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LITHUANIAN RAILWAYS: ATTACK FROM THE EAST

How the Kremlin carries out geopolitical expansion under the guise of businessmen in the Baltic States



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Introduction

Information, energy and hybrid warfare by Vladimir Putin's regime has long been at the heart of the whole Western world. It has also long been not a mystery that the Kremlin is not only interfering in elections in various ways in the world, or in trying to influence the policies of different states¹, but also trying to transform its economic influence into geopolitical expansion. Various researchers have long noticed the strategic nature of this influence. Since V. Putin came to power, "geo-economics has become an important part of Russia's geostrategism"².

In 2016, the renowned US analytical institution Center for Strategic and International Studies published a special study on Russia's influence on Eastern and Central Europe tools and methods "Kremlin Methods: Understanding Russia's Influence on Central and Eastern Europe". The authors of the study make an unequivocal conclusion:

"In its opaque network of patronage in the region, the Kremlin has developed a model of hostile economic influence in Europe that influences and even directly affects decision-making."³

Even then, the authors of the study dramatically warned of the dangers for democratic states that ignore this hostile economic influence of Russia: "over the time,

the economy and institutions of influenced countries become so affected that the institutions themselves – anti-corruption services, ministries of interior, prosecutors whose task is to fight against corruption and monopoly activity – are becoming "completely derailed". This allows Russia's influence to reach a level where the infected democracy can no longer resist. **And this makes it possible for the Kremlin to take over the government as well"**⁴.

In an article published later the authors of this study stated that they considered one of the most important means of opposing such influence: **the ability to recognize the prerequisites for this potential hostility, revealing the links between different companies with Russia:** "EU governments need to develop practices to disclose the beneficiaries of off-shore companies, enhance transparency, and thus the perception of any Russian influence"⁵.

In March 2019, the follow-up to the aforementioned study "The Kremlin Methods 2. Assistants"⁶ was published, focusing on the phenomenon of so-called "assistants" - individuals or institutions in the West, helping Russia to spread its hostile influence.

The authors of this second study state: "From 2016 on, there is a clear "political sight" of national security threats posed by

hostile economic influence of Russia. The Transatlantic Community has taken some steps to counter this threat - the US adopted the Act on Countering America's Adversaries Through Sanctions in 2017, the European Union has strengthened its anti-money laundering rules. However, "The Kremlin Methods 2" shows how much more work is left. Western democracies have to admit that they contribute to Russia's hostile economic influence, and have to take measures to root out this influence from their financial systems."⁷

The author fully agrees with the findings of the American colleagues, so the aim of this work is to partially extend the work of the above mentioned US researchers, focusing on the Lithuanian situation not scrutinized in their studies and to look more closely at one strategic sector of our economy – railway transport, to investigate the spread of possible Kremlin influence in it, networks, by which this influence is spread, the resulting threats and possible Moscow goals.

Russia's strategic thinking, strategic goals and the strategy itself in the rail transport sector

Representatives of Putin regime have already revealed the fact that transport is not only a branch of the economy, but also an important mean of realizing foreign policy goals. Therefore, Vladimir Yakunin, a very influential representative of the Kremlin regime, former head of the Russian Railways who is now mainly engaged in the diversification of Russia's influence in the West⁸, is a member of the board of custodians of "Russkij Mir"⁹ and a leader or member of the management of other organizations with similar goals. In addition, he has even written a book titled "Transport Politics. The political dimension of transport development" about strategic influence over transport.

Yakunin has always dealt with the role of transport in the context of Russian geopolitical goals¹⁰, but goes further in his book, arguing openly that, when examining the role of transport, one should not forget about the possible war component: **"One particular sector can be distinguished among many sectors of the economy, which occupies an important place in the system of goals and measures, realizing the national interests of the state in the field of both internal politics and foreign policy, throughout whole social-political process. This is transport. [...] It is no coincidence that the highest tension policy - war -**

defines transport communication as one of the priority objectives"¹¹.

In 2012, a special study on the role of railway transport and the 1520 millimetre gauge in implementation of Russian geopolitical goals and first of all the integration of the so-called Eurasian Economic Space was written by Katri Pynnoniemi, then representative of the Finnish Institute of International Relations, and now expert of Russian security policy at the University of Helsinki.

