



State Policy Developments

The share of classified national security expenditures in the Russian federal budget is growing

On October 11, 2017, there expired a timeframe for reviews on amendments to the federal budget for 2018-2020 by the delegates of the State Duma, the lower chamber of the Russian Parliament, and the bill proposed by the Government is likely to pass the Parliament without substantial changes.

One of the most noticeable changes in the new revision of the Russian budget is rapidly growing share of the secret expenditures within **national security and law enforcement category**. Specifically, the share of undisclosed articles within the category is expected to increase from 32.99% in 2017 to 38.27% in 2018 being the highest one since 2007.

As it comes to the **national defense category**, the share of secret articles is to stay nearly the same in 2018 against 2017 (65.96% vs. 65.8% of the total outlays in the category). In 2018, those expenditures are to increase by RUR 154 billion (approx. USD 2.68 billion) as compared to 2017.

At the same time, the transparency is increasing within **national economy category** and **general government category** with the shares of undisclosed articles (2018/2017) falling from 9.19% to 6.83% and from 11.03% to 5.12%, respectively.

There is an outstanding share of undisclosed **government spending on science and R&D** that is expected to reach 45.7% of corresponding expenditures in 2018 (RUR 324 billion out of RUR 708.8 billion). That is commonly connected with overall focus of the state on the needs of the defense industry.

The experts also point at unexplainable secrecy in the amended budget as it comes to a number of public expenditures. Specifically, the state introduced a secret portion of inter-budgetary transfers (primarily transfers from the federal budget to budgets of the Russian regions), as well as a secret portion of expenditures in the healthcare category amounting to 3.3% of the total healthcare expenditures. Those expenditures probably cover healthcare services rendered to the military personnel.

All in all, the share of undisclosed articles in the Russian budget for 2018 is projected to increase slightly as compared to 2017 from 17.55% to 17.61% of total outlays reaching approximately RUR 3 trillion.

New revision of amendments to the Russian federal budget for 2018 and the planning period of 2019 and 2020: [Original](#) (Rus)

Dedicated article by RBC news agency: [Original](#) (Rus)| [Google Translate](#)

Business Environment

Turkey introduces limits on imports of food products from Russia

On October 9, 2017, Turkey introduced restrictions on imports of dry peas, paddy rice, durum wheat, corn and sunflower oil products from Russia. That was reportedly done by setting compulsory procedure of approval of appropriate invoices at Trade Representation of Turkey and its divisions. Therefore, only selected suppliers will be eligible to export named products, while the dedicated inspections of exporters by Turkish representatives are being considered.

The introduction of new export barriers is commonly connected with the recent statements of the Russian authorities that named the short list of nine Turkish producers of agricultural products that are eligible to export to Russia.

Dedicated article by Bloomberg: [Original](#) (Eng)

German participants of Nord Stream 2 confirmed their commitment to the project

On October 12, 2017, Mr. Vladimir Putin had a meeting with representatives of the German business. One of the issues in the agenda was discussion on proceeding with Nord Stream 2 project, which [has difficulties with bringing in external financing](#).

Nord Stream 2 project assumes construction of underwater gas pipeline in the Baltic Sea connecting the Leningrad region of Russia with Germany with the annual capacity of 55 bln cubic meters of gas. Gazprom is the sole shareholder of EUR 9.5 bln project via Nord Stream 2 AG, while the list of project participants committed to secure 50% project financing include OMV, Shell, Engie, Uniper and Wintershall.

The representatives of the German companies participating in the project confirmed their commitment to implementation of the project that has been under fire due to increasing presence of Russia in the European gas market.

Dedicated article by RIA Novosti news agency: [Original](#) (Rus)| [Google Translate](#)



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