

## Prime Minister Fico's Russian card

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Since the beginning of the Ukrainian-Russian conflict, the position of Slovakia's left-wing government towards Russia has been ambiguous. Bratislava has accepted the EU sanctions targeting Russia and the plan for strengthening NATO's eastern flank. At the same time, however, Prime Minister Robert Fico's government has maintained close political relations with the Kremlin. It has called for the intensification of Slovak-Russian economic relations and has repeatedly criticised the sanctions, speaking in tandem with Russian propaganda in so doing. Slovakia's Prime Minister is hoping that by playing the role of one of the leaders in the EU and NATO who are most willing to cooperate with Russia, he will gain economic benefits and win votes in next spring's upcoming parliamentary elections.

Despite numerous pro-Russian gestures, Slovakia has been limiting the number of areas in which Moscow could exert pressure on Bratislava. As it strives to become independent of Russia, Slovakia has ensured possible alternative fuel supplies for itself. Moreover, it has been gradually replacing Russian-made military equipment with equipment made in the West. The Slovak government does intend to develop the country's cooperation with Russia, including in strategic areas involving supplies and transit of oil and gas, as well as supplies of nuclear fuel. Nevertheless, it has been making efforts to gain easy access to an alternative source of supplies in each of these areas. Beset by crises, Russia has ever fewer economic cooperation opportunities to offer Slovakia, and Slovak businesses operating on the Russian market have to take into account the growing risk of insolvency of local contractors. To a great extent, therefore, Slovak-Russian relations have been reduced to rhetorical statements confirming the desire for closer cooperation, and to visions of joint projects accompanied by an ever shorter list of feasible cooperation initiatives.

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### A symbolic alliance

Prime Minister Fico's working visit to Moscow (on 1–2 June 2015) was another high-level Slovak-Russian meeting organised in a period of cool Russia-EU relations. Both sides intend to promote the impression that political cooperation between the two countries is close. To achieve this, several initiatives have been organised, including visits related to the 70<sup>th</sup> anniversary of the end of World War II. In April 2015, Russia's Foreign Minister Sergey Lavrov visited

Slovakia to take part in anniversary events commemorating Bratislava's liberation, and in May 2015 Prime Minister Fico attended Victory Day celebrations in Moscow. The Slovak government has largely accepted the image of the Red Army as a force which had a major influence on the victory over fascism (this image has been actively promoted in Russia), and few Slovaks question the Red Army's role in the country's liberation. Referring to the anniversary of the end of World War II, Slovakia's President Andrej Kiska, who has criticised Russia's policy on a number of occa-

sions, has called on Slovaks to light a candle “on the grave of each Soviet soldier who was killed in the war in Slovakia”. Due to the situation in Ukraine, however, the President refused to take part in the celebrations organised in Moscow. The Prime Minister, on the contrary, travelled to Moscow to celebrate the anniversary of Victory Day, arguing that “it is necessary to separate historical facts from current politics”<sup>1</sup>.

The Slovak-Russian exchange of symbolic benefits was put to the test in June 2015, a few days before Prime Minister Fico’s visit to Moscow, when Russian state television aired propaganda material on, among other topics, the 1968 invasion of Czechoslovakia by Warsaw Pact troops.

**Fico’s pro-Russian gestures have enabled the Kremlin’s propaganda to undermine the coherence of the EU’s policy towards Russia.**

The broadcast stated that the Pact’s intervention had saved Czechoslovakia from an invasion by NATO troops allied with German fascists. Although the broadcast caused outrage in both the Czech Republic and in Slovakia, as well as protests by Czech and Slovak diplomats, Russia failed to apologise and the broadcast continues to be available on the TV station’s website.

The number and level of Slovak-Russian meetings has not been justified by a need to attend to any specific, urgent issues. High level contact on economic issues has in fact continued uninterrupted. In May 2015, a meeting of the Slovak-Russian intergovernmental committee for economic and scientific-technical cooperation was held in Bratislava. During his working visit to Moscow in June 2015, Fico met President Vladimir Putin, Prime Minister Dmitri Medvedev and the Speaker of the Duma Sergey Naryshkin.