In this study, the expert recalls that Russian President Putin himself has publicly recognized the role of railways in preserving the geo-economic influence of the Kremlin in the region after the collapse of the Soviet Union.

"After the collapse of the Soviet Union, the railways helped to maintain the unity of economies that could not operate without specific links. The single energy network and the rail network have played an important role both then and today in facilitating the difficulties of the division of the common economic area," – Russian leader explained in 2011, in a special forum "Strategic Partnership 1520" to sustain and expand this geopolitical influence of Russia over the 1520 millimetre gauge¹².

By the way, in 2006, at the forum “Strategic Partnership 1520”, founded by V. Yakunin, Russia from the beginning invited not only the representatives of Eurasian Economic Union (then Eurasian Economic Community – M.L), but also Baltic railways and other transport companies. In the context of Russian threats, this should also be seen from the perspective of retaining geopolitical influence. As K. Pynnoniemi observes in her study, **international transport corridors, in Russia’s strategic thinking, ensure the influence of states on the territories through which they go, and therefore the Kremlin is a part of the geopolitical and geo-economic struggle**¹³.

The activity of this forum in direction of the Baltic States is also reflected in the fact that already in February 2008 the participants of the “Strategic Partnership 1520” gathered in Riga¹⁴, and in February 2010 the participants of the “Strategic Partnership 1520” came to Tallinn¹⁵. This forum was not held in Lithuania, but the leaders of the Lithuanian Railways and other people related to this branch of industry have been involved in the work of the forum from the very beginning.

The entire Kremlin’s thinking and aspiration to implement the strategy itself is confirmed and elaborated by a document for official use and leaked for public, issued by the Russian Ministry of Foreign Affairs in May 2010 “Effective Use of Systemic Factors of Foreign Policy for the Long-term Development

of the Russian Federation”¹⁶. The Russian Ministry of Foreign Affairs unofficially attempted to deny¹⁷ that this document, known as the “economic conquest plan” in the Baltic States, could have been prepared by the Ministry. However, even a few years later, analysts at the Carnegie Center in Moscow, closely linked to the Kremlin, are pointing to it¹⁸. And this proves that the document really existed.

But the most important thing is what is laid out in that document. **First of all, it is proposed to “seek to exploit the territory and transport infrastructure for transit of goods to the EU” in the Baltic States**¹⁹. It is also recommended to “broaden Russia’s economic participation, given that the attractiveness of investment [in these countries] to the EU countries has dropped significantly and their national wealth has decreased. And the recommendations end with a proposal to “consider the acquisition of real sector companies in the fields of energy, information technology, **logistics and transport**”.

It is precisely in the context of the document of the Russian Ministry of Foreign Affairs prepared in 2010 and in the whole strategic thinking of the Kremlin that is necessary to analyse the facts of the present day that allow us to conclude about the expected strategic expansion of Russia into the Lithuanian railway sector.

The contribution of V. Yakunin to the development of Russia's influence in the Baltic States is also reflected in the attempt by the representative of the Kremlin's regime to finance the election campaign of the Center Party, led by Mayor of Tallinn Edgar Savisaar, revealed by Estonian Security Police (KAPO)²⁰. E. Savisaar himself was publicly named as the Russian influence agent by KAPO²¹.

What led to the decisions of the former Lithuanian Railways management?

Although Russian plans for geopolitical expansion in the Baltic States exploiting the transport infrastructure, leaked to the public in 2010, resonated in our country, but without a few episodes in public²², this problem has not been on the Lithuanian national security agenda for many years.

In June 2018, the conclusions of the Parliamentary Research on the Possible Illegal Influence of Persons, Business Entities and Other Interest Groups on Public Authorities in Decision-Making and Possible Illegal Influence on Political Processes, approved by the Seimas of the Republic of Lithuania, state that “In 2006 Lithuanian Intelligence provided information expressing concern over the absolute dominance of Russian capital companies in the field of technical maintenance and repair services provided by AB Lietuvos Geležinkeliai”²³, but Stasys Dailydka, who was the head of Lietuvos Geležinkeliai from 2006, and all of the company’s management at that time seemed not to respond to such comments. As mentioned above, S. Dailydka and other leaders of Lithuanian Railways actively participated in the activities of the Forum “Strategic Partnership 1520”.

