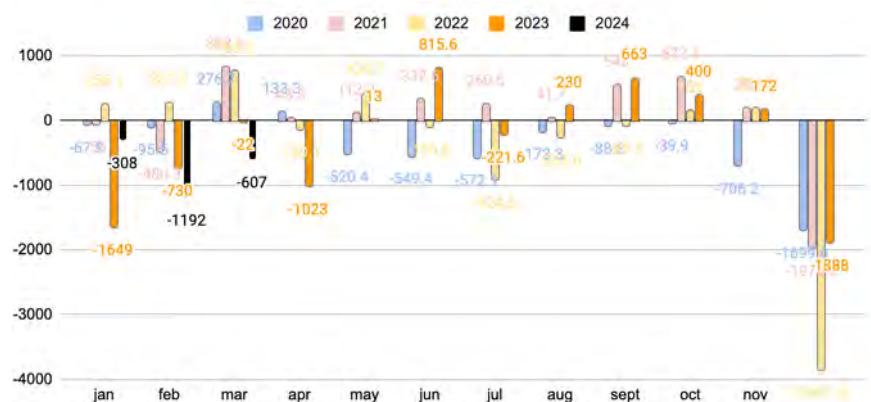
The modest cumulative deficit percentage in 2023 was helped by the unexpected strong economic growth of

Russian budget (RUB bn)

	3M24	3M23	Change% y/y
Revenues	8,719	5,679	53.5
Oil & gas rev	2,928	1,635	79.1
Non-oil & gas	5,791	4,044	43.3
VAT	3,356	2,693	24.6
Expenditures	9,326	7,765	20.1
Deficit cash	-607	-2,086	
Deficit GDP	0.3	-1.2	

Source: MinFin

Russian budget (monthly RUB bn)



Source: Russian MinFin

3.6% for the full year after the economy got a Keynesian boost from the heavy state military spending.

This year that strong economic growth is expected to continue. The Central Bank of Russia (CBR) forecasting a modest 2.2% growth in 2024 in its April macroeconomic survey, but the International Monetary Fund (IMF) just upgraded its Russian economic outlook from 1.1% to 3.2% in 2024, making Russia the fastest growing large economy in the world this year. And Russian Finance Minister Anton Siluanov also increased his growth forecast to 3.6% – the same as last year.

The military Keynesian effect appears to be very strong. And it is being helped by a growing consumer boom. As the table shows, while most commentators focus on Russia's dependency on oil and gas revenues, they only account for about a third of the tax take. The other two thirds is from non-oil and gas revenues, which was up a healthy 43% in the first three months of this year. More than half of the non-oil revenues are from VAT, which was up by nearly a quarter.

Inflation is running high at 7.7% in March, which has forced the CBR to hike the prime rate to a crushing 16%. But the acute labour shortage caused by the war sent nominal wages up by 14.1% in 2023 and they are predicted to increase by 10.4% this year, while inflation is anticipated to fall to 5.2%, according to

the CBR's survey. That means real wages in Russia are growing strongly and fuelling a consumer boom. Real wages were up a whopping 7.8% last year, despite the high inflation, and the CBR says they will climb by at least 3.2% this year.

All that consumption is driving the healthy VAT collections that may end the year some three times higher than oil and gas receipts, according to MinFin's budget assumptions for this year.

After the imposition of extreme sanctions at the start of the war in Ukraine, economists cut their estimates of Russia's growth potential from 1%-1.5%

German Defence Minister Boris Pistorius said that Russia is already producing more weapons and ammunition than it needs for conducting an aggressive war against Ukraine on April 25.

With the increased spending on armaments and the streamlining of the military economy, "a significant portion or part of what is produced no longer goes to the front line, but ends up in warehouses".

Siluanov estimates that the budget deficit will fall from last year's 1.9% of GDP to 0.8% this year and that the budget will be balanced in 2025 – and this assuming the war is still going on.

"At the same time, Russia has been reducing its external debt to the point where debt it can pay off almost its entire debt worth 14% of GDP tomorrow in cash"

pre-war to 0.3%-0.5%. However, thanks to the supercharging of the economy as the Kremlin switches tactics from hoarding money to build up \$600bn of CBR reserves and is now spending freely with heavy investments to militarise the economy, some economists now estimate Russia's economic growth potential has risen to 3.5%.

Putinomics

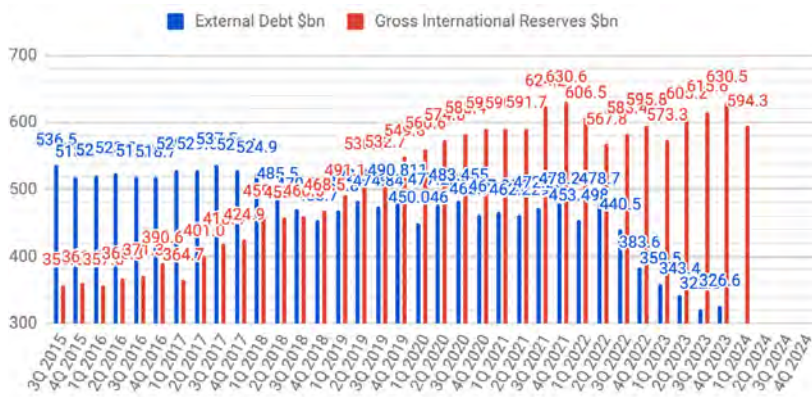
The Kremlin has fundamentally changed its economic strategy. Since Russian President Vladimir Putin began to rearm and modernise the military in around 2012, as *bne IntelliNews* reported in a cover story 'Cold War II' at the time, Russia has been hoarding money to make itself sanctions-proof and has built a Fiscal Fortress.

At the same time, Russia has been reducing its external debt to the point where it can pay off almost its entire debt worth 14% of GDP tomorrow in cash.

However, the big change is that the Kremlin has started to leverage its economy for the first time since Putin took over by increasing its borrowing from the domestic markets, albeit still conservatively.

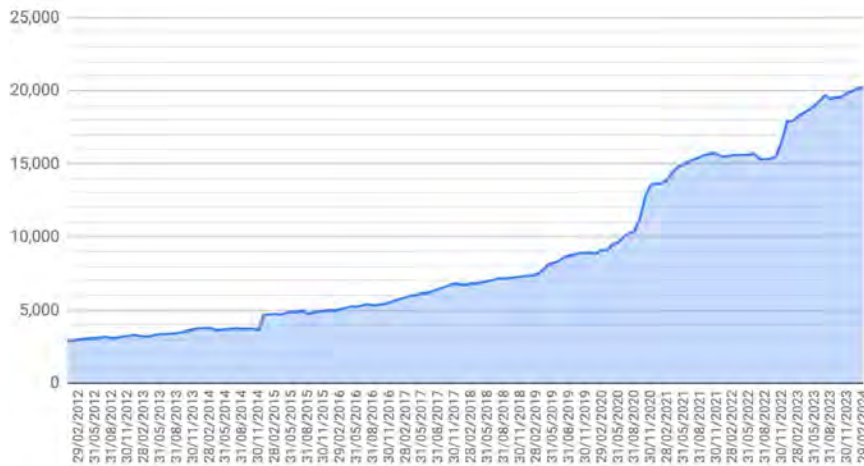
The two core principles of "Putinomics" have been: build up massive reserves that topped \$600bn pre-war, or nearly two years' worth of import cover, where

Russia External debt vs GIR \$bn



Source: MinFin

Russia OFZ market RUB bn



Source: CBR

most economists say three months is sufficient; and keep debt ridiculously low, in the low teens at most.

Most Western economies have debt-to-GDP ratios well over the 60% “safe level” set by the Maastricht treaty – the US debt is now over 123% and has started to worry the IMF, according to comments made at the most recent spring meeting.

All that changed dramatically after the war started. Russia began to run budget deficits for the first time in two decades and to spend heavily. Increasingly, funding the state’s fixed investment is from issuing Russian Finance Ministry’s OFZ treasury bills bonds to “friendly investors” or tapping the giant RUB19 trillion pool of liquidity in the domestic banking sector.

In December Siluanov announced a dramatic scaling up of borrowing plans in 2024 to raise RUB4.1 trillion from domestic borrowing – more than last year and a bit less than double the pre-war level of domestic borrowing – and the outstanding volume of OFZ has been growing steadily to the current circa RUB20 trillion outstanding.

Sanctions failing

Putinomics appears to be working as Russia’s economy looks increasingly robust. The *Reuters’* forecast show that the Kremlin is successfully

undermining Western sanctions targeting Moscow’s oil and gas industries.

As *bne IntelliNews* has reported, oil sanctions are largely a spent cannon and the technology sanctions have also largely failed, as Russia has imported more equipment and electronics in 2023 than it did pre-war. However, the US has made some progress since December with its new regime of smart sanctions that have driven “friendly” banks from China, Turkey and other

“Not a single barrel of Russian crude oil has been sold below the oil price cap of \$60 since that sanction was imposed at the start of 2023, but the more recent smart sanctions seem to be having more of an effect”

countries from the market, have selectively targeted very specialised equipment in things like the LNG sector, and the Office of Foreign Assets Control (OFAC) has effectively removed over 40 oil tankers from Russia’s shadow fleet with the threat of secondary sanctions.

Western leaders are looking at ways to restrict how much money the Kremlin

can generate, much of which goes towards funding Russia’s full-scale invasion of Ukraine.

The EU intends to crack down on Russia’s shadow fleet in the upcoming fourteenth sanctions package. EU Trade Commissioner Valdis Dombrovskis said earlier in April that the 14th round of sanctions against Russia should be adopted in the spring.

G7 countries are struggling to reverse this success. After two years and the increasingly obvious failure of sanctions to restrict the Russian economy, the emphasis has gone from targeting products with flawed sanctions due to the exemptions and carve-out riders in order to shield EU companies, in particular that remain dependent on these supplies, to tightening the rules to make the existing sanctions more effective.

Not a single barrel of Russian crude oil has been sold below the oil price cap of \$60 since that sanction was imposed at the start of 2023, but the more recent smart sanctions seem to be having more of an effect.

“We need to tighten the regime and force the Russian oil trade back inside

the regulated regime,” says Benjamin Hilgenstock, a senior economist with the Kyiv School of Economics (KSE).

The European bloc has already adopted 13 packages in response to Russia’s full-scale invasion of Ukraine, aiming to undermine Moscow’s economic output and the ability to sustain the war. ●



An estimated 250,000 people took to the streets on the call of emerging star of the Hungarian opposition, Peter Magyar. / bne IntelliNews

Magyar steps up as challenger to Orbán in largest anti-government protest since 1988

Tamas Csonka in Budapest

Former Fidesz insider Peter Magyar has stepped up as challenger to Viktor Orbán, Hungary's longest-serving prime minister, after organising the largest mass demonstration since the country's transition to democracy in 1989-1990.

"Change has started that can't be stopped," he told supporters filling the square and nearby streets in front of the parliament building in Budapest's main square.

The demonstration is a huge defeat for Fidesz, as its attempt to discredit Magyar was futile, but it is also a huge slap in the face for the opposition, which for years has been unable to gather a crowd similar to Saturday's rally.

In less than two months since bursting

into the limelight, 42-year-old Magyar – the ex-husband of former Justice Minister Judit Varga, and a businessman and lawyer close to the ruling Fidesz party – has shaken up the political landscape and given hope to hundreds of thousands of Hungarians who had almost given up hope that the radical rightwing Orbán regime could be toppled.

Since he made his debut in politics, Magyar has positioned himself as a centrist, targeting those who have grown tired of the political elite, from the left to the right.

A recent poll by the Budapest-based Republikon Institute found that his party, if formally formed, would be the third most popular in the country, with 15%. According to the survey, a third of

his supporters come from the undecided, which hit record levels recently, and he managed to lure 5% of active Fidesz supporters, but he has managed to draw in many apolitical voters as well. He also swayed many opposition voters, according to Republikon.

