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RUSSIAN PIPE DREAMS:
THE GEOPOLITICS OF NATURAL GAS

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Russia's Perpetual Quest for Military Modernization: Emil Avdaliani, BESA, February 26, 2019 — When we consider the remaining years of the 2010s and look forward into the 2020s, we can clearly see that Russia's decline in terms of technology, the knowledge economy, and the economy in general will continue to be the dominant trend.

ON TOPIC LINKS:

"Germany Is A Captive of Russia": Trump Slams German Hypocrisy Over Russian Pipeline: Tyler Durden, Zero Hedge, July 11, 2018 — President Trump came out swinging in Brussels after arriving on Air Force One for his second NATO summit.
How a Russian Gas Pipeline Is Driving a Wedge Between the U.S. and Its Allies: Bojan Pancevski, Wall St. Journal, Mar. 10, 2019 — Angela Merkel and her advisers, before a visit to the White House last spring, agreed on a priority: Avoid talk of Nord Stream 2.
Pessimism Sweeps Russia: Vladislav Inozemtsev, The Moscow Times, Jan. 15, 2019 — In recent months, few topics have got as much attention from Russia analysts as popular disenchantment with the ruling elite.
Russia's Zicron Hypersonic Missile: Now in Land-Attack Mode?: Charlie Gao, The National Interest, Mar. 9, 2019 — The 3M22 Zircon (Tsirkon) missile is one of the most hyped-up weapons in the Russian arsenal.

WHAT IS PUTIN'S GAME?
Jed Babbin
The American Spectator, December 10, 2018

Between America's most dangerous adversaries — Russia and China — it's a toss-up which
is the single most dangerous. The threat an adversary poses is best gauged by determining its intentions and capabilities. That analysis makes China, which has much greater capabilities than the Russian Federation, the greater danger.

We have to add to the measurement of those nations' capabilities and intentions the personal
characteristics of those nations' leaders and their governments, the nation's proximity to America's vital national security interests, and the difficulty in determining the nation's intentions. The scale tips in favor of Russia because of the nature and personality of Vladimir Putin.

The late Walter Laqueur's book Putinism is a study of both the man and the government he has formed around him. History is replete with military dictatorships and monarchies that ruled by a claim of divine right. As Laqueur demonstrates, the Putin government is neither of those kinds of autocracies. It is a government of the "siloviki" and, while it may not be unique in history, it is unique today.

The siloviki are politicians who Putin promoted to power from their careers in Russian intelligence agencies. Putin was a KGB colonel before the KGB promoted him to political power. He has surrounded himself with a clan of former GRU, KGB, and other intelligence agency "graduates" who are the only people he trusts to govern with him. The siloviki are allied with the Russian oligarchs who enrich the siloviki while they enrich themselves.

In short, Putin's government is an autocracy of, by, and for the siloviki. Putin and his government are profoundly anti-American and anti-Western. He, and they, are aggressors and opportunists. That means they will exploit any opportunity to thwart American action and will create those opportunities whenever and wherever they can.

Putin is a patient man, but his patience is not inexhaustible. He understands that Europe and America are passing through a time of great psychological and cultural weakness. He also understands that Russia is economically weak. Because of that, Putin is playing a short-term game while trying to extend it by any means he can. All of that is the context in which Putin's actions must be seen. Together, his context and actions can lead us to discern Putin's ultimate goals.

One of the few constraints on Putin is NATO's mutual defense commitment. Since NATO was created, the Soviet Union, and now the Russian Federation, has tried to split the alliance apart. That Putin continues to pursue that goal is no surprise. But the ease at which the Europeans enable him to do it increases the threat Russia poses.

Treaty violations are no greater constraint on Putin than they were on his Soviet forbears. The Intermediate-range Nuclear Forces (INF) Treaty bans both Russia and the United States from possessing nuclear-capable missiles that have a range from 300 to 3,400 miles. The Russians have developed and deployed precisely that sort of weapon, the 9M729 cruise missile.

Secretary of State Mike Pompeo has said that because of the Russians' blatant violations of the INF Treaty we will put our obligations under that treaty in suspension in sixty days unless Russia becomes compliant by that time. That's bloody unlikely. Pompeo's announcement was met quickly with the boilerplate Russian denials, accusations that Trump is igniting a new arms race, and threats directed at Europe. A Russian defense chief said that if we deployed such missiles in Europe, wherever we did so would be targeted with nuclear weapons that would otherwise be aimed at America… [To read the full article, click the following LINK – Ed.]