Particularly noteworthy is the introduction of the system KLUB-U in Lithuanian locomotives²⁴. The same conclusions of the parliamentary investigation conducted by the National Security and Defense Committee

of the Seimas of the Republic of Lithuania state: “AB Lietuvos Geležinkeliai, as well as the Ministry of Transport and Communications of the Republic of Lithuania, whose area of management includes this company of strategic importance for national security, **did not ensure that the KLUB-U system was evaluated in terms of national security until September 2017. It should be emphasized, in particular, that the potential threat to the national security interests of the operation of the system KLUB-U has not been assessed neither after Russian aggression in Georgia in 2008 nor after Russia started aggression in Ukraine in 2014.** It should be noted that the functional capabilities of the system KLUB-U were not evaluated in time from the point of view of the Republic of Lithuania Law on Mobilization of the Republic of Lithuania and Host Country Support”.

Just before the resignation of former Lithuanian Railways Manager S. Dailydka, at the end of November 2016, a *15min.lt* investigation was published on how company’s millions travel to the Russian company Transmashholding without any tenders²⁵.

In this context, it is important to note that Transmashholding is not only related to the Russian military industry²⁶, but for many years it has been closely linked to the Russian Railways itself: formerly, Russian Railways

had 25 percent of Transmashholding shares, and Transmashholding itself receives most of the orders from Russian Railways²⁷. Transmashholding shareholders also developed their own rail transport business with Russian Railways through their other companies²⁸.

It is even claimed in Russia that former Russian Railways leader Yakunin is not only a friend of Iskander Makhmudov, one of the most important Transmashholding owners, but has also helped him to build a business

empire, that benefits at the expense of Russian Railways²⁹.

Surprisingly the positions of V. Yakunin³⁰ and the former management of the Lithuanian Railways, which has been repeatedly criticized for the demolition of the Rail Baltica project³¹, and Ugis Magonis³², the former head of the Latvian Railways, who is even family-related to V. Yakunin³³, has coincided on this project of strategic importance for the Baltic States.

Influence Networks of the Kremlin

Perhaps it would be a coincidence that after leaving Lithuanian Railways and Latvian Railways, respectively, Mr. Dailydka and Mr. Magonis were employed in related companies. U. Magonis, despite the ongoing EUR 500,000 corruption case, for which he was forced to leave the office of the head of the Latvian Railways³⁴, was employed by the Latvian company Euro Rail Trans³⁵ in April 2017. Mr. Dailydka, head of the Lithuanian Railways, was forced to withdraw due to various scandals, including those related to Russia, and was employed by Lithuanian company LGC Cargo, established in 2017. Although LGC Cargo initially seemed to be related only to Transmashholding³⁶, it turned out to have links with Euro Rail Trans. The majority stake in LGC Cargo is owned by the Latvian company Baltijas tranzita serviss, which is a joint venture of Riga Commercial Port and Euro Rail Trans³⁷.

It could be assumed that only by chance RŽD Logistika, a subsidiary of Russian Railways, is one of the main founders of Euro Rail Trans³⁸. However, the above-mentioned strategy of Russian geopolitical expansion through the transport sector, with the Russian Railways and Transmashholding, and the chain of overlaps between the people connected with each other make us recall the words of Estonian foreign intelligence manager Mikko Marran.

“We (Estonian Intelligence) have identified a network of politicians, journalists, diplomats, business people who are really Russian influential agents, and who do what is told,” Marran explained in 2018 about Moscow’s efforts in the West. “We clearly see that these people are pushing Russian plans.”³⁹