Magyar's presence in politics could become a serious headache for Orbán. The ruling party has lost its stamina and its ability to control the narrative. It has lurched from one crisis to another in the last two months.

The Fidesz paedophile pardon scandal in early February rocked Hungarian politics when it was revealed that President Katalin Novák granted a pardon to the deputy head of an orphanage who covered up the sexual abuse of children committed by his boss.

The scandal led to the fall from grace of Varga, who reportedly refused the pardon, but eventually countersigned it after Novák okayed it. There is still no answer as to who lobbied for the clemency, but critics of Orbán claim the prime minister had the final say.

Hungary is facing its biggest legal, political, moral, and economic crisis of the last 30 years, and people feel they have had enough, Magyar told local media after the rally. He tried to downplay his role saying "I may be the spark that started the fire".

Despite the unseasonably hot weather, an estimated 200,000-250,000 people took to the streets in Budapest from all parts of Hungary. Many arrived from European cities and the United States just for this occasion. The Facebook post of Magyar was buzzing ahead of the demonstration. People were offering car-sharing and lodgings for those arriving from the countryside.

According to observers, the size of the demonstration matches that of the June 27, 1988, mass protest in Heroes Square against Nicolae Ceausescu's plans to destroy villages of ethnic Hungarians in Romania, seen as one of the most important events in the fall of Communism in Hungary.

The rally was the second one in two weeks by Magyar, who made a successful debut in the political arena on the national holiday on March 15, where he announced plans to run in the EP and local government elections on June 9.

Due to time constraints, Magyar has no chance of setting up his own party before that time, but he is involved in talks with small, fringe parties that he could use as a proxy. He told independent media that he will name that party at his next rally scheduled for May 5.

By 3 pm, the iconic square in front of parliament was filled, and the crowd spilled over to nearby streets. Many carried red-white-green flags that reminded observers of a rally organised by Fidesz, but analysts rightfully pointed out it was a clear attempt to

take back the symbols expropriated by the ruling party.

Magyar and his team also carried a big banner in the march through central Budapest, which was also reminiscent of Fidesz rallies. The caption on the banner read: "Do not be afraid". Some other protesters carried signs bearing the names of their hometowns.

The two-hour rally began with a popular actor reading out personal stories of Hungarians living abroad. An estimated 500,000 have left Hungary since Orbán came to power in 2010 because of his regime's corruption, nepotism, the demise of education, and the country's democratic backsliding.

The independent mayor of a small town accused local representatives of Hungary's largest opposition party DK of collaborating with Fidesz, a message also shared by Magyar in earlier interviews in which he said that Hungary's political elite must be renewed. A representative of the Reformed Church said leaders of the

“The current government has steered the country into the biggest political, legal, and moral crisis of the last 30 years. Give power back to the people, take political and legal responsibility”

church bear responsibility for the moral decline in Hungary, referring to Bishop Zoltán Balogh, who openly acknowledged that as an advisor to Novák, he supported the pardon of the deputy head of the children's home.

Magyar, who stepped up to the podium to the beats of Europe's "Final Countdown" hit, began his speech by saying: "Remember this day, April 6, 2024, because from now on, nothing will be the same."

"In just a few weeks, the message of hope has reached the farthest corners of the country. We did something unprecedented since the change of

regime," Magyar said as he made the case for a European-facing and meritocratic Hungary. "Change has started, which can't be stopped," he declared. "Step by step, brick by brick, we are taking back our homeland and building a new country, a sovereign, modern, European Hungary."

Magyar lashed out at government propaganda machines and the lack of independence of media and the prosecutor's office as he presented accusations of corruption at the highest levels of government.

"More than 20 years have passed with elected leaders inciting Hungarians against each other, but now we are putting an end to this," he said, calling for everyone from right to left and liberal to work together to replace the current political elite.

"The current government has steered the country into the biggest political, legal, and moral crisis of the last 30 years. Give power back to the people, take political and legal responsibility," he said. He

turned to the representatives of the ruling party, saying it would soon be too late to change sides.

The results of the European Parliament elections will be the first nail in the coffin of the regime, he stressed. Magyar said applications will be open to pick candidates for the EP elections.

"You may ask if I still have some nuclear bomb," he asked the crowd, referring to damaging inside information against senior government officials. "We are the atomic bomb, the Hungarian people."

Magyar also urged his supporters to be active in the new movement called

Arise Hungarians (Talpra Magyarok) and said that everyone must move to bring about change. "We must take back our villages and towns," he said.

Many had expected Magyar to name his proxy party, but that may be announced at the next rally convened for May 5.

Speaking to reporters after the rally, Magyar said that it would be a great setback for Fidesz if it had only 40-45% of the vote in the EP election, where the party had done over 50% in the past two elections. He said the slide of Fidesz has begun and associating with the ruling party "has become cringe".

He told independent media that he had been approached by Fidesz officials. He expects defections to pick up from the ruling party after the election.

Magyar has identified himself as a proud conservative hailing from a lineage of two generations of lawyers. His grandfather was a renowned professor and a television personality and counted Ferenc Madl, President of Hungary between 2000 and 2005, as his godfather.

Since entering public life, Magyar has been leveling accusations against the government, touching on issues from corruption to the machinations of its propaganda machine.

In late March, he presented an audio recording of a conversation with his wife, where Varga makes some serious comments about the operation of the prosecution in a high-profile corruption case and admitted that government officials tampered with evidence.

In the conversation taped secretly in their home just before they filed for divorce, Varga said that Antal Rogan (head of the Prime Minister's Cabinet Office, head of propaganda, and Hungary's intelligence services) and his people suggested to the prosecutors what should be removed from the evidence in the corruption case involving former Justice Ministry deputy Pal Volner and Gyorgy Schadl, the former head of the bailiffs' association.

Varga was unhappy with the work of Hungary's chief prosecutor, Peter Polt, for allowing the investigation to move forward in the case and she is heard telling his husband that Volner allegedly continued to accept bribes even as he was warned of the secret surveillance in the case, which again raises questions of serious breaches of the law.

A day before Magyar testified to the prosecutor's office, presenting the evidence, he told local media that before he started the recording with his former wife, she was saying "This is a mafia government that you can't get

out of". In early February, pro-Orban media attempted to downplay Magyar's role and his allegations of corruption and nepotism but after he presented the secret audio and announced the launch of a party, he became the target of an unprecedented smear campaign.

His former wife broke silence in mid-March, accusing Magyar of verbal and physical abuse. Orban-loyal media ran hundreds of stories in just the last few days to discredit the emerging star of the opposition. In an earlier interview, Magyar confirmed reports that the Karmelita (Orban's office) forbade them to divorce before the 2022 elections.

Magyar's success can be attributed partly to the wide disillusionment with the political establishment, political scientists said, which has been unprecedented since the reign of Fidesz began.

"He is a former insider who can say things that could be damaging to the regime as he knows how the power machine operates," said one analyst. This was an unprecedented experience for most people in the crowd and participants felt a profound sense of freedom in openly voicing their dissatisfaction with the government, commented political scientist Laszlo Keri, a former teacher of most of today's leaders in Fidesz during their university years in the 1980s. ●

Czech spy agency says pro-Kremlin media ring targets European Parliament elections in several states

Albin Sybera in Prague

A number of mostly far-right politicians across the EU member states have been promoted on the pro-Kremlin Voice of Europe media platform ahead of the European Parliament elections, according to documents from the

Czech security service BIS seen by *DennikN* and other Czech publications.

Last week, the Czech authorities added Russian President Vladimir Putin's ally and Ukrainian-Russian oligarch, Viktor Medvedchuk, and his associate, Artyom

Marchevskiy, to its national sanctions list for their activities linked to the Prague-based Voice of Europe.

"As per the instructions of Viktor Volodymyrovich Medvedchuk, [Artyom Marchevskiy] is practically running



Czech security agency BIS detailed the Voice of Europe media platform's support for selected politicians as the European Parliament elections approach.

Voice of Europe in a number of EU member states, secures financing of cooperation with journalists and covert financial support of chosen individuals among candidates to the European Parliament," state the Czech security service documents quoted by daily *DennikN*.

Some of the politicians promoted in the scheme include Belgian separatist Filip Dewinter, European Parliament candidates from the German far-right party Alternative für Deutschland Petr Bystron and Maximilian Krah, Dutch Thierry Baudet, Czech ex-cabinet members Cyril Svoboda and Jiri Paroubek, and Slovak legislator Erik Kalinak from Prime Minister Robert Fico's ruling leftist populist Smer party.

The Voice of Europe platform is registered in Prague, and its official CEO is Warsaw resident Jacek January Jakubczyk. According to BIS, however, Marchevskiy is the de facto head of the platform.

"Activities of the company were run by Artyom Marchevskiy; it was he who dealt with content, represented the company and communicated with

European politicians," a source from the Czech Office of the Government was quoted as saying by *DennikN*.

DennikN and other Czech media wrote that BIS also documented specific politicians who accepted cash as part of the scheme but did not release any names. Czech media later reported that Bystron, an AfD politician of Czech origin, is one of the politicians who accepted cash payments in Prague.

Speaking to the Czech online news outlet iDnes.cz, Bystron said: "I was in Czechia at a conference, but the secret service accusation is nonsense. I only spoke to the journalists from this website" Voice of Europe.

Besides Paroubek, another former Czech prime minister, Vaclav Klaus, who is

now a backer of the Czech anti-EU party SPD, has been promoted by Voice of Europe. Klaus and Bystron have reportedly been in regular contact in the past.

Director at the Vienna-based Centre for Democratic Integrity, Anton Shekhovtsov, wrote on his LinkedIn social media profile that the list of European politicians promoted at Voice of Europe since August 2023 also includes former Slovenian prime minister Janez Jansa, President of Bosnia's Republika Srpska's Milorad Dodik, Italians Francesca Donato and Matteo Gazzini, French Patricia Chagnon, Herve Juvin and Thierry Mariani, Croatian Ladislav Ilcic and Slovaks Jan Carnogursky and Miroslav Radacovsky. ●

"Czech media later reported that Bystron, an AfD politician of Czech origin, is one of the politicians who accepted cash payments in Prague"



Peter Pellegrini, 48, will take over the Presidential Palace on June 15. / Pellegrini's Facebook

Pellegrini beats Korcok to become the next Slovak president

Albin Sybera

Government candidate Peter Pellegrini beat pro-Western diplomat Ivan Korcok in the Slovak presidential election run-off by collecting 53.12% of the vote against Korcok's 46.87%.

Pellegrini, the parliamentary speaker and a former premier, scored a clear victory despite the last polls projecting a very tight runoff after Korcok registered a surprise victory in the first round by 42.5% to 37%. Even so, it was Slovakia's highest presidential contest so far.

Pellegrini, 48, will take over the Presidential Palace on June 15 amid fears that his presidency will strengthen populist premier Robert Fico's power grip on the country's institutions. Pellegrini's centre-left Hlas party has backed Fico's Smer party's moves to reassert control over the judiciary, police and public media, and the way it has re-oriented Slovak foreign policy from one of the staunchest military backers of Ukraine to a Kremlin-appeasing one.

Despite the post's relatively weak powers, outgoing President Zuzana Caputova has

used it to act as an obstacle to Fico, sending his controversial judicial reforms to the Constitutional Court and speaking out against his attempts to muzzle NGOs and take control of public broadcaster RTVS.

"I want to thank all the voters of the Slovak Republic who gave me nearly 1,400,000 votes. It is an obligation and a great honour for me," Pellegrini stated before he reiterated his hardened message on Ukraine, with which he appealed to the voters of the far-right candidate Stefan Harabin, who came third in the first round.

"Whether someone likes it or not, I will do everything for Slovakia to stay on the side of peace and not on the side of war," Pellegrini said during his victory speech in a nod to Fico's and Harabin's electorate.

