



RUSSIA REFORM MONITOR

The American Foreign Policy Council's Review of
Russian Government Actions and U.S. Policy

Russia Reform Monitor No. 2529

July 12, 2022 Ilan I. Berman, Oreet Zimand

Related Categories: International Economics and Trade; Warfare; NATO; Resource Security; Israel; Russia; Ukraine

A RUSSIAN DEFAULT... BY DEFAULT

Though Western sanctions levied in response to the invasion of Ukraine have contributed to double-digit inflation and an extreme contraction of the Russian economy, Europe's reliance on Russian oil and gas has kept the country's economy afloat over the past four months of war. However, in late June, the West gained a symbolic victory when Russia technically defaulted on its external sovereign bonds for the first time since 1917. Though Russia has the resources to pay its overseas creditors, sanctions-related restrictions have blocked their payments from going through. However, the ratings firms which are empowered to issue a formal declaration of default have stopped working with Russian agencies since the onset of sanctions, calling into question what, if any, options foreign investors might have as recourse.

Russian Finance Minister Anton Siluanov dismissed the situation as a "farce," and warned creditors against seeking a declaration of default through foreign courts because Russia has not waived sovereign immunity. "If we ultimately get to the point where diplomatic assets are claimed, then this is tantamount to severing diplomatic ties and entering into direct conflict," Siluanov said. "And this would put us in a different world with completely different rules. We would have to react differently in this case -- and not through legal channels." (*Bloomberg*, June 26, 2022)

THE CURTAIN COMES DOWN ON RUSSIAN EMIGRATION TO ISRAEL

In a move that threatens to upend the once-close ties between Israel and Russia, the Kremlin has officially ordered the Jewish Agency to cease all operations in the country. The Jewish Agency, an official branch of the Israeli government, serves as the *de facto* ministry for the immigration of foreign Jews to Israel. The ban would prevent Russian Jews from immigrating to Israel for the first time since the collapse of the Soviet Union over 30 years ago.

The move has caused tremendous trepidation among Russia's Jewish population. "People from the Jewish community have been feeling the Iron Curtain setting on them and they fear they won't be able to escape the country," sources within the community say. "A number of Jews have said that the Russian authorities are trying to arrest them and that they fear for their lives." It has also sparked an outcry from the Israeli government, with officials in Jerusalem stressing that *Aliyah* (immigration to Israel) is "a basic right for the Jews of Russia." (*Jerusalem Post*, July 5, 2022)

HOW RUSSIA IS STEALING UKRAINE'S GRAIN

A recent investigation by the *Wall Street Journal* has confirmed Ukrainian allegations that Russian forces have been shipping stolen grain from Ukraine to Russian allies around the world since May. Satellite imagery and official documents show that Russian forces seized grain storage facilities in occupied portions of eastern Ukraine beginning in late March. Social media posts, satellite imagery, and interviews with Russian soldiers confirm that efforts to smuggle the stolen grain began in earnest in late May. As part of that effort, Russian authorities organized a convoy of 15 trucks, each capable of transporting 10-15 metric tons of grain per haul, to bring grain from the occupied city of Kam'yanka Dnieprovs'ka, home to one of Ukraine's largest grain storage facilities, to the port city of Sevastopol in occupied Crimea. Updated images show that, by late June, the fleet had doubled in size to 30 trucks, and advertisements of available truck driving jobs along identical routes have been advertised on the Telegram messaging app.

The stolen grain was subsequently loaded onto three Russian ships previously identified in a U.S. State Department cable. The ships – the *Matros Koshka*, the *Matros Poznyich* and the *Mikhail Nenashev* – were registered by the Russian state-owned company Crane LLC in the months before Russia's February invasion. The ships are traveling through the Bosphorus Strait into the Mediterranean and turning off their transponders as they approach their destinations, which – according to satellite imagery – include ports in Latakia, Syria, and Iskenderun in southern Turkey. The report concludes with a warning that, "The frequency of thefts at grain facilities, combined with the repetition of these vessels' journeys, and the sheer number of trucks traveling into Crimea shows that Russia is working quickly to institutionalize its grain smuggling network." (*Wall Street Journal*, July 7, 2022)

MORE NUCLEAR SABER RATTLING FROM MOSCOW

Since the start of its war in Ukraine, the Kremlin has used threats of nuclear retaliation as a means to prevent the international community from taking aggressive steps to force Russia to face consequences for its invasion. Dmitry Medvedev, Russia's former President and current deputy head of its Security Council, has repeatedly and publicly threatened nuclear warfare in response to Western shipments of military aid to Ukraine, as well as steps by Finland and Sweden to join NATO. Now, Medvedev has brandished the threat in response to the International Criminal Court's ongoing investigation of Russian war crimes in Ukraine. In May, the ICC Investigation, supported by the Ukrainian General Prosecution Office, thirteen EU countries, and the European Commission, stepped up its operations when it sent a 42-member delegation to Ukraine to unearth evidence of Russian war crimes. The investigation has been met with Russian intimidation tactics, such as Medvedev's statement – made via social messaging app Telegram – that "The idea to punish a country that has the largest nuclear arsenal is absurd in and of itself and potentially creates a threat to the existence of mankind." (*The Moscow Times*, July 6, 2022)