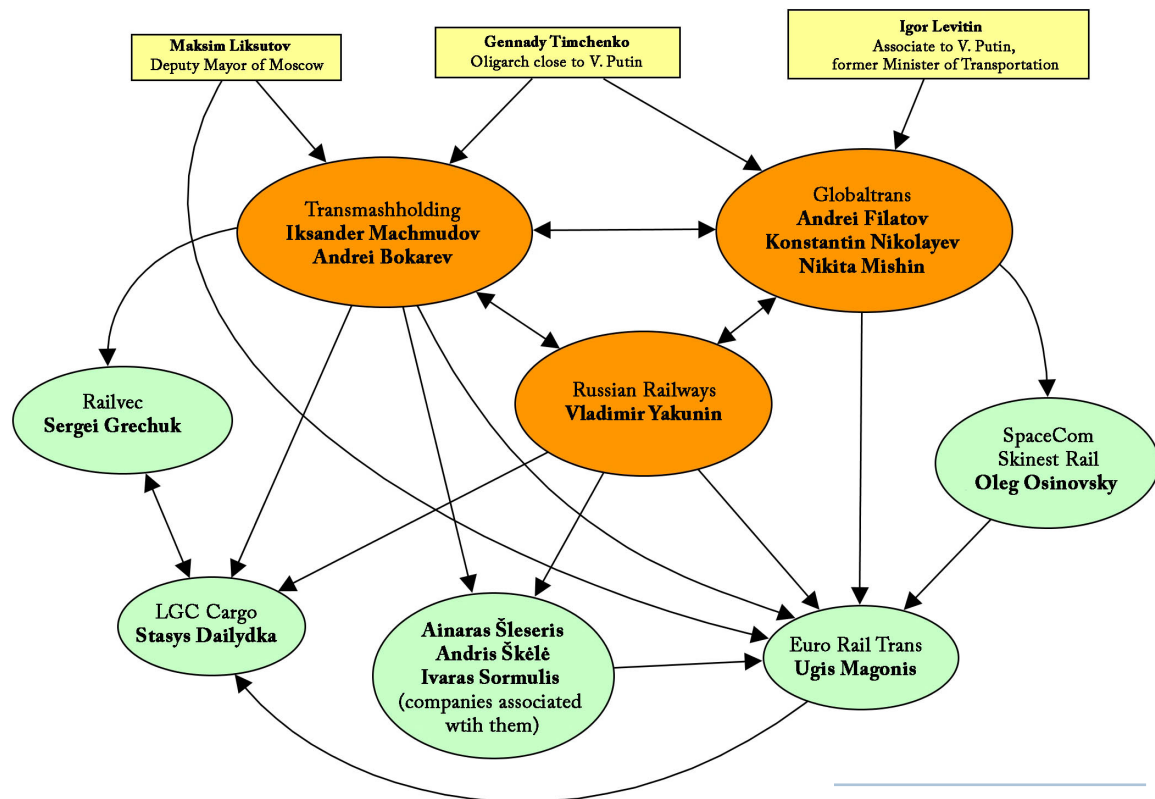


Figure 1. Kleptocracy Map.

The persons in this network were not named by the Estonian intelligence manager. However, in terms of Russia's influence over the rail and transport sectors in general, there is a network of individuals through which such influence can be made.

First of all, we have already mentioned that Transmashholding and Russian Railways are closely related.

The Lithuanian rail transport network was probably best revealed by the LRT Research Division in cooperation with Russian journalist from *munscanner.com* Mikhail Maglov who lives in Lithuania⁴⁰.

In this network, apart from U. Magonis and his wife, who is a niece of V. Yakunin, S. Dailydka, his former deputy Stasys Gudvalis, who has been suspected of abuse by Lithuanian law enforcement⁴¹, and key figures of Transmashholding, the most important actors are two major Latvian oligarchs called Ainars Slesers and Andris Skele, and Ivars Sormulis, associated with the third most influential Latvian oligarch Aivars Lembergs⁴².

The same A. Slesers, A. Skele and I. Sormulis (via Locomotive Traction Operator) with Russian Railways (through subsidiaries RZDL Multimodal and RZD Logis-

tics) have a number of direct links - they all manage together not only Euro Rail Trans⁴³, already mentioned, but also Euro Rail Cargo⁴⁴ (formerly Liepaja Oil Transit⁴⁵).

Interestingly enough, Mr Slesers himself stated that they had acquired Liepajas nafta tranzits with A. Skele from Maksim Liksutov⁴⁶. The present Vice Mayor of Moscow, who was born in Estonia and once considered its entrepreneur, was the shareholder of the same Transmashholding⁴⁷ and business partner of I. Machmudov and Andrei Bokarev, the main owners of this company as well as other businesses⁴⁸.