<sup>1</sup> Prime Minister Robert Fico took part in all the celebrations apart from the military parade on the Red Square; instead, he met Czech President Miloš Zeman.

During the visit, several documents were signed merely to confirm the negotiations being conducted, and to declare a willingness to continue these.

**An account in the black**

The reinforcement of Slovak-Russian political relations has been favourable to both sides. In exchange for his pro-Russian gestures, Fico was given the opportunity to meet one of the world’s leaders, which he can use in his campaign ahead of parliamentary elections next spring. This is considered an asset by some of his voters, who have been distrustful of the USA and have favoured closer relations with Russia. Additionally, this opportunity can be used as an asset in the Prime Minister’s rivalry with the Slovak National Party which has recently been gaining popularity. In addition, Slovakia needs Russia’s support to force through the candidacy of Miroslav Lajčák, its deputy Prime Minister and Foreign and European Affairs Minister, to the office of UN Secretary General. A successful nomination would be the culmination of efforts by Slovak diplomacy and a prestigious achievement by the government. Fico has also pushed for an increase in the volume of Slovak-Russian trade exchange (which in recent months has seen a sharp decline), and for maintaining the transit of Russian gas via Slovak pipelines. Prime Minister Fico has also been trying to prevent his country’s relations with Russia from becoming worse than Russian-Hungarian relations. The fear that this might be the case has been evident in recurring debates on the westward extension of the broad-gauge railway. Analysing the development of Russian-Hungarian relations, the government in Bratislava needs to take into consideration the possibility that Slovak-Hungarian relations, which have always been complex and riddled with a number of unresolved disputes, might worsen. The likelihood of disputes between neighbours being reignited has been rising as political rivalry between the ruling camp

and the nationalist-oriented opposition increases. This, however, has been rather more evident in Hungary than in Slovakia.

Fico's gestures have been appreciated by Moscow, as they have enabled Russian propaganda to undermine the consistency of the EU's policy towards Russia. They have also enabled the Kremlin to demonstrate that Russia does have partners in the EU which are open to mutually favourable cooperation (Cyprus, Greece, Hungary and Italy used to appear in this role). This type of policy by EU member states encourages Russia to make repeated attempts at breaking the consensus within the EU. Fico has many times criticised the EU's sanctions against Russia, although at the same time Slovakia does not intend to block the European consensus on this matter. Like other EU states, Slovakia has made modification of the sanctions conditional on the implementation of the Minsk peace deals. At a meeting of EU Foreign Ministers in June 2015, Bratislava approved the extension of the sanctions. The Slovak government has also been critical of the move to strengthen the permanent presence of NATO troops on NATO's eastern flank, and has argued that global problems can be solved only in cooperation with Russia.

### Progress in Slovakia's diversification initiatives

Russia has been Slovakia's almost exclusive supplier of oil, gas, nuclear fuel and nuclear technologies. However, due to investments carried out by consecutive Slovak governments following the 2009 gas crisis, Slovakia is no longer fated to cooperate with Russia. Nonetheless, Bratislava has decided to sign long-term contracts with Moscow, as it considers this the most profitable solution.

Slovakia purchases almost all of the gas it consumes from Gazprom (in 2014 the volume was approximately 4.4 bcm); however, thanks to the modernisation of the gas connections on its borders with Austria and the Czech Republic,

from the technical point of view, Slovakia could withdraw from the contract with Russia and purchase gas on Western gas markets. Slovakia's energy security has also been reinforced by investments carried out as part of construction of the North-South Corridor. The gas connection with Hungary has been launched recently, and an interconnector with Poland is expected to be completed in 2019. In September 2014, Bratislava started Central Europe's largest gas reverse, allowing gas to be sent to Ukraine, thereby undermining the interests of Gazprom.