RUSSIA'S PIPE DREAMS ARE EUROPE'S NIGHTMARE
Dimitar Bechev
Foreign Policy, Mar. 12, 2019

In the ongoing showdown between Russia and the West, Russia has a trump card: natural gas exports. Despite chilly relations, in 2018, gas shipments from Russia to Europe and Turkey hit an all-time high of 201.8 billion cubic meters (bcm). And even as the EU sticks to its guns on Russia sanctions, many of its members happily press ahead with their pet energy projects. Germany, for example, continues to back the Nord Stream 2 pipeline, which will bring natural gas from Russia to the north German coast.

Now Russia may be using another major project—TurkStream—to deepen its influence in Europe's backyard. The pipeline, which traverses the Black Sea between Russia and Turkey, was inaugurated last year, and the first shipments of gas are expected toward the end of this year.

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TurkStream is a commercial and geopolitical coup for the Russians. On the commercial front, the pipeline helps cement Gazprom's position in Turkey, its second-largest customer after Germany. From a geopolitical perspective, the pipeline bypasses Ukraine and deepens Russia's strategic partnership with Turkey at a time when Ankara's ties to long-standing allies on both sides of the Atlantic are fraying.

TurkStream may strengthen Russian President Vladimir Putin's hand in the Balkans too. In its second phase, if Putin gets his way, the pipeline will transport 15.75 bcm of gas through Bulgaria and then on to Serbia, Hungary, and Austria.

It is no secret that the Kremlin has been throwing its weight around in the EU's backyard. But its frequently discussed methods—propaganda, disinformation, and intelligence ops—pale in comparison to its activities in the energy sector. The Kremlin has failed spectacularly in its efforts to stop countries like Montenegro and newly renamed North Macedonia from joining NATO. But its ability to co-opt politicians and businesspeople by dangling lucrative infrastructure contracts and hydrocarbon profits in front of them is unparalleled.

Europe is fighting back hard. Because TurkStream will terminate in the EU, Gazprom needs to bring it into conformity with European anti-monopoly rules. These rules, largely crafted after Russia shut off gas shipments to Ukraine in 2009, are geared toward diversifying energy supplies to avoid dependence on Russia. One such rule—that energy companies can't simultaneously own transit infrastructure and sell gas through it—presents a particular challenge for Moscow, which would otherwise allow Gazprom to both build the pipeline and then supply it.

That's why Putin has been out courting partners for Gazprom in the Balkans. During a visit to Serbia in January, Putin sealed the deal for a joint venture between Gazprom and Srbijagas, Serbia's state gas company, to lay 250 miles of pipe. And in March, Russian Prime Minister Dmitry Medvedev made his way to Bulgaria to negotiate another 300-mile stretch. There, the state-owned firm Bulgartransgaz has stepped up to build and operate TurkStream. But Bulgartransgaz would need to raise an estimated $1.6 billion to make that happen. Russia won't provide the cash (it argues that Bulgaria will get enough profit from transport fees and sales of Gazprom gas to make the project worthwhile). The Bulgarian government has said that it might get some of the money from Brussels instead, but that is unlikely to happen either…. [To read the full article, click the

following LINK – Ed.]

LOCAL AND GEOPOLITICS INTRUDE IN ISRAEL'S ATTEMPT TO SUPPLY EUROPE WITH GAS
Joseph Dana
Euractiv.com, Mar. 12, 2019

Usually positioned on the margins of the Middle East's complex energy politics, Israel now is a legitimate player in its own right. More than a decade ago, large natural-gas fields were discovered off Israel's northern coast in the Mediterranean.

Since then, it has scrambled to determine exactly how the gas will make its way to Europe, principally, but also to other markets in Africa. For unlike the traditional energy politics of its neighbours, Israel has far more political issues to contend with.