It is worth noting that the same M. Liksutov, who at that time was considered an Estonian entrepreneur, was ready to buy 66 percent of privatized shares of Estonian Railways from the American company Baltic Railway Services in 2006⁴⁹. By the way, this privatization of Estonian Railways was destroyed by the hand of already mentioned E. Savisaar⁵⁰, which was later publicly announced by the Estonian security police as a Russian influence agent. By the way, the former head of Baltic Railway Services Edward Burkhardt in 2006 and 2007 openly accused Russia of destroying his company⁵¹, but he mentioned as the main culprit not Russian Railways or Transmashholding but SeverstalTrans and its CEO Andrei Filatov⁵².

According to Mr Burkhardt, he was not surprised that, by destroying his company, E. Savisaar and A. Filatov worked hand in hand. The Baltic Railway Services Manager was surprised that neither SeverstalTrans

nor its related Estonian company Spacecom itself wanted to buy 66 percent of shares of privatized Estonian Railways. Mr Filatov had even supposedly pressed Mr Bukhard to sell these shares to the government.

By the way, SeverstalTrans, among others, was previously closely associated with Igor Levitin, the former Russian Minister of Transport at the time when struggle between the Estonian government and Baltic Railway Services took part, and now Mr Putin's assistant⁵³.

In Bukhard's opinion, Filatov's desire for Baltic Railway Services to be re-privatized by the Estonian government was based on the belief that the company would be subsidized with taxpayers' money and Spacecom would be able to benefit from lower rates. By the way, the Estonian security police KAPO even detained Spacecom's head Oleg Osinovsky in 2005, accusing him of proposing illegal transactions to Estonian Railways, in the midst of a fight by the Estonian government (E. Savisaar) and Baltic Railway Services⁵⁴.

In this context, it is also important that, although A. Filatov is not affiliated with Russian Railways and Transmashholding at the first glance, he is a long-time business partner of another oligarch G. Timchenko, who is close to Yakunin⁵⁵. The close relationship between Mr Yakunin and Mr Timchenko is also confirmed by the fact that his son, Viktor, has been working for "Gunvor" co-owned by G. Timchenko since 2004.

In addition, the owners of Transmashholding in 2012, Machmudov and Bokarev, became business partners of G. Timchenko and A. Filatov in Transoil. Meanwhile, the close relationship of another company in which A. Filatov is one of the major shareholders - GlobalTrans's - with Russian Railways is illustrated by the fact that the long-time member of GlobalTrans management and shareholder Sergei Malcev is appointed senior vice president of Russian Railways at the end of 2015⁵⁶. And in the summer of 2017, he returns to GlobalTrans⁵⁷ as if he had been "temporarily posted" to Russian Railways. The close links between Russian Railways and GlobalTrans are not limited to what is listed above, but also show a closer look at the orders of Russian Railways itself, which shows that this state-owned Russian company is also profitable for GlobalTrans⁵⁸.

In addition, the current chairman of the Council of Euro Rail Trans, the most important company in the context of Russia's geopolitical expansion to Lithuania⁵⁹, Vyacheslav Valentik came to RŽD Logistics as the head from GlobalTrans owned companies, where he also was in leading positions⁶⁰.

In Latvia and Estonia, this network is well reflected by relationships among the Estonian company Transgroup Invest, related to M. Liksutov, current Vice Mayor of Moscow, (this influential Russian officer is currently a member of its board of directors⁶¹), Russian company Transmashholding,

Russian Railways and Latvian companies, among which these weaving their ties to the Lithuanian market.

In 2008, Transgroup Invest, which at that time cooperated very closely with Russian Railways and was essentially part of Transmashholding, bought the Latvian company L-Ekspresis, which carries passengers on the routes Riga – Moscow and Riga – St. Petersburg⁶². Alexander Berezin, the head of the Riga Electric Machine Factory, which was bought by Transmashholding in 2006, was appointed as its manager⁶³.

In 2012, the aforementioned Euro Rail Trans was founded by the owners of RŽD Logistika and L-Ekspresis. Mr Berezin became the head of Euro Rail Trans⁶⁴. Now, the ownership structure of Euro Rail Trans has changed, but Berezin remains representative of Transmashholding⁶⁵.