**Slovakia is no longer fated to cooperate with Russia in the field of energy, but it continues to sign long-term agreements with Moscow, considering this the most profitable solution.**

In response to this, Russia reduced the volume of gas supplied to Slovakia by nearly a half, using the need to replenish stock as a pretext. These retaliatory measures, which lasted until March 2015, failed to have a negative effect on the Slovak economy. Moreover, according to reports by the Russian news agency TASS, the price for gas which Slovakia paid to Gazprom in 2014 was one of the lowest in the EU<sup>2</sup>.

Due to the modernisation of the Slovak-Hungarian oil connection, completed in February 2015, Slovakia has now been able to fully cover the demand of the Slovnaft refinery using oil from the Omišalj terminal in Croatia<sup>3</sup>. For economic reasons, however, Slovnaft prefers to treat this supply route as an alternative; in December 2014 Bratislava signed a contract for the supply and transit of oil Moscow for another 15 years.

<sup>2</sup> According to data compiled by TASS, the price of gas for Slovakia (US\$308 per 1,000 m<sup>3</sup>) is US\$15 less than the price paid by Germany, and US\$33 less than the average price of Russian gas supplied to clients in the EU and in Turkey.

<sup>3</sup> The Bratislava-based refinery Slovnaft is owned by the Hungarian company MOL.

Slovakia has maintained close cooperation with Russia also in the field of nuclear energy. Slovenské elektrárne, a company controlled by the Italian enterprise Enel<sup>4</sup>, is finishing the construction of two nuclear blocks modelled on Russian technology. Cooperation with Russia also includes the modernisation of existing power plants and the supply of nuclear fuel to the current and prospective blocks. Despite many years of problem-free cooperation, in November 2014 Slovenské elektrárne decided to make itself independent of Russia, and signed a contract for the supply of enriched uranium with an alternative supplier which has been protecting Slovak power plants against problems with the implementation of the current Russian contract<sup>5</sup>. Limited confidence in its Russian partners has not discouraged the Slovak government from continuing negotiations on Slovak-Russian cooperation on the plans to construct new nuclear blocks in Jaslovské Bohunice, although this project has very little chance of being implemented in the near future<sup>6</sup>.

### Eastring and Turkish Stream

Currently, one of the main topics in Slovak-Russian talks is cooperation in the field of the transit of Russian gas to Western Europe after the Russian-Ukrainian transit agreement expires on 1 January 2020. This, according to announcements by Gazprom, is when gas flowing via Ukraine and Slovakia to Western Europe will be redirected to the Turkish Stream pipeline. President Putin announced the plan to construct the Turkish Stream pipeline in December 2014,

when the South Stream project was dropped. The plan undermines Slovakia's interests, since Bratislava would like to retain its role of an important country in the transit of Russian gas to the West<sup>7</sup>, thereby reinforcing its energy security and ensuring revenues to the state budget.

**Assuming that Easting and Turkish Stream become fact, and that mainly Russian gas will flow through the Slovak pipeline, the transfer of gas from the EU-Turkey border onto European territory would be implemented according to EU law.**

During his visit to Moscow, Prime Minister Fico argued that the Russian project should be combined with the Slovak plans involving the construction of the Easting pipeline which aims to connect Western Europe, via Slovakia and Hungary, with Romania and Bulgaria<sup>8</sup>. The Russian side has eagerly agreed to verify the Slovak project against Russian plans for technical and financial compliance.

In Moscow, Prime Minister Fico presented Easting as a project which can be reconciled with Russian plans to supply gas to Europe using a southern route. He pointed out, however, that the Slovak investment is to be carried out "with the participation and support of the EU". Before that, Slovakia had already announced its efforts to put Easting on the list of projects of common interests (PCI) and to obtain funding support from the EU. In the EU forum, the Slovak government and Eustram have empha-

<sup>4</sup> Enel owns 66% of shares in Slovenské elektrárne; the remaining stake belongs to the Slovak state.

<sup>5</sup> According to Slovak media, the agreement was signed with Areva, but Slovenské elektrárne has not confirmed this information.