He also reassured Fico of his loyalty. "You don't have to worry that an opposition opportunistic power centre will emerge from the Presidential Palace, as it has been for the last 10 years, which will harm the government, which will harm the state abroad and will enjoy the failures of the government of the Slovak Republic," he said.

The controversies of the Fico cabinet have been galvanising liberal Slovaks in regular mass protests against Fico and his allies, including Pellegrini, who is derided as Fico's "bag carrier" or stooge.

Pellegrini praised the result as a demonstration that Fico's left-right ruling coalition has stable support, while Fico declared that "even today, people in Slovakia showed that they recognise what threats this country is facing from the side of liberal media, activists, non-government organisations and progressives".

Korcok who was backed by the liberal opposition, congratulated Pellegrini in his concession speech, but did not hide disappointment and criticised Pellegrini for leading a campaign in which he depicted Korcok as a warmonger.

"A campaign can be won also by turning the other one – me – into a candidate of war. I want to tell you one thing – I will not forget this. Fear has decided the elections," Korcok stated.

Korcok had also criticised Pellegrini for lacking political autonomy from Fico, Pellegrini's former boss in the Smer party. He said he "wishes from his heart [...] to all of the Slovak Republic" that Pellegrini "will be an independent president and will be acting according to his own conviction".

Caputova, a fervent critic of Fico, praised the high voter turnout and congratulated Pellegrini. The turnout was 61.14%, up from 51.91% in the first round.

"It is important that since the moment of getting elected the new president acts in a way so as no part of the society feels defeated. So that joy from victory goes hand in hand with awareness of service for all the citizens of Slovakia, not just for those who elected him," Caputova wrote on her Facebook page.

Pellegrini has tried to display a more moderate image since breaking with Fico's leftist Smer party – where he had risen through the ranks to become the heir apparent – to form his own centre-left Hlas party in 2020. However, he chose to form a left-right

coalition with his former boss after the September general election and take the parliamentary speaker post, rather than create a centrist coalition that excluded Fico.

Pellegrini, the early clear favourite, successfully managed to mobilise his voters and that of the governing coalition against Korcok with an

improved turnout, Slovak media noted, after he had appeared to be slipping behind in the last week of the campaign.

He won back many districts where Korcok registered a victory in the first round. Apart from the capital, Bratislava, and its surroundings – a liberal stronghold in Slovakia – Korcok won only in the second largest city, Kosice,

and three other districts in the north and the east – Dolny Kubin, Poprad and Presov – in the runoff.

Yet again Slovak pollsters called the election wrong, predicting a tight victory for Korcok as late as the exit poll, after also mistakenly predicting that liberal opposition party Progressive Slovakia would win September's general electio. ●

Poland's Tusk says no to freshly agreed EU migration deal

Wojciech Kosciuszko in Warsaw

The EU's migration and asylum pact, a new set of rules of how member states will handle arrivals from outside the bloc, which was agreed in the European Parliament, is unacceptable and Poland will not support it, Prime Minister Donald Tusk said on April 10.

The pact's main point of contention is the plan to make member states take in migrants under a so-called solidarity mechanism from countries that are overwhelmed by migration such as Italy or Greece.

An alternative to accepting migrants is paying €20,000 per refused person or increased participation in operations to protect the EU's external borders.

"In this form, it is unacceptable for Poland," Tusk told a press conference.

"We will find ways – because we have already worked it out in our heads – that even if this pact comes into force in more or less the same form as it was voted on in the European Parliament today, we will protect Poland against the relocation mechanism," Tusk also said.

Taking over from the fiercely anti-immigrant government of Law and Justice (PiS), the Tusk government has adopted a similar stance, only with a slightly less aggressive rhetoric.

The government says that the EU must take care to tighten control of its borders in the first place to prevent cross-border movement rather than seek solutions once migrants are inside the EU.

"There is no migration policy without effective border control. On this issue, I will not budge, and I want to say that my [work] yields results and the capitals in Europe understand our arguments," Tusk also said.

Poland's eastern border was under increased pressure from migrants along its border with Belarus, which, Warsaw said, deliberately flew in migrants, pushing them to the Polish border to sow organisational and political chaos in "hybrid war" in 2021-2022.

At the same time, the PiS government is now accused by the incumbent administration of creating a corrupt system of granting visas to non-EU citizens that resulted in thousands of

people being allowed into Poland.

Meanwhile, Slovakia also said it is going to reject the provisions of the migration deal.

"The [member] states should decide for themselves what form of aid they choose, without the mandate of a mandatory financial or material contribution," the Slovak foreign ministry said in a statement on April 11.

"The Slovak Republic unequivocally rejects the new European migration and asylum policy, the so-called migration pact, which also includes the mandatory redistribution of illegal refugees," the ministry also said.

Hungarian PM Viktor Orban also backed Poland despite the new government in Warsaw distancing itself from the populist leader for his pro-Russian policies. "Hungary will never give in to the mass migration frenzy!" Orban posted on X. ●



Prime Minister Donald Tusk (right) with EU counterparts French President Emmanuel Macron (left) and German Chancellor Olaf Scholz (centre). / bne IntelliNews



The Serbian president has repeatedly warned that the world could be heading for the worst conflict since WW2.

Serbia's President Vucic, the prophet of doom

bne IntelliNews

Serbia is not directly involved in the conflicts unfolding in either Ukraine or the Middle East, yet the country's President Aleksandar Vucic has repeatedly voiced gloomy forecasts about the state of the world.

In his latest projection, Vucic said on April 15 that the situation in the world would become "the worst since World War II" in the coming months.

Speaking to public broadcaster RTS, Vucic said the whole planet is "on fire", and that everyone is trying to "reduce the flames a little bit right in their backyard".

"It's good as long as it happens somewhere else, that's what they think. In the long term, I don't see that there is a solution, because things change, some resist those changes," Vučić told RTS, reported Serbian news agency Tanjug.

He made the comments more than two years into the war in Ukraine, and shortly after Iran launched a barrage of missiles against Israel over the weekend.

He also accused major world powers of ignoring international law, while smaller countries – like Serbia – were expected to abide by the rules.

"We, the little ones, have to stick to international law, because that's the only thing we can cling to, and these big guys, they will fight and fight, and it will get stronger and worse," the Serbian president said.

This came after in March Vucic set out his expectations for the future, saying the world faces two possible scenarios: either a ceasefire in Ukraine, or a third world war.

"One scenario is whether the West will go in the direction of a full conflict with Russia, since it is not very easy to stop the Russian army on the ground," Vucic told a press conference in Belgrade during the visit of Bavarian leader Markus Soder.

"The second is that with the help of the United States of America and China, some kind of long-term truce, if not permanent peace, would be established, which would mean a huge relief for the world," he added.

These warnings echo comments Vucic made back in September 2022, seven months after Russia's invasion of Ukraine, also warning the world could become engulfed in the biggest conflict since the Second World War.

"I think we are going to go from a special military operation [as Russia described

the invasion] to a major war and the question is where the red line will be. We are going to enter a large-scale global conflict the likes of which we haven't seen since World War II in the next one or two months," Vucic told RTS in September 2022.

While the theme is a recurrent one, Vucic has recently stepped up both his forecasts for the global situation and his criticisms of global powers for undermining international institutions such as the UN.

This comes in advance of a critical meeting of the Council of Europe in May, when diplomats are expected to decide whether to admit Kosovo to the organisation.

Kosovo unilaterally declared independence from Serbia back in 2008, and Belgrade has lobbied intensively to keep the new country out of the UN, the Council of Europe and other international organisations. Belgrade has accused Western countries of breaking international law by recognising Kosovo's independence after it broke away from Serbia.

This is also a sensitive time in Serbian domestic politics after the December 2023 general and municipal elections, which sparked a wave of protests after opposition politicians claimed both the national vote and the mayoral vote in the capital Belgrade had been rigged.

Part of Vucic's popularity and the repeated electoral successes of the ruling Serbian Progressive Party (SNS) rest on their ability to portray themselves as protectors of stability in Serbia. ●

Bulgaria and Romania join air and sea Schengen area

Denitsa Koseva in Sofia

Bulgaria and Romania joined the Schengen border-free area on March 31 after years of waiting and repeated vetoes by Schengen members. However, the two countries are only admitted to the air and sea Schengen area, and it is not clear when they will be allowed to lift land borders with Schengen members.

Despite that, accession to Schengen will bring Bulgaria and Romania significant advantages, particularly in tourism and trade. Starting March 31, EU citizens can travel to and from the two countries without passport checks, which is expected to save significant time and efforts.

It took the two countries a quarter of a century to get to this point with Bulgaria being granted visa-free travel before joining the EU – in 2000 – while Romania followed later, after fulfilling certain conditions.

"The [European] Commission strongly welcomes this achievement, which follows the historic Council decision of December 2023. The Schengen accession of these two Member States will make

the common area more attractive by significantly expanding the world's largest common area without internal border controls," the EC said in a statement on March 30.

"Tomorrow marks an important day: Bulgaria and Romania join the Schengen family. I welcome the lifting of internal air and sea border checks. This is a great success for both countries. And a historic moment for the Schengen area – the largest area of free movement

in the world. Together, we are building a stronger, more united Europe for all our citizens," European Commission President Ursula von der Leyen said on March 30.

Back in 2011, the EC confirmed in the Schengen Evaluation reports that Bulgaria and Romania had met all requirements to be fully part of the Schengen area. The lifting of air and sea borders was recommended by the EC several times but there was no consensus



Bulgarian Prime Minister Nikolai Denkov and other top officials celebrate the lifting of air and sea borders at Sofia Airport. / government.bg

among Schengen members. The Netherlands has been blocking Bulgaria from joining Schengen for several years due to the lack of progress in the fight against corruption and organised crime, while Austria objected to the entry of the two countries over fears of more migrants being let in through Bulgaria and Romania.

According to the EC, since last December, the two countries have taken all necessary measures to ensure a smooth application of the Schengen rules as of March 31, 2024.

“The Cooperation Frameworks launched earlier this March by the Commission

together with Bulgaria and Romania build on the successful implementation of the pilot projects for fast asylum and return procedures. With these Cooperation Frameworks, Romania and Bulgaria will further contribute to strengthening the cooperation on border and migration, as well as to the joint European efforts to address EU security at external borders and migratory challenges,” the EC noted.

A regional initiative on police cooperation was established between EU member states along the Western Balkan and Eastern Mediterranean routes, including Bulgaria, Romania, Austria, Greece, Hungary and Slovakia,

which should address illegal migration issues and related cross-border crime.

A decision still has to be made on the date when the land border will be lifted.

In Bulgaria the full border lifting could be delayed due to the fresh political crisis and the forthcoming early general election, the sixth in a row. A caretaker government will be appointed for at least two months and it will not be able to make all necessary reforms to speed up the process.

Romania seems to have better chances for full lifting of borders as it has carried out the necessary reforms and is not undergoing a crisis. ●

Romanian president's hopes of leading Nato fade

Iulian Ernst in Bucharest

Romania's President Klaus Iohannis' hopes of becoming the next Nato secretary general have faded after two of the Baltic states expressed their support for rival candidate Mark Rutte, and the US also confirmed its backing for the caretaker Dutch prime minister.

Rutte is now backed by 28 of 32 states of the Alliance to be the next leader, meaning he is almost certain to succeed the incumbent Nato head Jens Stoltenberg.

Both Lithuania and Estonia indicated their support for Rutte on April 2.

Lithuania said it would support the Dutch leader's candidacy during Rutte's visit with President Gitanas Nausėda. The Lithuanian head of state said Rutte is “one of those politicians who recognised the Russian threat quite early” and radically adjusted his position accordingly.

Estonia also gave its support to Rutte. Prime Minister Kaja Kallas announced her position on X. She previously made critical comments about Rutte's

candidacy, pointing out that the Netherlands has not met the Nato standard for defence expenditure. She also argued that a country from Eastern Europe deserves a chance to be represented at the head of the alliance.