Therefore, Russian Railways, Transmashholding, M. Liksutov and its associated Transgroup Invest, A. Filatov, his business partners at GlobalTrans and his partner in Estonia O. Osinovsky, as well as partners in Latvia – the oligarchs A. Slesers, A. Skele and A. Lembergs (or his representative, Mr Sormula) can be attributed to the same network of interconnected persons from Lithuania, Latvia and Estonia, through which the Kremlin can implement its strategic geopolitical expansion plans through the railway and the entire transport sector.

Network – for influence, shelter and mediation?

The whole network can be compared to the energy sector, which was perhaps the first foreign weapon of Russian foreign policy acknowledged in the West⁶⁶, and is considered to be sufficiently investigated model of illegal influence⁶⁷ tested by the Kremlin companies-mediators⁶⁸.

In 2011, the representative of the US University of Miami, Maria Semykoz, highlighted three key functions of this model and the companies operating in it, applied by the Kremlin companies-mediators in energy sector:

- **These companies can serve as a kind of “buffer” to overcome political risks related to cross-border economic relations;**
- **Companies-mediators can act as a tool for Russian foreign policy** giving corrupt local elite members personal enrichment opportunities, and at the same time linking their personal interests with those of the Russian government;
- **They can be used as an instrument for the illicit enrichment of influential Russian elite, including the government and representatives of criminal groups⁶⁹.**

The scope of the Russian-wide network and the geo-economic and geopolitical influence of Russia is very diverse. One of them was revealed by O. Osinovsky, who had outlined his version on already mentioned EUR 500,000 bribe file.

Mr Osinovsky does not deny that he handed over EUR 499 500 to Mr Magonis. However, according to O. Osinovsky, he did not do anything illegal because he did not give any bribes, but simply bought a service from U. Magonis to represent his interests in negotiations with Russian Railways. In addition, O. Osinovsky argued that, in the context of this transaction, Mr Magonis was acting not as a public official but as a private person simply having links with Russian Railways. And he paid U. Magonis with his personal funds. So everything was done under Estonian law⁷⁰.

It turns out that O. Osinovsky owns a Daugavpils locomotive repair factory. In the summer of 2014, Russian railways production orders in Daugavpils had been cancelled, so it was necessary to immediately agree with Russian Railways on their renewal. “It was the order of about EUR 20 million. We didn’t know how to solve this problem. I had no such connections. Then I asked for help from my good friend, Ugis Magonis. He had influential relations with the then Russian railways administration. He agreed. Obviously, you have to pay for the job. It was a really great job,” O. Osinovsky explained⁷¹.

Whether without money for U. Magonis, it would have been necessary for the Russian Railways to pay some political price for the renewal of the contracts, even if everything were as explained by O. Osinovsky, this

entrepreneur did not disclose. However, the same EUR 500,000 bribe case shows how not only just Putin's regime, but also the Russian Railways, are able to link business and politics, or even the law. As soon as U. Magonis was arrested, the Russian side took costly "rail repair"⁷² and other similar blackmail and pressure measures to Latvia⁷³.

By the way, the recordings of the famous so-called "oligarchs scandal in Latvia" show that U. Magonis, who is closely associated with the leadership of Russian Railways, appeared on the Latvian Railways as a protégé of A. Slesers. And Slesers discusses his career prospects with the same Lembergs representative, Mr Sormul, and states that Mr Magonis will follow the instructions because he is a "warrior, so to speak, a navy"⁷⁴.

Other examples may indicate that the network is also used to conceal the fact that one

or another transaction is being conducted by Russian companies. In this way, Latvian transport entrepreneurs are struggling in Lithuania, and Railvec, a company related to Transmashholding, registered in Lithuania, is trying to sell trams manufactured by one of Transmashholding's plants to Latvia⁷⁵. By the way, Russian companies are even targeting EU funding because the above-mentioned attempt to sell Russian trams to Latvia is also linked to an EU-funded project⁷⁶.

Moreover, O. Osinovsky, an Estonian entrepreneur with close ties to Russia, is an important participant in this network, through his acquaintances with in the Latvian policy Olympus, even attempted to get a contract for the maintenance of the British armoured vehicles purchased by the Latvian army, but the deal was blocked by the Latvian special service⁷⁷.