<sup>6</sup> More on this topic: J. Groszkowski, 'Słowacja', [in:] *Projekty jądrowe w Europie Środkowej i Południowo-Wschodniej. Stan i perspektywy*, edited by M. Gniazdowski, Raport OSW, pp. 27-35; <http://www.osw.waw.pl/pl/publikacje/raport-osw/2015-06-23/projekty-jadrowe-w-europie-srodkowej-i-poludniowo-wschodniej-1>

<sup>7</sup> In 2014, the volume of gas transit via the territory of Slovakia amounted to 35.8 bcm (compared to 30 bcm of gas transit via the Nord Stream, nearly 34 bcm via the Yamal Europe pipeline, over 20 bcm via Moldova, and 16 bcm via Blue Stream). Slovakia is bound by a gas transit contract with Gazprom which expires on 31 December 2028.

<sup>8</sup> Representatives of the company Eustram, the Slovak gas transmission system operator controlled by the Slovak state and the Czech company EPH, which is the initiator and promoter of the Easting project, did not take part in the talks held in Moscow.

sised the project's compliance with the assumptions of the energy union. They have presented Eastring as a system of two-way large-capacity gas connections, which will meet the goals related to the construction of the EU's common gas market, and serve as a way to improve the security of supplies in Central and South-Eastern Europe. These announcements mean that the company intends to carry out investments which are in line with the Third Energy Package. Assuming that Eastring and Turkish Stream become reality, and that mainly Russian gas will flow through the pipeline proposed by Slovakia, the transfer of gas from the EU-Turkey border onto European territory would be implemented according to EU law. Regardless of the real chances of connecting these pipelines, the fact that Fico has combined the Slovak Eastring project and the Russian Turkish Stream project undoubtedly served Moscow's interests, and could possibly hamper actions involving the Eastring project's promotion in the EU. The Russian project still remains largely virtual, the pipeline's route has not been revealed, and no legally binding agreements have been signed with Turkey, although according to announcements by President Putin and representatives of Gazprom, the first branch of the pipeline is to be launched in December 2016. Despite this, in line with the expectations of the Kremlin, several EU member states (apart from Slovakia, these included Greece, Hungary, Italy and Austria) opened talks on the extension of infrastructural connections which would become an overland extension of the Turkish Stream pipeline. The Slovak-Russian talks on the new pipeline have thus become aligned with Moscow's attempts at creating an impression that the project is much desired, enjoys wide-ranging support, and that its implementation is inevitable<sup>9</sup>.

<sup>9</sup> More on this topic: S. Kardaś, A. Łoskot-Strachota, 'Gazprom's call for proposals: how many new gas pipelines to Europe?', *OSW Analyses*, 24 June 2015; <http://www.osw.waw.pl/en/publikacje/analyses/2015-06-24/gazproms-call-proposals-how-many-new-gas-pipelines-to-europe>

## Military cooperation

Aside from Bulgaria, Slovakia is one of the EU countries most dependent on Russian military technology. This has been a result of Slovakia's consent to Russia's repayment of part of its debt with military equipment back in the 1990s. Slovakia imports components of MiG-29 fighter jets and of Mi-17 helicopters from Russia, and entrusts Russian companies with modernisation tasks involving these aircraft. In 2013, Slovakia spent over €84 million on these services<sup>10</sup>.

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Also the Slovak air defence system (radar installations and missile defence systems) has been totally dependent on the supplies of components from Russia. In the context of the war in Ukraine, Slovakia has decided to gradually become independent of its cooperation with Russia. In April 2015, the Slovak government consented to the purchase of nine American Black Hawk UH60M helicopters to replace its Mi-17 aircraft. Bratislava has announced that it would abandon the use of MiG fighter jets when the Slovak-Russian agreement for their service and maintenance expires in November 2016. The Russian-made aircraft will most probably be replaced with Jas-39 Gripen jets made in Sweden, which Slovakia will lease on conditions similar to those applied by the Czech military. EU sanctions against Russia are another element which has influenced the decisions taken by Bratislava. When the Russian supplier of spare components for Slovak radar systems, the Almaz-An-

<sup>10</sup> *Analýza možných dopadov sankcii EU na RF a zrušenia cieľ EU s UA na ekonomiku SR*, 2014.

tey company, became subject to EU sanctions, Slovakia's Ministry of Defence speeded up its work on replacing Russian radar systems with Western-made equipment<sup>11</sup>. Within a couple of years, as a result of the measures taken by Slovakia's government, the Slovak military is likely to become independent of services and supplies of components from Russia.