Kallas said she believes that a strong Nato should focus on Russia, increase defence spending and support Ukraine's membership. “I have discussed this in-depth with Mark Rutte and he commits to these priorities. Estonia can back him for Nato's Secretary General,” she said.

Meanwhile, the US ambassador to Nato stressed once again her country's support for Rutte, while wishing “all the best” to Iohannis.

“I think you're well aware that the US position is that we fully back Mark Rutte as the next Secretary-General, but we do have deepest respect for our friend President Iohannis as well and we appreciate him throwing his hat in the ring and wish him all the best as we continue to debate this issue across the Alliance,” US permanent representative to Nato, ambassador Julianne Smith said.

As Nato prepared to appoint a new secretary general just over two years into the war in Ukraine, a debate opened on whether the Alliance should for the first time pick a head from the eastern part of Europe.

While Rutte is almost certain to be selected, the Dutch candidate has been quite active in demonstrating his country's commitment to the Alliance's Eastern flank including by announcing the deployment of a Patriot missile system to Lithuania.

Rutte said on April 2 that the Netherlands will temporarily deploy Patriot missile systems to Lithuania, as the Baltics seek Nato allies to rotate air defence capabilities to the region.

“Dutch armed forces are currently making preparations for a Patriot air defence unit to conduct an exercise in Lithuania this summer,” Rutte told reporters in Vilnius, alongside Lithuanian President Gitanas Nausėda.

“Lithuania's borders are EU and Nato borders and that makes them our borders too ... and we will defend them,” Rutte said. ●



CHP supporters took to the streets of Istanbul to celebrate a long sought after victory over Erdogan.
/ DW, screenshot

Local elections victory is Turkish main opposition party's first national polls win since 1977

Clare Nuttall in Glasgow

With its local polls victory on Sunday March 31, Turkey's main opposition Republican People's Party (CHP) won a national election for the first time since 1977.

The secular party received 37.7% of the vote, more than two percentage points more than President Recep Tayyip Erdogan's ruling Islamist-rooted Justice and Development Party (AKP), according to the preliminary official results.

The AKP lost 11 cities that it controlled since the 2019 local elections. Its performance in the largest five cities – namely, Istanbul, Ankara, Izmir, Bursa and Antalya – was very poor. Also surprisingly bad for the party were the results in conservative heartlands in Anatolia, like Adiyaman and Afyon.

“The virus that entered into our system such as arbitrariness, arrogance,

nepotism, high cost of living, and impoverishment were clear signs of the drift in the economy,” Samil Tayyar, a former MP from the AKP, wrote on social media platform X. “This result is neither the permanent success of the CHP nor the New Welfare Party, but a very harsh balancing act for the AKP. This is a political disaster.”

The New Welfare Party, or Yeniden Refah Partisi (YRP), is a right-wing Islamist populist party that offered an alternative to some religious voters who normally back the AKP. Officials in

the AKP who looked at whether it could be demonised are said to have been frustrated because the YRP was part of the AKP's alliance in last year's national elections, meaning it had been endorsed.

“We have some time to recover the economy and focus on our goals,” *Middle East Eye* quoted an Ankara insider as saying. “But Erdogan doesn't have the same stamina anymore. He is tired after too many election cycles,” they added.

“I think it's mainly about the economy and in particular the inflation ... story. I think voters decided to punish Erdogan for these reasons,” said Wolfgang Piccoli, co-president of political risk consultancy Teneo, adding that AKP lost control of industrial regions where lots of workers earn the minimum wage, which has failed to keep up with inflation despite big rises.

Many saw the local elections as a referendum on Erdogan, who has entered his third decade as Turkey's leader. “It was a ‘no’ vote to Erdogan especially in Istanbul and a lot of other places,” Selim Koru, an analyst at the Ankara-based Tepav think tank, told the *Financial Times*.

“It's enough AKP. We are tired of the AKP because of the economic situation. Everything is so expensive,” 59-year-old Sanliurfa resident Ramazan Cimen, who has typically voted for the AKP but said he was now backing New Welfare, told the UK daily, adding: “We need a change in this country.”

For those who would like that change to come soon, there is the sobering reality that the next general election is not scheduled to take place until 2028. ●

“The AKP lost 11 cities that it controlled since the 2019 local elections”



Russia's Investigative Committee has launched a criminal investigation into Ukraine's oil and gas company Burisma, where Hunter Biden served on the board of directors for five years, and has accused "senior officials of the United States and Nato countries" of funding terrorism in Russia. / bne IntelliNews

Kremlin tries to link Hunter Biden to financing of Moscow's Crocus City Hall terrorist massacre

Ben Aris in Berlin

Russia's Investigative Committee launched a criminal investigation into the financing of terrorism in Russia on April 9, with the focus on a board of directors that included the son of US President Joe Biden, Hunter Biden.

"Today, the Investigative Committee accused Joe Biden almost personally of financing terrorist attacks in Russia (but not yet specifically in Crocus) and through Ukraine," *The Bell* reported.

The Investigative Committee linked terrorism in Russia to "senior officials of the United States and Nato countries," without specifically mentioning the Crocus City Hall attack on March 22 that left over 140 dead.

A recent poll in Russia found that the majority of Russians believe that the attack on the mall by at least four gunmen from Tajikistan was organised by Ukraine. Ukrainian President Volodymyr Zelenskiy has stringently denied being involved or masterminding the attack. As *bne IntelliNews* reported, there is much stronger evidence that the mastermind behind the attack was based in Turkey. A branch of the Islamic State (IS) extremist group has claimed responsibility for the attack.

This Investigative Committee case has been brought under Article 205.1 of the Russian Criminal Code that deals with terrorism and claims that the Hunter Biden-linked company Burisma was involved in funding terrorist operations aimed at destabilising Russia. The committee claims the company targeted key political and public figures as well as inflicting economic damage on Russia.

The inquiry into these allegations began after an appeal by Duma deputies and

"A branch of Islamic State (IS) extremist group has claimed responsibility for the attack"

public figures, including prominent figures from the Communist Party of the Russian Federation, United Russia and proponents of "Eurasianism." This group contends that Burisma's financial contributions, specifically an \$18mn donation to the Ukrainian Armed Forces' "Army of Drones" project, constitute the financing of terrorism.

Despite overwhelming evidence to the contrary, Putin was quick to blame the "Ukrainian direction" in the attacks and has used the incident to bolster the Kremlin's propaganda campaign to drum up support for his war in Ukraine, which is now into its third year.

Burisma has long been a subject of scrutiny after it hired Hunter Biden on a large salary. He served on the company's board from 2014 to 2019. His tenure has fuelled accusations of corruption and preferential treatment, though no concrete evidence has been presented to support claims of misconduct by the Bidens.

When he was president, Donald Trump tried to put pressure on Zelenskiy to bring charges against Hunter Biden, by leveraging promises of aid to Ukraine, for his own political advantage. Trump's first impeachment as president in 2019 was sparked by a phone

call between Trump and Zelenskiy, in which Trump linked US military aid to Zelenskiy ordering a criminal investigation of the younger Biden.

The focus on Burisma and its alleged role in financing terrorism marks a significant escalation in the Kremlin's propaganda as Russia's authorities attempt to build a direct link between US officials and acts of terrorism within Russia. All of Russia was shocked by the attack in Crocus City Hall, the first serious terrorist incident in Russia in almost two decades. ●

Nobel Peace Prize nominee Olga Karatch on the squandered chance to change Belarus

Linas Jegelevicius in Vilnius

The life of Olga Karatch, head of the Belarusian Nash Dom (Our House) NGO in the Lithuanian capital, Vilnius, and nominee for the 2024 Nobel Peace Prize, has taken a nightmarish turn: the brave fighter for Belarus' freedom is now fiercely warding off the accusations of Lithuania's State Security Department (VSD) that she has collaborated with Russian intelligence and poses a threat to Lithuania's national security.

"Unfortunately, I've become a victim of the politics – Belarusians have fallen out of favour with the Lithuanian government. But the same fate awaits many Ukrainians here," Karatch said to *bne IntelliNews*, 10 years after she fled from Belarus to Lithuania to protect her family.

Meanwhile, she sees little hope for change in Belarus. Almost four years on from the mass protests after the 2020 election, where many Belarusians saw a real chance to change the country, as next year's presidential election approaches there is little hope of dislodging long-term incumbent President Alexander Lukashenko's grip on power.

bne IntelliNews: Heralded as a staunch fighter for human rights and democracy in Belarus, you ended up being a threat to Lithuania's national security, an astonishing change. What happened?

Olga Karatch: 10 years ago, I took my two little children to Lithuania. I was being threatened by Belarusian intelligence, the KGB, with the so-called decree 18 which stipulates children can be taken into state custody from what the agency deems a 'disorderly parent' – the decree can be applied to any parent participating in opposition activities. As I had always seen my life in Belarus, we did not ask for political asylum when we arrived here, especially as, until mid-March of 2020, I kept going back and forth.

However, after the presidential election in Belarus in autumn 2020, my entire family was threatened. At the end of 2021, my husband, our children and I spent 17 days in a heavily guarded shelter; for safety, we were whisked from one city to another – the local authorities had received information that the

Alexander Lukashenko regime planned to assassinate me. Only in late 2023 did I ask the Lithuanian authorities to grant me political asylum, but I was rejected. No wonder – Lithuania's intelligence has been lately repeating that Belarusians pose a risk to national security, and, in my case, the VSD went even further and announced that I collaborated with Russian intelligence services, which is nonsense.

At the beginning of the year, the Supreme Administrative Court of Lithuania upheld a lower-tier court's decision not to grant asylum without providing you any specific reason. You are contesting it at the Strasbourg-based human rights court, aren't you?

Indeed so. Even in the court, Lithuania's State Security Department did not provide any evidence to prove my ostensible guilt. All it said was that the information is secret and cannot be disclosed. In defending myself, I had no other choice than to lodge a complaint over what I believe has been a violation of my [human] rights with the European



Nobel Peace Prize nominee Olga Karatch says Belarusians have fallen out of favour with the Lithuanian government. / Olga Karatch

Court of Human Rights in Strasbourg in February. I think my case in the court is the first of its kind from a Belarusian citizen living in Lithuania. But I am sure that other Belarusians will follow me and ask the court to step in. As of now, around 2,500 Belarusians are regarded as a national threat to the state of Lithuania, which is just preposterous. I categorically disagree with that and see it as political manipulation.

Are you allowed to stay in Lithuania until the Strasbourg court's ruling is announced?

I am. I am on a humanitarian visa here now. The situation is absurd to me – as an applicant for asylum, deemed a threat to the Republic of Lithuania, I can stay here on humanitarian grounds. My humanitarian visa is valid through August, and I suppose it will be extended. Until now, it was extended automatically.

What happens if you get a negative answer from the local migration department in the autumn?

I cannot rule out that I will be extradited to Belarus, where capital punishment awaits me as someone on its terrorist list. In addition, I am a defendant in three new criminal cases against me, including

on charges of attempting to commit a coup in the country.

Sadly, Lithuania's State Security Department is looking for enemies in the wrong direction, towards the Belarusians in Lithuania. As far as I know, there is not a single Belarusian citizen arrested on charges of espionage here.

Yet, you are not denying you went to Moscow on several occasions.

That's correct. The last time was in 2016, when I went there for a conference whose participants included Russian government members, NGOs and an array of foreign guests. Then the political

Moscow was unimportant. I met various people while in Moscow, but, of course, no one from the FSB or KGB.

Do you know Sviatlana Tsikhanouskaya, who ran in the 2020 Belarusian presidential election and who has been living in exile in Vilnius since then?

I know her quite well. We've met several times. But to be frank, now, she is in a completely different situation than in 2020, when she had a historical chance to make change in the country, uniting all the democratic opposition forces. I don't think another chance of this kind will come in the next 50 years.