Threat map: from corruption and mafia to influencing national politics

1. Suspected corruption

In 2014, Emmet Tuohy, an analyst at the International Defence and Security Centre in Tallinn, concludes in his article on the scandals of corruption, as a reflection of Russia's influence in the Baltic States⁷⁸, that, when the energy role as the Kremlin's foreign policy weapon in the Baltic States

decreases, Moscow seems to think it is more profitable to focus on the transport sector.

Analysts have repeatedly argued that corruption has long become a strategic branch of Russian exports⁷⁹. Moreover, the Kremlin turns corruption into a weapon and uses it as part of a hybrid war against the West⁸⁰. Therefore, the above-mentioned network extending from Russia through the

Baltic States must also be assessed in this aspect.

It is not worth repeating about corruption and absolutely prevailing corrupt business practices in Russia itself. It is enough to recall that, according to data from 2018, Russia is ranked 138th out of 180 countries in the Transparency International Corruption Perception Index⁸¹ (Estonia - 18, Lithuania - 38, Latvia - 41, respectively⁸²).

However, the above-mentioned network extending from Russia through the Baltic States shows how sensitive to corruption, and at the same time to the strategic influence of the Kremlin through corruption, is this economy branch in the Baltic States⁸³.

What threat it possesses to national security is best reflected in the decision of the Estonian Internal Security Service KAPO to investigate separately and widely the corruption cases specifically encountered by rail transport in general and Russian Railways in the 2018 report on Threats to National Security in Estonia⁸⁴. It emphasizes that the Kremlin is trying to export corrupt business practices to Estonia, and the transit business in general and railways are among the most important targets. It is also stressed that corruption does not help to increase transit volumes but threatens national security.

In the case of people on the network concerned, it is not enough to recall the EUR 500,000 corruption scandal that U. Maigonis and O. Osinovsky took on. All three oligarchs in Latvia were caught up in

corruption scandals⁸⁵. As mentioned above, S. Dailydka was forced to resign from the position of the head of Lithuanian Railways due to non-transparent transactions, while Lithuanian law enforcement did not suspect abuse.

2. Possible money laundering

Russian business, its oligarchs, and even those associated with the top leadership of the country are increasingly accused of money laundering⁸⁶. The world-wide scandal over suspicions of massive Russian money laundering through Danske Bank's Estonian branch⁸⁷ also led to somewhat lower noise due to suspicious transfers via Swedbank. One of the main owners of Transmashholding, Iskander Makhmudov, is suspected of being involved in money laundering in this story⁸⁸.

Earlier in 2016, the world-famous fighter against the Russian regime's crimes and the initiator of the "Magnitsky Act" and "Magnitsky's Law" in various countries, including Lithuania⁸⁹, Bill Browder raised a possible case of money laundering by the mentioned Moscow Vice Mayor and Transgroup⁹⁰.

The special report drawn up by the EU-Russia Civil Society Forum Expert Group on Combating Corruption identifies the threats posed by businesses related to Mr Makhmudov, Mr Bokarev, Mr Yakunin and Mr Liksutov⁹¹.

Moreover, in 2009, the shadow of suspicions of possible money laundering also fell on one of the representatives of the network in Latvia, who is under consideration in the study, U. Magonis, former Head of Latvian Railways⁹².

3. Suspicious relations with the mafia

The aforementioned I. Makhmudov is directly mentioned in connection with two Russian criminal groups in several criminal cases investigated in the West. The Spanish prosecutors included his name in the indictment in the case of the activities of the Russian Mafia in Spain and its relations with high Russian officials and influential businessmen⁹³.

Former Makhmudov's business partner Jalol Khaidarov has testified to law enforcement in Israel, Germany and Spain that both Makhmudov and his business partner A. Bokarev, are linked to the "Izmailov" criminal group⁹⁴.

The fact that the crime factor can become an important factor in Russia's strategic expansion through the railways of the Baltic States, was also experienced by one of the Americans involved in the privatization of Estonian Railways. As mentioned above, this privatization was destroyed by the hands of Russia and its interests in Estonia.