Regardless of these decisions and plans, Slovakia intends to continue its cooperation with Russian companies. During his visit to Moscow in June 2015, Prime Minister Fico announced that an agreement on modernisation and service of Mi-17 helicopters would shortly be signed. Pursuant to this agreement, the military works in Trenčín in Slovakia would service not only Slovak helicopters (until they are fully replaced with Black Hawks), but also perform commercial service and modernisation of Mi-17 helicopters from third countries. In Moscow, PM Fico expressed his country's interest in modernising the S-300PMU missile defence system used by the Slovak army.

### Other fields of cooperation

Prime Minister Fico's visit to Moscow did not bring any progress on a number of significant projects whose implementation has not been completed and have little chance of being completed in the next few years, despite political support by the governments of Slovakia and Russia. A flagship example of one such project is the plan to extend a broad-gauge railway from near Košice to Bratislava and to Vienna, which remains in its preparatory phase. Negotiations on the construction of a cyclotron centre (for scientific and medical purposes) have been under way for two decades. Russia promised to build the centre in Bratislava in exchange for the cancellation of a portion of its debt to Slovakia.

<sup>11</sup> *Informačný materiál na rokovanie Rady vlády SR pre podporu exportu a investícií*, 18 February 2015. 'Sankcie medzi EÚ a RU – aktuálny stav a dopady'.

The Slovak-Russian political cooperation, which has been particularly active in recent months, has limited effects. Using the opportunity of Prime Minister Fico's visit to Moscow, an inter-governmental agreement was signed concerning cooperation on fighting illegal migration, among other issues. Other documents signed included several intergovernmental memoranda,

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concerning subjects including cooperation in the modernisation of agriculture and in tourism, as well as several agreements and memorandums on business cooperation<sup>12</sup>. Despite political efforts, Slovak-Russian trade exchange has been largely limited to the import of energy fuels and nuclear fuel from Russia. In 2014, the volume of Slovakia's exports to Russia and its imports from Russia fell by nearly 20%, and in the first quarter of 2015 trade turnover declined by approximately 40%, mainly as a result of the economic crisis in Russia, caused by the drop in the price of crude oil and by depreciation of the rouble. The crisis which hit Russia has also affected Slovak companies such as Optifin Invest, co-owned by Alexej Beljajev, a businessman associated with Prime Minister Fico, and a Slovak descendant of Russian migrants. A large portion of Beljajev's business undertakings involves the production of railway carriages which are then exported, onto the Russian market among others. Due to problems encountered by Beljajev's Russian business partners, one of his manufacturing plants in

<sup>12</sup> Russian-Slovak negotiations, 2 June 2015, <http://government.ru/en/news/18331/>

Slovakia was forced to limit its production. Prime Minister Fico has quoted this example as the best proof of the sanctions' negative effects. It can be assumed that during his visit to Moscow in June 2015, PM Fico, during his talks with the head of Russian state railways Vladimir Yakunin, mentioned also Beljajev's business undertakings, among other issues. Nevertheless, the real significance of the sanctions on the condition of the Slovak economy has been very limited, as the share of the Russian market in Slovakia's exports is negligible (it fell from 3.97% in 2013 to 3.21% in 2014)<sup>13</sup>. Contrary to what PM Fico was saying just a year ago, the introduction of EU sanctions against Russia has not shaken the Slovak economy. In 2014, there was an increase in both Slovakia's imports and exports, and the country's GDP rose by 2.4% (compared to 1.4% in 2013). The Ukrainian-Russian conflict has contributed to a decline in the number of tourists visiting Slovakia. Interestingly, however, in 2014 the tourists who came to Slovakia spent €16 million more than in 2013.