“I cannot rule out that I will be extradited to Belarus, where capital punishment awaits me as someone on its terrorist list”

situation was quite different. Ahead of the Belarusian presidential election in 2015, Lukashenko was trying to befriend the West while tightening his grip on domestic affairs, Ukraine was not at war, so against that background, my trip to

I'll put it bluntly – she squandered the chance, dividing the opposition into “correct” democrats and not “correct”. It makes me sad, as so much energy has been wasted on squabbles and bickering within the opposition. I am sure if the

opposition had been united going into 2020, Lukashenko could have been ousted.

Also, to be honest, until the 2020 election, Tsikhanouskaya was just a caring housewife, without any job, a good mother and wife raising little children in a depressing little Belarusian town. But having fled Belarus to Vilnius in the wake of the crackdown on the opposition protests in late 2020, she has been enjoying a luxurious and opulent lifestyle here in Lithuania.

Saying that she represents the Belarusian opposition now would be not true – the situation has changed dramatically. I wish she had done much more for the local Belarusian community [in Lithuania]. I've never heard her ask the Lithuanian government to address issues the Belarusians are dealing with here.

Belarus will hold a presidential election next year...

A couple of scenarios are plausible, although forecasting is very hard in this unstable time. First, we need to see if the Belarusian military will join the war in Ukraine. If this happens, it will be a catastrophe for Belarus. In this case, the election will be like the [presidential] election that just took place in Russia – very formal, with the winner known well in advance.

In the second plausible scenario, with Lukashenko trying again to open some doors to the West, Lukashenko might want to conjure up the picture of as free an election as possible, but it would be naïve to expect that opposition people will appear on the ballot.

In another scenario, which is being considered by the Lukashenko circle, Lukashenko vacates the presidential seat and becomes the new chairman of the Council of the Republic of the National Assembly of the Republic of Belarus, but that would be bad for Belarus, too – we'd simply see a Russian-style Putin-Medvedev-Putin rotation.

[Dmitry Medvedev was president of Russia between 2008 and 2012, as the Russian constitution barred Vladimir

Putin from competing for the post for a third consecutive term.]

The candidates currently being discussed [in Belarus] are very pro-Putin. If any of them becomes president, a much faster integration of Belarus into Russia could be expected.

Do you think that Lithuania, over time, will start to treat Ukrainian refugees differently – perhaps like the Belarusians? Will the authorities become suspicious and possibly deem some of them a threat to national security?

I cannot rule it out. I've spent 10 years here and I see that your authorities are increasingly wary and weary and tired of the record-high number of migrants in the country. [It is estimated that over

“The candidates currently being discussed [in Belarus] are very pro-Putin. If any of them becomes president, a much faster integration of Belarus into Russia could be expected”

200,000 people of Slavic origin have settled in Lithuania since late 2020.]

It seems to me that Lithuanian politicians do not have a clear strategy or vision of what Lithuania look like in, say, five or 10 years from now. Part of them see migrants as necessary to replenish the drought in the workforce, however, some are fearful of them, but at the same time they are struggling to offer solutions to the cheap labour shortage.

Speaking of the Belarusians here, I believe their integration programmes were poorly or at least hurriedly executed.

Imagine, Belarusians need to pay €200 for a 10-class course of the Lithuanian language. It is ridiculous!

My own children already speak Lithuania, although they attend a Belarusian-language school with much focus on Lithuanian.

I am happy to have my both parents here too. The parents of my husband, we suspect, were murdered in the Belarusian town of Vitebsk at the end of 2022 – both were found dead on the same day...

That's the reality in Belarus.

How do you see your own future in Lithuania?

The VSD case against me is very distracting, not only to me but to the organisation too, as instead of focusing on Belarus, we need to focus on the unfair treatment of Belarusian exiles here in Lithuania.

I am happy that most of my fellow countrymen understand that the accusations against me are political,

and they stand behind me, sharing stories of their family members or friends who ended up being in the eye of the VSD.

To make ends meet, I keep writing analytical articles for a number of Western media outlets. Nash Dom is still carrying out multiple projects, none of which is sponsored by the Lithuanian government.

Some more bad news came this week: Lithuania's Migration Department informed my husband, Oleg Borshchevskogo, who is the editor of the website nash-dom.info, which belongs to Nash Dom [both are deemed extremist in Belarus] that it has started the process to deport him, even though Oleg faces up to seven years in prison in Belarus.

We will continue fighting, however – for ourselves and the other Belarusians in Lithuania. ●



Russia's Foreign Minister Sergey Lavrov and Foreign Minister of Tajikistan Sirojiddin Muhriiddin hold a meeting on the sidelines of the CIS Foreign Ministers Council meeting. / Photo: mfa_russia

Tajik foreign minister hits out at Russia's apparent torturing of alleged terrorist

bne IntelliNews

Tajikistan's foreign minister on April 12 hit out at Russia's apparent torturing of the mostly Tajik suspects in last month's terrorist attack on an outer Moscow concert hall that took the lives of more than 140 people.

Sirojiddin Muhriiddin, speaking in Minsk at a meeting of the Commonwealth of Independent States (CIS), also criticised what he described as a media campaign to slander Tajiks. His comments came amid more reports that Tajikistan – the economy of which is heavily reliant on remittances sent home by migrant workers employed in Russia – is seriously concerned by the number of Tajiks who have responded

to the Russian backlash against Central Asian migrants in the wake of the terror attack by heading home.

After the attack on Crocus City Hall on March 22, several Tajiks were arrested and showed signs of physical abuse when they appeared in Basmanny District Court in Moscow. The accused included four

alleged gunmen who had bruised and swollen faces. They also showed other signs of having been severely beaten. There were unconfirmed reports that one of those detained had his ear cut off during his arrest.

"The use of torture in the form of bodily mutilation is unacceptable,"

"The use of torture in the form of bodily mutilation is unacceptable. The price of confessions extracted in this way is well known to everyone."

Muhriddin said on April 12. "The price of confessions extracted in this way is well known to everyone."

Muhriddin added that Russian security authorities should respect the rights of the Tajik suspects and stick to the principles and norms of international law in their investigations into the massacre. That was especially the case in terms of the presumption of innocence, the prohibition of torture and ill-treatment of detainees.

Critics may find some irony in Tajikistan's top diplomat lecturing Russia and the world on the human rights of detainees, considering the horrors of what the Tajik regime has long been accused of when it comes to imprisoned opponents.

Muhriddin also used the platform offered by the CIS meeting to condemn the explosion of xenophobia seen in Russia since the attack. The consequences of an "ill-conceived information campaign" were that a "negative perception is being

formed toward citizens of Tajikistan and Tajiks", he added.

Of the 11 men in custody accused of roles in the Crocus City Hall atrocity, 10 are Tajik. The other man is reported to be a Kyrgyz-born Uzbek man who has Russian citizenship.

The attack was Russia's worst terrorist attack in two decades. An Afghanistan-based affiliate of the Islamic State extremist group has claimed responsibility. ●

Armenia and Azerbaijan announce first border delimitation deal since the collapse of the USSR

bne IntelliNews

Armenian Prime Minister Nikol Pashinyan has praised the border delimitation agreement with Azerbaijan, saying that "for the first time, Armenia and Azerbaijan have resolved an issue around a negotiating table".

The delimitation deal came more than three years after the first meeting of the relevant commissions were launched following Azerbaijan's victory in the Second Nagorno-Karabakh War in 2020. According to the agreement, the first phase of the delimitation will start in Armenia's Tavush and Azerbaijan's Gazakh regions, with Armenia unilaterally returning the territories it captured in the early 1990s. Azerbaijan, however, is not obliged to return the Armenian territories it controls in the same area.

Despite his recent statement that the agreement was reached through negotiations, Pashinyan earlier claimed that he agreed to unilateral concessions to stop a war in the region. Pashinyan's statements were followed by Azerbaijani state propaganda warning Armenia of another escalation if it delays the return of the villages. Azerbaijan had demanded the villages' return as a precondition for a peace deal.

Amidst Pashinyan's praise, however,

protests have erupted among residents of border communities in Tavush province of Armenia, expressing concerns over the implications of the delimitation and demarcation process. Tavush residents are concerned that the delimitation and demarcation process would result in the loss of access to farmlands and increased vulnerability to attacks.

In response, Pashinyan reassured the public that the government would take steps to mitigate risks. He stated, "We don't have a front line here, but will have a border, and the border is a sign of peace". He also reaffirmed Armenia's commitment to safeguarding its sovereignty.

Pashinyan also confirmed the withdrawal of Russian border guards from Tavush post-delimitation. He stated: "The border guards of Armenia and Azerbaijan will be able to independently protect the

border by interacting with each other," highlighting a new phase of cooperation.

Armenia has also recently requested Russian soldiers withdraw from Yerevan airport, as he moves to reorientate the country's foreign policy. The Armenian premier has also stressed the vital importance of reaching a peace agreement with Azerbaijan, even if it means concessions as well as the abandoning of Nagorno-Karabakh, which Baku reconquered in December.

Internationally, the United States and the European Union expressed support for the border delimitation process, viewing it as a positive step towards sustainable peace. Meanwhile, Azerbaijan hailed the agreement as a historic milestone, celebrating the return of villages under Armenian control since the 1990s. ●



Mount Ararat and the Yerevan skyline / bne IntelliNews



Kazakhstan appears disappointed by output from its giant offshore Kashagan oilfield in the Caspian Sea. / cc

Kazakhstan's Kashagan claims against big oil firms now reportedly top \$150bn

bne IntelliNews

Kazakhstan is now reportedly seeking a compensation sum in excess of \$150bn from the oil majors developing its giant offshore Kashagan oilfield in the Caspian Sea, after adding a \$138bn claim for lost revenue to a previous \$15bn claim over costs. Anonymous sources with knowledge of the matter on April 17 briefed *Bloomberg* on the huge increase in the demand.

The demand to recoup lost Kashagan revenue is reportedly based on estimates of revenues lost because the oil giants developing the field have, it is claimed by officials, not fully delivered on production output they pledged to the government.

In April 2023, Kazakhstan initiated arbitration proceedings against the majors involved in the Kashagan and Karachaganak oil field projects. The claims initially included \$13bn for costs deducted under profit-sharing agreements for Kashagan and \$3.5bn for the Karachaganak development.

Under the profit-sharing agreements, the companies can deduct certain costs from income before sharing profits with the Kazakh government.

The North Caspian Operating Company (NCO) consortium of companies developing Kashagan – Eni, Shell, TotalEnergies, ExxonMobil, KazMunayGas, Inpex and CNPC – confirmed to *Bloomberg* that it is involved in several disputes related to the application of certain provisions of the Kashagan production sharing agreement, subject to arbitration.

Kazakhstan's energy ministry stated on April 17 that it was not authorised to disclose the specifics of the arbitration claims. Describing the issue as an "exclusively commercial disagreement", the ministry said that both "sides are going to resolve [it] within the arbitration framework".

The dispute highlights the challenges faced by foreign companies operating in Kazakhstan and stands as just one of

several ongoing court battles between energy majors and the government over project costs and delays.

The Kashagan field is considered one of the largest oil discoveries in recent decades. The consortium developing it has so far invested approximately \$55bn in the project, which pumps around 400,000 barrels per day.

A spokesperson for Eni confirmed to Reuters on April 17 that Kazakh authorities had commenced an arbitration procedure against the consortium partners and terms of the arbitration were confidential.

"Whilst we are reviewing the complex allegations, we do not believe [as a general comment] the basis for the claims or the specific amounts of compensation requested to be reasonably substantiated or credible," the spokesperson said.

Kazakhstan is part of the OPEC+ group of oil producers. ●

China expanding security footprint in Central Asia

Eurasianet

Uzbekistan and China are tightening security ties following a visit to Tashkent by Beijing's top cop, Wang Xiaohong.