The French energy conglomerate, Total, highlighted the issues last month when its chief executive, Patrick Pouyanne, told the Financial Times that Israel was "too complex" for investment. Pouyanne further explained that Total was unwilling to put its other relationships in the region at risk by inking fresh deals with Israel. This should be no surprise, as Total likely still wants to partner with Iran in a gas-exploration deal that has now been put on hold because of renewed American sanctions. Additionally, the company has been working closely with Lebanon to explore the country's offshore gas potential in the Eastern Mediterranean.

There are almost certainly additional pressures on the company that its executive doesn't want to mention. Over the past decade, boycott activists have been successful in pressuring European companies to end business relationships in Israel. As a consequence, the French company, Systra, for example, pulled out of the Jerusalem light-rail project, while the British security company, G4S, ended its business in Israel. That is just the tip of the iceberg.

Given the high stakes surrounding Israel's natural-gas fields, Total cannot want to face the prospect of a civil-society boycott that would almost certainly be backed by the movement's like-minded allies in Lebanon and state-inspired ones in Iran. This is not to say that the movement, by itself, is in a position to inflict significant damage on the Israeli economy. Rather, it can be a massive irritant to business. It has the power to make deals that much more "complex" and bothersome for companies that wish to do business in or with Israel.

For example, seeing its bet in Iran fall to pieces, one might suppose that Total should want to consider changing sides and working closely with Israel. But the ever-present prospect of the boycott makes such a shift fraught with potential controversy… [To read the full article, click the following LINK – Ed.]

RUSSIA'S PERPETUAL QUEST
FOR MILITARY MODERNIZATION
Emil Avdaliani
BESA, February 26, 2019

When we consider the remaining years of the 2010s and look forward into the 2020s, we can clearly see that Russia's decline in terms of technology, the knowledge economy, and the economy in general will continue to be the dominant trend. A driving factor behind this development is the country's exorbitant military spending.

Such spending has long been a key factor in Russian history. Russia's "resurgence," which appeared to be so robust in the 2000s, already contained many elements of its forthcoming decline. That decline is a complex phenomenon encompassing factors ranging from demography to infrastructure to corruption.

In 2011, an increase in petro-revenues reassured the Moscow leadership of the availability of resources to build up the country's military might, resulting in approval of the hugely expensive 2020 Armament Program. This mega-investment coincided with the curtailing of many of Medvedev's "modernization" program initiatives and was criticized by many economists as too big.

This goes hand in hand with what numerous foreign and domestically produced reports identify as a significant decline in Russian scientific productivity. This was even reported by the Russians themselves at times when oil prices were high, which had led many to believe that Russia was resurgent across the Eurasian landmass.

In 2008, the Russian Academy of Science reported on Russia's Scientific-Technical Development until 2030, noting that the country is losing its technological base as it becomes increasingly dependent on revenues from the sale of natural resources such as gas and oil. Other fundamental problems are inefficiency and high levels of corruption.

However, those problems were not visible to many ordinary Russians at the time,

largely due to the focus on the Ukraine crisis, flare-ups in the confrontation with the West, dropping oil prices, and other issues. Corruption and low scientific output are not enough to result in domestic troubles as long as there is sufficient income into the budget. Once income ceases, wounds open and pressure grows for greater accountability from Russian officialdom.

The pattern playing itself out in Russia today matches what has happened in the country's past. Russia's history is in many ways, cyclical: there is a tendency for fundamental processes to play out the same way again and again over the long term. By the late 1980s, when the Soviet Union was in its last years, Moscow was fundamentally lagging behind the West in terms of technology and other important sectors. Oil prices were low and there was high demand for reform, despite the fact that there was an abundance of resources available to move the country forward. Those financial and natural resources were spent on huge military apparatuses and the development of deadly technologies. The result, predictably, was the dissolution of the Soviet Union.

Going further back in Russian history to the early 20th century, just before the outbreak of WWI, we see a clear demand within the government and among the country's elite for social and economic reforms across the empire. However, this was also a period of militarization in Europe, and there were signs of the coming world conflict. While there were politicians who disagreed with the military build-up, Emperor Nicholas II nevertheless chose to spend large sums on quick militarization. At the time, there were clear developments showing how backwards (in comparison with Western Europe) Russia was both economically and militarily. Over-spending on the military could have been predicted to spell catastrophe for the government, as indeed occurred in 1917 when the Russian Revolution broke out… [To read the full article, click the following LINK – Ed.]