### Difficult Eastern policy

The series of meetings between Slovak and Russian politicians held in recent months, in particular Robert Fico's two visits to Moscow, has reinforced the view popular in Western Europe and in Ukraine that Slovakia's left-wing government is willing to support the Kremlin's interest in the forums of the EU and NATO. The Slovak government has attempted to refute these charges, pointing to Slovakia's involvement in helping Ukraine. In this context, Slovakia has been emphasising the significance of the gas reversal<sup>14</sup>,

<sup>13</sup> V. Šnidl, 'Diplomati: Sankcie proti Putinovi nás nepoškodili, ekonomika bude rásť', 16 May 2015, <https://dennikn.sk/133896/diplomati-sankcie-proti-putinovi-nas-neposkodili-ekonomika-bude-rast/>

<sup>14</sup> Since September 2014, Slovakia has enabled the transfer of Russian gas from Western Europe to Ukraine. The current interconnector capacity is 14.5 bcm per year, which covers 73% of Ukraine's import of gas. At the same time, the operation of the gas reversal is bringing revenues to the Slovak budget.

of its humanitarian and development aid<sup>15</sup>, and of initiatives aimed at transferring experiences connected with political transformation to Ukrainians<sup>16</sup>. In addition, Slovakia has been trying to maintain positive political relations with Ukraine.

**The level of distrust in Slovakia's relations with Ukraine has been high. This, among other reasons, results from Slovakia's negative experience in its relations with Ukraine during the 2009 Gazprom-inspired gas crisis.**

Shortly before his talks in Moscow, Prime Minister Fico called Ukraine's President Petro Poroshenko to assure him that Slovakia's stance on the issue of sanctions remains consistent with the EU-wide consensus, and that the transfer of gas from the West via Slovakia to Ukraine is not threatened. Still, the level of distrust in Slovakia's relations with Ukraine has been high. This, among other reasons, results from Slovakia's negative experience in its relations with Ukraine during the 2009 Gazprom-inspired gas crisis, when Bratislava repeatedly complained that it had been cheated by the government in Kyiv. Although the crisis has also undermined Slovakia's trust in Russia, and has proved that good relations with the Kremlin cannot be seen as a guarantee of stable fuel supplies, in the eyes of the Slovak government Russia remains a more reliable partner than Ukraine.

Slovakia has decided to play a game in which it intends to strengthen its strategic relations with the West on the one hand, while on the other sending numerous signals it suggesting that it is ready to advance its cooperation with

<sup>15</sup> In 2014, the value of Slovak development, technical and humanitarian aid amounted to approximately €900,000.

<sup>16</sup> As part of a Visegrad Group project involving support for reforms in Ukraine, Slovakia organised an expert meeting in June concerning energy efficiency. A few days before the planned date, the meeting was cancelled by the Ukrainian side.

Moscow. Although Russia's influence on Slovakia has been diminishing, the symbolic dimension of cooperation, which is being reinforced by Russian propaganda, has affected the coherence of the West's position towards the Kremlin. Beset by crises, Russia has not much to offer Slovakia. Regardless of this, Prime Minister Fico is probably hoping that in the long-term perspective, when the relations between the West and Moscow improve, Slovakia will have a favourable position vis-à-vis Russia, which in turn might bring it considerable economic ben-

efits. Furthermore, Fico's government has been guided by short-term calculations focused on the domestic political struggle ahead of parliamentary elections next year. There is, however, some uncertainty surrounding the profit and loss account of Slovakia's policy towards Russia. The Slovak government has undermined its credibility in its relations with its allies, and has launched cooperation with Moscow, exposing itself to the threat that the longer the conflict between the West and Russia lasts, the higher the price of this cooperation might be.

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