During his Tashkent visit in early April, Wang, whose official title is minister of public security, held talks with Uzbek President Shavkat Mirziyoyev and Interior Minister Pulat Bobojonov.

“joint events” and conduct trainings for “qualified specialists,” according to a report published by Gazeta.uz. Closer cooperation will also entail the sharing of information technologies and investigative methods.

An Uzbek Interior Ministry statement described bilateral security cooperation as already robust and set to become stronger.

“The exchange of information and mutual experience between [Uzbek and Chinese] ministries, advanced training of personnel, and bilateral visits are intensively carried out,” Gazeta.uz quoted the statement as saying. *Xinhua*, meanwhile, quoted Wang as saying Chinese-Uzbek relations were enjoying a “golden era.”

The Interior Ministry noted that expanded security cooperation will extend to combatting drug trafficking and other forms of transnational crime, as well as fighting cybercrime and improving digital forensic capabilities. In addition, the two countries will explore establishing a joint Research Institute of Criminology. ●

This article first appeared on Eurasianet.

“The exchange of information and mutual experience between [Uzbek and Chinese] ministries, advanced training of personnel, and bilateral visits are intensively carried out”

The outcome was the signing of an enhanced security cooperation agreement covering 2024-25.

In a statement laced with honorific jargon, the official Chinese news agency *Xinhua* reported that the two countries will strive to coordinate actions to combat the so-called “three evils” – terrorism, separatism and religious extremism. In addition, they intend to join forces to combat transnational criminal activity.

“China also aims to strengthen law enforcement capacity to build a solid security barrier for common development, which will make more contributions to developing an all-weather, comprehensive strategic partnership” between Tashkent and Beijing, according to the *Xinhua* report.

The Uzbek presidential press service offered a more expansive take on the cooperation agreement. In addition to fighting terrorism and extremism, Uzbek authorities said the two countries' security forces will hold



Uzbek President Shavkat Mirziyoyev (right) shakes hands with Chinese Public Security Minister Wang Xiaohong during a meeting in Tashkent in early April. / president.uz



The Russians have for decades used the vast expanses of the Kazakh steppe for weapons testing.

Ukraine's power blackout means a dark future

Andrew Collingwood in Tyneside

In the last week, two pieces of legislation have been passed, one in Kyiv and one in Washington, that appear to go some way to addressing the most pressing problems Ukraine faces in its war with Russia. They do not. Reality has moved on to the point where they are probably irrelevant to the long-term prospects of Ukraine – a fact that cheering, flag-waving lawmakers seem to have missed.

On April 16, Ukrainian President Volodymyr Zelenskiy signed into law legislation designed to alleviate the chronic and increasingly acute manpower issues of the Armed Forces of Ukraine. The new law, which was amended over 4,000 times during its passage through the Ukrainian legislature, is seen both in Kyiv and the West as an important step toward stemming the tide of Russian territorial gains, which have gathered pace since the fall of Avdiivka in February this year.

Meanwhile, across the Atlantic, another piece of legislation important to Ukraine's war effort has passed, as the US Congress has finally voted to hand Ukraine more than \$60bn of economic and military aid. In addition to manpower issues, Ukraine has been outgunned since last year's failed

counteroffensive, with some reports now claiming that the country's armed forces have a 10:1 disadvantage in large calibre artillery rounds fired. Ukraine is also obviously in desperate need of air defence. It is expected in Kyiv, Washington and European capitals that the new aid package will help address some of these shortages.

Both pieces of legislation are irrelevant. The moneys provided by the US, and earlier by the EU, will indeed provide short-term succour in the form of a fresh influx of weaponry (although the extent of available supplies is open to question, and thus the scale of Western materiel crossing into Ukraine may disappoint some of the country's more ardent supporters). It is further true that, as the new mobilisation law takes effect, and conscripts are pushed through the training system, Ukraine will be able to more effectively replenish its manpower on the front lines by the summer.

Yet neither issue addresses the main danger to Ukraine. As politicians in Kyiv were playing pass the ticking parcel on mobilisation laws, and the US establishment sought to browbeat Speaker Mike Johnson into bringing Ukraine aid

legislation to the House floor for a vote, Russia was smashing Ukraine's energy infrastructure – and this is a far more serious problem than manpower or munitions shortages.

After disabling power stations around Kharkiv and hydroelectric facilities on the River Dnipro, in April Russia destroyed the Trypilska power plant, a 1.8TW facility that had provided most of the electricity for the Kyiv and Zhytomyr regions. Russia also apparently destroyed one of Europe's largest natural gas storage facilities, in the west of Ukraine, south of Lviv.

The *Kyiv Independent* has reported that a schedule of blackouts has already been adopted in the Kharkiv, Dnipropetrovsk and Donetsk regions. Ukraine will likely shift from being a net exporter of energy to Europe, to being a net importer from it.

If Russia continues these systematic attacks, it is possible that Ukraine's nuclear power plants will not have enough balancing electricity from the coal and gas power stations and will therefore have to be shut down. And even if that does not happen, it would not take the loss of much more generations or transmission infrastructure for the whole system to break down. Neither Ukraine nor the west have the ability to fully fix the damage to the country's energy infrastructure on a relevant timescale before winter returns.

The broad consequences of total electricity blackout in Ukraine would be catastrophic. Absent portable generators, fridges and freezers at supermarkets and in homes would stop working, increasing food insecurity. Rail transport would massively decrease – crucial for moving troops and materiel. Military production and maintenance would become more difficult and might be impossible at scale. Communications systems would deteriorate. The economy would suffer another big decline and might even collapse. Social order could break down. And this is before the onset of the Eastern European winter.

Sending more air defence would only delay the onslaught, not stop it. The Patriot system, the mainstay of the western alliance's area air defence, is hugely expensive and made in small numbers. While in theory there might be scores of Patriot batteries around the world, nations have, or have just about, sent what they can without leaving themselves vulnerable to air attack.

Furthermore, the MIM-104 missiles the Patriot system fires are produced at a rate of only 550 a year. In Ukraine's battle environment, years of production can be launched in weeks. Meanwhile, the Patriot systems themselves are not invulnerable to air attack, and it must be assumed that they will, over time, be destroyed or damaged.

Israel is also a draw on available resources, and for now apparently a higher priority in Washington.

Ukraine has already lost some 30% of its pre-war GDP. The latest European Parliament report suggested it would only

recover to its pre-war level in 2030. Millions of Ukrainians have left for Europe, millions more for Russia, and yet more millions are internally displaced. Untold numbers of soldiers have been killed and maimed. The fertility rate has plunged from the already disastrous pre-war level to all-time lows.

To survive as a country, Ukraine must rebuild its smashed economy and industry. It must bring home its people to stave off the demographic oblivion it was heading toward even before February 2022. It must find a way to restructure or repay its unsustainable sovereign debt without growth-crushing austerity – and that means producing stuff for export. None of this will be possible with a smashed electricity system. Instead, these already calamitous problems would be made massively worse and probably irreparable.

What good is a fresh aid package or more efficient mobilisation when the country faces a pre-industrial immediate future at mediaeval population levels? When the longer-term future is being permanently locked into a lower level of development and growth? The ability to form another brigade or two, the capture or loss of territory, and the availability of munitions are thus almost entirely meaningless if the country loses its electricity.

Yet on the current trajectory, that's where Ukraine is heading.

There is only one certain way to avoid this: peace. Any attainable deal with Russia would probably come on worse terms than those rejected at the Spring 2022 Istanbul negotiations. This would be painful for the Ukrainian government and a large number of its people. It would also be humiliating for western politicians – and politically damaging in election years in the US and UK. Many people might see such a deal as an affront to their sense of right and wrong.

The benchmark by which we should measure any such deal, however, is neither an imaginary ideal world nor the abstract sensibilities of those enjoying the comforts of London, Washington and Warsaw. Nor is it the tenderness with which it treats the overblown egos of the western political class. The hard truth is that, morally, any deal must be judged only on whether it would be better than the realistic alternatives.

At present, the realistic alternatives look grim indeed.

Must we see a grotesque fulfilment of Professor John Mearsheimer's 2015 prophecy that if the west did not change its policy, Russia would "smash Ukraine"? As we are very rapidly heading in that direction it is time to say "enough," and to say it now. The terms will be no better after the US election in November – but the damage to Ukraine will be much worse. Perhaps permanent. ●

Andrew Collingwood is the co-host of the Multipolarity Podcast and a political commentator on geopolitics. He tweets at @multipolarity and has a podcast.

COMMENT

Armenia's decisive turn towards the West

Robert Ananyan in Yerevan

Armenia is making a strategic turn, away from Russia and towards the US and the European Union. The ultimate goal of this process is Armenia's accession to the EU.

The forced deportation of 120,000 ethnic Armenians from Nagorno-Karabakh, and Azerbaijan's military attacks and occupation of Armenian territories – while Russian peacekeepers looked on – have finally pushed Yerevan to start security, economic, and political cooperation with the West.

Russia made a strategic choice in favour of cooperation with Azerbaijan and Turkey in which Armenia was sacrificed. Armenian Prime Minister Nikol Pashinyan afterwards announced that the country's previous unilateral dependence on Russia had been shown to be a strategic mistake.

The tripartite meeting of Pashinyan, US Secretary of State Anthony Blinken, and European Commission President Ursula von der Leyen in Brussels on April 5 should be considered in this context of Armenia's turn towards the West.

Although the tripartite statement of April 5 was economic, the political component was certainly also discussed behind closed doors. Sources from Armenia's ruling party report that there has been a political decision to freeze

relations with Russia and move closer to the West, including eventual membership of the European Union. Brussels and Washington have of course been notified about it, but the process must be smooth and cannot be mentioned publicly, considering the security threats against Armenia.

Armenia and its Western partners have conducted a risk assessment, during which the retaliatory blows that Russia could deliver were assessed. The threat of carrying out terrorist acts against the Armenian authorities has been looked at. Naturally, the Kremlin will also try to apply crushing sanctions against Armenia in an attempt to make Armenia's economy collapse.

The Brussels meeting aimed to make the Armenian economy resilient and immune to Russian sanctions. Yerevan received serious homework, and the possibility of EU membership will depend on the effectiveness of its performance.

In Brussels, the US and the EU offered economic assistance that will ease the cost of leaving the CSTO defence pact and EEU trade bloc, which are led by Russia.

The West will provide material resources to reduce structural dependencies on Russia – in trade, exports, communications, transport infrastructure, energy and the political sphere –



Today, Azerbaijan faces a choice: whether to join Russia in hindering Armenia's integration with the West or to maintain good relations with the West.

that prevent Yerevan from making sovereign decisions in foreign policy.

Armenia received an offer from the EU to implement projects worth €2.6bn in 2021, of which €500mn have already been spent. The fresh €270mn allocated by the European Union and the \$65mn offered by the USA will be spent on business modernisation and finding new markets.

Armenia must successfully implement the programmes proposed by Brussels, which aim to increase the economic capabilities and resilience of the country. These include the EU's funding programmes for Armenian businesses, which will help them improve the standards of their products and gain access to European markets. Access to the EU market will create an important alternative for the Armenian economy, preventing it from collapsing in the event of Russian economic sanctions against Armenia.

Thus, Armenia will acquire economic immunity to possible Russian sanctions. With full guarantees, Armenia will then publish the political decision to withdraw from the CSTO and EEU.

Energy is a key issue. At the moment, Armenia supplies about 30% of its own energy, which is insufficient to be independent of Russian supplies. If Russia closes the valve of the gas transported to Armenia, to meet the shortfall, the Armenian side could only import gas from Iran, and could possibly import more from Azerbaijan.

According to the trilateral statement, the United States is committed to Armenia's safe, reliable, and secure energy future and is working to support energy diversification by exploring the feasibility of new options for nuclear power. Although it has not been announced yet, we have information that Armenia and the USA will jointly build a nuclear power plant.

In addition, USAID is supporting the Armenian government in developing a strategy to liberalise the energy market. Additionally, in terms of ensuring energy independence, Armenia's participation in the project to lay an energy cable across the Black Sea is important, a topic that was also discussed in Brussels.

With the support of American partners, energy independence reform is underway. Achieving political independence from Russia is impossible if the establishment of economic and energy independence does not precede it.

Pressure points

Russia has more pressure points to hinder Armenia's progress towards the West. There are pro-Russian political groups in Armenia, which often organise anti-government protests on the order of the Kremlin. However, at least five major actions have failed. Although their slogans were in national-patriotic vocabulary, the calls of Russian propagandists to Armenian citizens to participate in actions against Pashinyan's government revealed their Russian trace.

The discrediting of Russia, the co-author of the Karabakh forced deportation programme, has also weakened the position of pro-Russian forces in Armenia. These have become unviable political groups.

But of course, to neutralise Pashinyan's power, Russia and its proxies in Armenia have the tools to carry out terrorism. In the past, there have been several terrorist attacks in Armenia. In 1999, terrorists killed all the leaders of the country, except for the president. In 2008, during the rule of Robert Kocharyan, 10 protesters were killed. On the night of November 9, 2020, protesters attacked today's Foreign Minister Ararat Mirzoyan, whose life was miraculously saved. In recent months, Armenia's security bodies have discovered attempts to prepare terrorist attacks that targeted Pashinyan and his colleagues.

Azerbaijan can also be used to pile pressure Armenia. In Armenia, the prevailing view is that Azerbaijan President Ilham Aliyev has moved to occupy sovereign territories of Armenia in coordination with Russia over the last three to four years. Even during the meeting in Brussels, the armed forces of Azerbaijan fired irregularly at Armenian settlements.

However, despite having been repeatedly attacked by the Azerbaijani military, Armenia has not agreed to give the "Zangezur Corridor" to Russia and Azerbaijan.

In a telephone conversation with Blinken on the eve of the April 5 trilateral meeting, Aliyev revealed that he hoped that the meeting would be cancelled.

However, the US refused to cancel the meeting. Instead the US – a leading player in the institutional rapprochement of Armenia and the West – warned Aliyev about the inadmissibility of the military scenario.

Aliyev loses his 'big game'

If Azerbaijan plays by the Kremlin's rules and tries to hinder the rapprochement between Armenia and the West, it will be opposing the entry of the US and the EU into the South Caucasus.

Aliyev has repeatedly stated that Washington and Brussels have nothing to do with the Armenian-Azerbaijani negotiation process, and that extra-regional forces have nothing to do in the region. Arresting independent Azerbaijani journalists, Aliyev's regime presents them as American spies. Aliyev's propaganda machine places the beheading of the free press in the context of not allowing extra-regional access to the region.

The US administration is extremely serious about ensuring Russia's withdrawal from the South Caucasus. Today, Azerbaijan faces a choice: whether to join Russia in hindering Armenia's integration with the West or to maintain good relations with the West.

If the president of Azerbaijan does not want to be subjected to heavy sanctions by the US and the EU, he should refuse to

serve Russian interests and not oppose the strengthening of the West in the region.

Aliyev described the April 5 meeting as a step by the US and the EU to isolate Azerbaijan. By speaking about the danger of Azerbaijan's isolation, Aliyev thus admits that he has lost the game he started with Russia to push the West out of the South Caucasus. Aliyev's "big game" has brought the opposite result.

By refusing to conclude a treaty with Armenia through the mediation of the US and the EU, Azerbaijan aimed to remove extra-regional forces from the region. Azerbaijan did not

“The US and France are also participating in the reforms of the Armenian armed forces, which would have seemed like a fantasy years ago”

want to see the US and the EU as mediators in the Armenian-Azerbaijani negotiation process; now it will be forced to see them as the most important partners of Armenia.

Armenia, which is striving for rapprochement with the West in the military, economic, and political spheres, is becoming a reliable partner of the US and the EU in the region. This means that the plans of Russia and Azerbaijan to expel the West from the South Caucasus were defeated by Yerevan.

Moreover, if Armenia and Georgia become members of the European Union by 2030, the South Caucasus will become the eastern gateway of the EU. In other words, there is serious potential for establishing the institutional presence of the West and removing Russia from the region.

If Aliyev is compelled to hold a meeting with Armenia in Washington or Brussels to overcome isolation, the West will become central to that process. However, the aggressive, unpredictable, and unreliable policy of Azerbaijan has forced the US and the EU to attempt to establish de facto peace. This peace will not be based on a de jure peace treaty but on the military-political balance between Armenia and Azerbaijan.

By committing to support the increase of Armenia's resilience, the US, the EU, and France are creating a geopolitical balance in the region. This will allow Armenia to achieve structural rapprochement with the West in a situation where it is as safe as possible from Russian-Azerbaijani threats.

However, Western support for Armenia is also a practical matter. In addition to the resources to increase economic

capabilities, the West has also provided Armenia with real tools to enhance its security capabilities. Armenia conducts deep military and security cooperation with important US allies such as France, India, Greece, the EU, and some European countries.

While from 2011 to 2020, 95% of Armenia's military arsenal was equipment purchased from Russia; today Moscow's share is 9%. The US and France are also participating in the reforms of the Armenian armed forces, which would have seemed like a fantasy years ago.

This will allow Yerevan to more freely and safely freeze relations with Russia and move towards the West. Having acquired security and economic capabilities and restored relations with Turkey, Armenia will be able to raise the issue of withdrawing the Russian military base and border guards.

Armenia's turn to the West may, however, remain incomplete if Donald Trump is elected president of the US in the coming months. If Joe Biden wins re-election, there's a chance Yerevan and Washington will sign a document guaranteeing high-level military-political cooperation.

In Brussels, the victory of political groups opposing the EU's expansion in the upcoming elections is also a risk.

As for Turkey, though it is a member of Nato and has the status of a candidate for EU membership, it has no real leverage to hinder Armenia becoming an EU member.

To the surprise of many, Iran is approaching Armenia's European aspirations quite cautiously, in a discreet and non-aggressive manner. Armenian and Iranian diplomats held consultations in Tehran days before the meeting in Brussels. Probably Yerevan managed to convince Tehran that deepening cooperation with the West and the possible scenario of joining the EU is not against Iran. And why should Iran not want to have a direct border with the European Union?

By supporting Armenia's capacity building, the West is identifying a partner it will rely on in the coming years. After many years, Armenia's accession to the EU is a realistic scenario. Georgia also has a chance to be an ally of the West.

Thanks to Armenia, the role of the US and the EU is increasing in the South Caucasus and Russia's is decreasing. Armenia has called for the partial withdrawal of Russian troops from its territory. Even Azerbaijan has been pressing for Russian troops to leave its reconquered Nagorno-Karabakh territories, something that is now happening.

There's a high probability that a new geopolitical balance can be established in this region – considered the traditional sphere of influence of Russian empires for 200 to 300 years – where Russia will finally be absent. ●

What's behind the Georgian government's revival of the foreign agents law?

Tornike Mandaria in Tbilisi

Most Georgians had thought that the "foreign agent" saga was behind them, as the ruling Georgian Dream party assured citizens they wouldn't revive the controversial bill after facing massive protests last year. But now – dubbed Russian Law 2.0 – the bill is back, targeting civil society and media supported by Western funds.

On April 3, the ruling Georgian Dream party announced the reintroduction of the bill that would require non-governmental organizations (NGOs) and media to declare if they receive more than 20% of their funding from abroad.

This year's bill mirrors last year's, which incited major turmoil within the country and drew condemnation from the West. The only difference is that the government has changed the term "foreign agent" to "organisation pursuing the interests of a foreign power".

President Salome Zurbishvili has called the ruling party's actions a "sabotage of the European path and the future of Georgia".

In a predominantly pro-Western nation, why does the government seek to minimise Western engagement in supporting civil society and democratic governance?

Georgian Dream has been in power since 2012 and has steadily tightened its grip on every branch of power over the years. But this year's parliamentary elections in October poses one of the party's toughest challenges, as it will be held under a fully proportional system and could result in the country's first-ever coalition government.

The biggest threat keeping the ruling party from full victory is Georgia's vibrant civil society and media, which is heavily dependent on funding from Western governments and institutions and which the government regards as part of the opposition.

The government is therefore trying to weaken trust in national and international election monitoring groups. With a fragmented opposition and civil society under pressure, Georgian Dream aims to increase its chances of securing a convincing victory in the elections.

The new bill comes as the government is already accused by critics of turning Georgia into a hybrid regime. Without civil and legislative safeguards and institutional structures ensuring fair, not merely competitive, elections, Georgian democracy risks becoming a mere facade.

Since the Soviet Union's fall, Georgia has often seen checks and balances fail because ruling parties tried to bend the rules to stay in power.

"With every successive regime, we have returned again and again to a single-party system that controls more and more institutions," Zurbishvili said in a recent interview.

The president was elected to the largely symbolic post in 2018 with the backing of Georgian Dream but has since become an outspoken critic of the ruling party due to its construction of an increasingly illiberal hybrid regime and their divergent geopolitical views.

Since independence, Georgians pushed to align with the West, which was seen as the only way to progress and guarantee independence and sovereignty. This decision was not solely based on values but was also pragmatic. There have been ups and downs, but the commitment to moving westward has remained constant.

However, in the ruling party, there is a perception of Western decline. Tbilisi's recent strategic partnership with Beijing and special ties with Budapest suggest that the regime is seeking alternative alliances, which come without scrutiny of internal affairs.

Despite officially continuing to seek eventual EU membership, the country's leadership is pushing back against European criticism of democratic backsliding, sidestepping crucial reforms and turning to populist nationalism.

Ironically, Georgia's illiberal turn comes at a time when the country's European prospects are better than ever. The EU granted Georgia membership candidate status in December 2024 to prevent the country from being further drawn back into Russia's orbit.

With candidate status in hand, leaders of the Georgian Dream party may anticipate a significant decrease in protest levels compared to a year ago.

However, Georgians have already begun to take to the streets in protest. Civil society and independent media representatives say they will never register as "foreign agents" or as "pursuing the interests of a foreign power", arguing that their primary objective is, in fact, to uphold democratic standards and serve as watchdogs. ●

PANNIER

Caspian military drills that exclude Russia and Iran have some people in Moscow asking questions

Bruce Pannier

Five countries in the Commonwealth of Independent States (CIS) are planning to conduct military exercises and Russia is not one them.

At the conclusion of a meeting of the defence ministers of Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan on April 4 in the Kazakh Caspian coastal city of Aktau, the Azerbaijani Defence Ministry's press service announced that the Birlestik-2024 (Unification 2024) military drills would take place in Kazakhstan this July.

The announcement said that troops from all five countries would participate but did not specify how many.

The exercises were described as "operational-tactical command and staff exercises" aimed at carrying out "combat training tasks in... a zone of armed conflict."

The Birlestik-2024 drills will be held on Kazakh territory at the Oymasha training grounds in the western Mangystau Province and at Cape Tokmok, south of Aktau on Kazakhstan's Caspian coast.



Unusually, Azerbaijani troops will link up with Central Asian military forces for the drills (Credit: president.az, cc-by-sa 4.0).



With the instability brought about by the Russia and Ukraine conflict, the need for higher defence and security footings is all too apparent in capitals across Central Asia and the Caucasus. / mod.gov.az

Kazakhstan's troops have conducted joint exercises with Russian troops at Oymasha several times, and also with Uzbek forces.

The inclusion of Azerbaijan in these exercises is intriguing.

In various combinations, the four Central Asian states involved in the Birlestik exercises have conducted military exercises many times since their 1991 independence, notably after the Taliban seized Kabul in September 1996 and continued their advance northward through Afghanistan toward the Central Asian border.

Russian, Tajik and Uzbek troops held drills along the Afghan border in early August 2021 as the last foreign troops were leaving Afghanistan and the situation there was falling apart.

Troops from the Emergency Situations Ministries of Kazakhstan, Kyrgyzstan and Uzbekistan conducted training in Kazakhstan's Almaty Province in late September that year.

Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan are members of the Shanghai Cooperation Organisation (SCO) and in the past have joined troops from two other member states, Russia and China (and later India and Pakistan), for exercises on the territory of one or more of the Central Asian countries. The SCO holds its "Peace Mission" exercises biennially. Central Asian states send servicemen to participate. The latest one was in 2023.

Kazakhstan, Kyrgyzstan and Tajikistan are members of the Russian-led Collective Security Treaty Organization (CSTO). Uzbekistan has twice been a CSTO member. Its last withdrawal from the defence bloc was in 2012.

The CSTO regularly conducts drills with its members. A notable moment for the CSTO came in January 2022 when it deployed a small force to guard key facilities in Kazakhstan during that month's widespread unrest.

Nato, within the framework of its Partnership for Peace programme, has also conducted training exercises in Central Asia with most of the Central Asian states, including the Steppe Eagle exercises in Kazakhstan that were held annually from 2006 to 2019.

Something different

The Birlestik exercises are not being held under the aegis of a multilateral organisation. They bring together five countries whose territory stretches from the Pamir and Tian Shan Mountains in the east to Azerbaijan on the western side of the Caspian Sea.

Four of the participants – Azerbaijan, Kazakhstan, Kyrgyzstan and Uzbekistan – are members, along with Turkey, of the Organisation of Turkic States (OTS). The OTS has significantly increased its influence in the Caspian region, both economically and in terms of security cooperation, since Russia launched its full-scale war on Ukraine in late February 2022.

Tajiks are a Persian people, and so Tajikistan is not an OTS member. That makes Tajikistan's involvement in these drills especially interesting.

The other CIS state in Central Asia, Turkmenistan, has since 1995 had a UN-recognised status as a neutral country. It neither takes part in joint military exercises nor join any international organisation that is not focused on economics and trade relations.

So, the question is, what brings these five countries together to conduct the Birlestik military exercises?

“Tajiks are a Persian people, and so Tajikistan is not an Organisation of Turkic States member. That makes Tajikistan's involvement in these drills especially interesting”

It cannot be concerns about Afghanistan. If it were, it would make more sense to hold these drills near the Afghan border in Tajikistan and Uzbekistan.

The drills, let's recall, will take place along Kazakhstan's Caspian coast. Whatever hypothetical situation the exercises are designed to counter, they do not imagine any role for Caspian littoral states Russia and Iran.

That has not gone unnoticed. One Russian media report asked if observers will be invited since “at a minimum, the Caspian countries should be invited to look at how 'actions

will be undertaken to carry out combat training tasks in determining the zone of armed conflicts...”

The report noted that “so far the official information about the exercises says absolutely nothing about either Russia or Iran in connection with Birlestik-2024.”

The drills are scheduled for July, thus there is still ample time to send invitations to Russia and Iran to observe Birkestik 2024.

One thread that connects the five countries taking part in Birlestik-2024 is that they are all part of the Middle Corridor, a multimodal network of trade routes in Central Asia and the Caucasus that connect Europe to China without the transit use of any Russian territory.

The Middle Corridor has been expanding rapidly since the Russia invasion of Ukraine triggered Western sanctions on trade involving Russia. The route has also gained some new



Could the rise of the Middle Corridor be on the minds of the five Birlestik-2024 participant nations? (Credit: MiddleCorridor.com).

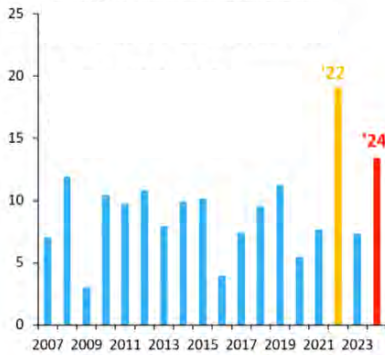
importance since Houthi militia in Yemen started attacking shipping in the Red Sea in late 2023.

The Middle Corridor, sometimes referred to as the Trans-Caspian International Trade Route, or TITR, cannot handle the volumes of trade once shipped via the Northern Corridor through Russia, or come anywhere near to compensating for volumes of goods carried by sea through the Suez Canal.

However, the Middle Corridor is the safest and least complicated option for conducting trade between Europe and Asia at the moment and demonstrating that the route enjoys protection might be part of the reason for holding Birlestik-2024.

Whatever the reason, the exercises have started to bother some people in Russia and probably in Iran as well. The countries involved in Birlestik-2024 will, however, see the fact that they are cooperating to solve their common security problems, without resorting to help from bigger countries, as a good sign. ●

Russia's March current account surplus every year from 2007 to 2024, (\$bn)



Source: CBR

Russia's \$13.4bn current account surplus in March second highest since 2007

Russia posted a \$13.4bn current account surplus in March, more than double February's \$5.5bn and the second highest level for a March since 2007.

"Russia's March 2024 Russia's current account surplus is the second highest ever after March 2022," Robin Brooks, the former chief economist with the Institute of International Finance (IIF) said in a tweet. "Putin has cash pouring in, even as Ukraine is on the defensive. The EU allowed this to happen. It looked the other way as Greek shipping oligarchs sold oil tankers to Russia's shadow fleet. A scandal."

Hungary industrial production y/y



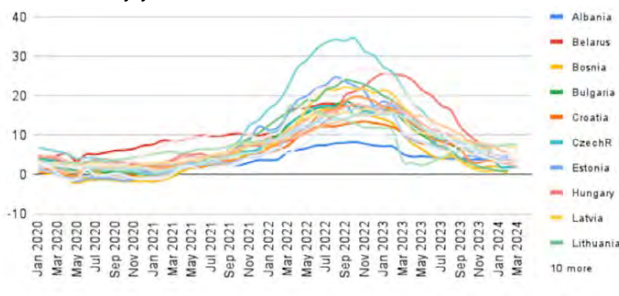
Source: Hungary state statistics agency

Automotive sector output in Hungary edges up 1.6% y/y in February

The output of the automotive industry, accounting for 28% of the manufacturing sector, edged up 1.6% year-on-year in February, rising after a three-month decline, the Central Statistics Office (KSH) said.

KSH confirmed that headline industrial output rose 1.8% in February, increasing for the first month in about a year. February output rose 1.4% when adjusted for the number of workdays. In a month-on-month comparison, output increased a seasonally- and workday-adjusted 3.5%.

CEE inflation y/y %



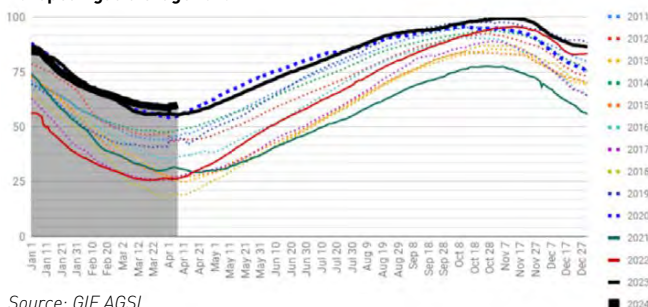
Source: bne IntelliNews

CEE falling inflation trend comes to an end

After spiking to 20-year highs thanks to the pandemic and Europe's Russian induced energy crisis, inflation rates across the EU have tumbled in recent months. That trend has run out of steam and central banks are expected to start hiking rates again soon, Capital Economics said in a note on April 11.

"While inflation fell further across Central and Eastern Europe (CEE) in March, we think that the recent run of good CPI news is largely over. We expect inflation to rise back above central banks' target ranges in Hungary and Poland by end-2024 (to near 5%), which will limit scope for interest rate cuts.

European gas storage % full



Source: GIE AGSI

Summer starts as EU gas tanks start to fill again

Winter is over, as the EU gas tanks switch from withdrawals to filling mode again in preparation for next winter. Injection into the gas tanks started on April 1, a week earlier than in 2023 and started at an all-time high record level of 59.3% full.

Russian gas pipe imports and gas for power into the EU is on a downward trend, falling by 9% in the first quarter this year vs the first quarter of last year, but given the warm weather as heatwaves are already affecting all of Europe, storage this year should fill fast.

Ukraine's birth rate plummets to 300-year low as country's population collapses

bne IntelliNews

Ukraine's population collapsed to 29mn souls last year, according to Ukraine Business News, with just 187,000 births recorded (including in Russian-occupied territories). This is the lowest annual figure in recorded history over the last 300 years, exacerbating an already dire population catastrophe facilitated by economic turmoil and war.

Ukraine's demographic crisis dates back to the Soviet collapse in 1991, when the country's population stood at 51.9mn. Economic crises and labour migration saw the country's total fertility rate plummet to 1.4 births per woman (well below the replacement level of 2.1) by 2022 and possibly as low as 0.7 by the following year, according to Ukraine's Institute of Demography and Social Studies.

As *bne IntelliNews* reported, Emerging Europe is already suffering from a demographic crisis that will take population levels back to the early 20th century in the coming decade. Germany has a fertility rate of 1.6 in 2023. Ukraine's population fell behind that of Poland for the first time as an electronic census revealed the number of citizens had dropped by some 5mn people to 37.289mn in 2020 since the last census in 2000. By contrast, a UN study found the populations in Central Asia are booming and are all expected to grow in the next few decades.

Thanks to the relative prosperity that Russians enjoyed following the end of the recession in the middle of this decade, plus pro-birth government policies, Russian fertility rates recovered to 1.8 in 2023 – one of the highest in Europe – from record lows in the middle of the decade when the fertility rate fell to a record low 1.5.

The size of Ukraine's population had been a matter of speculation for several years. Ukrainian President Volodymyr Zelenskiy promised to hold a census in 2020 as part of his election manifesto but cut some corners and held an electronic census last year instead. The size of the population also shrank by some 4mn after Russia annexed Crimea in 2014.

But even ignoring these problems, the demographic curve shows that Ukraine's population has been in an uninterrupted decline since 1991, and took an even sharper downward step in 2014 following the 2014 Revolution of Dignity.

The introduction of visa-free travel by the EU in 2017, while hailed as a landmark reform, has precipitated a mass labour outflow, further exacerbating Ukraine's demographic woes. The exodus of millions to Central European countries in search of better opportunities has further strained the country's population dynamics.

The ongoing conflict has spurred another mass exodus, with millions seeking refuge in neighbouring countries. Estimates suggest that approximately 8mn refugees have fled Ukraine since the Russian invasion in 2022, with Russia being the largest recipient. Tatyana Moskalkova, Russia's human rights ombudswoman, has claimed that over 5mn Ukrainians have come to Russia "seeking safety from Ukrainian shelling and bombing." This staggering exodus of citizens has helped Uzbekistan (with 34.9mn people last year) overtake Ukraine to become the second most populous country in the former Soviet Union since last year.

A study conducted last year by Ukraine's Institute for the Future counted only 29mn souls in modern-day Ukraine, with many refugees abroad showing no intent to return home. Compounded with catastrophically low fertility levels and ongoing conflict, these factors do not bode well for the country's demographic future. ●



Ukraine's population has fallen to its lowest level in recorded history of only 29mn citizens.

Newsletter

Invest Uzbekistan

Fortnightly newsletter covering business
and reforms in Uzbekistan

One of the fastest growing countries in the world and one of only two countries that didn't go into recession during the coronavirus pandemic, Uzbekistan is coming into its own.

The most populous country in Central Asia and third biggest country in the Former Soviet Union, president Shavkat Mirziyoyev unleashed a wave of economic reforms after taking office in 2016 that are starting to bear fruit.

The entire cotton and textile sector has already been privatised and banking, mining and the major state-owned industrial enterprises are up next. With a young and growing population, sectors like retail, IT and automotive are already flourishing as growth gathers momentum.

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