Christopher Aadnesen was directing Estonian Railways at a time when members of the government defending Russia's interests

had declared war on the company⁹⁵. Then it turned out that this American had to face not only political or economic pressure, but also the real threat of the Russian mafia. The businessman's wife had to leave Estonia fearing the possible consequences⁹⁶. The entrepreneur does not disclose the interests of the Russian mafia group, but it is believed that this was related to his position as the head of Estonian Railways.

4. Carousel of Attempts to Affect Policy

The people mentioned in this study or their partners are involved in attempts to influence the policies of different countries. GlobalTrans is the most famous example of such attempts worldwide.

One of the owners of this company, Konstantin Nikolayev, was also a financial supporter of the Russian spy Marija Butina detained in the United States⁹⁷. In addition, it has been found that he has contacts with the Russian intelligence and military-industrial complex.

We have mentioned that at the time the head of the Russian Railways V. Yakunin was trying to finance the election campaign of E. Savisaar; this event in Estonia both at that time and now is considered one of the most striking examples of the hostile influence of the Kremlin⁹⁸.

Subsequently there was a try to grant Estonian citizenship to one of GlobalTrans's owners, A. Filatov; this resulted in

the so-called “citizenship for money” scandal. It turned out that A. Filatov was not only a major investor of the country’s economy, as it was publicly announced; he has also invested in the Russian disinformation campaign against Estonia. Specifically, he contributed to one propaganda film against Estonian history. Among the supporters of granting citizenship to A. Filatov were not only the “Russian influential agent” E. Savisaar, which together with this Russian entrepreneur fought against American investors in the Estonian Railways company, but also the representatives of Estonian transport sector, linked to Russia in one way or another¹⁰⁰.

In addition, Yevgeny, son of O. Osinovsky, an Estonian oligarch, who is involved in the Russian transport business and belongs to the network, is head of the Estonian Social Democratic Party, and it was even suspected that this office was essentially bought for money from business with Russia¹⁰¹. It has been repeatedly suspected that Y. Osinovsky’s political decisions are determined by his father’s business interests¹⁰².

In the election of the head of the Estonian Railway Company EVR Cargo, the Estonian Internal Security Service KAPO was forced to publicly warn the country’s leaders about very close links between the candidates and the local businessmen¹⁰³. It is true, however, that these local entrepreneurs, in turn, have had very close ties with Russia. Among them was O. Osinovsky, who, incidentally, has been actively calling for the privatization of EVR Cargo over the past few years¹⁰⁴.

During the above-mentioned Latvian oligarch scandal, a number of cases were discovered when Mr Slesers, Mr Skele and Mr Lembergs make direct, often not very legitimate influence on the country’s politics. There was even talk of “state capture” attempts¹⁰⁵. But perhaps the most eloquent quote is the quote from one of these oligarchs: **“Inguna Sudraba must become prime minister because Moscow thinks she would be a good candidate.”**¹⁰⁶

A. Slesers’ and A. Skele’s business relations with V. Yakunin and Russian Railways in aforementioned research of the US Center for Strategic and International Studies “The Kremlin Methods: Understanding Russia’s Influence on Central and Eastern Europe” are separately distinguished as an example of implementation of the Kremlin strategies that are not limited to only economic interests in Latvia¹⁰⁷.

Moreover, Mr V. Yakunin, who is subject to US sanctions following the annexation of Crimea and Russian aggression in Donbass, is not included in the European Union sanctions list precisely because of Latvia’s objections¹⁰⁸.

In 2007, the idea to push forward Sergei Glinka, M. Liksutov’s business partner, related to Russian expansion in the Baltic States through the rail transport, to the post of president in Moldova was also considered¹⁰⁹.

5. Element of Military Threats

When considering the possible development of Russia's influence over the railways, military threats must not be forgotten. Especially at this time, when Russia is becoming increasingly aggressive and is preparing for a large-scale military conflict with the West, as both the Estonian intelligence¹¹⁰ and the analysts of the FOI Centre of the Swedish Ministry of Defence¹¹¹ admit.

In an article published in 2018, not only political or corrupt, but also military threats, related to Baltic rail infrastructure and its dependence on Russian railways was well revealed by Adamas Maiselis and Laurynas Keturakis, who also identify the rail transport infrastructure in the region as one of the most vulnerable parts of NATO's eastern wing¹¹².

Expansion is gaining momentum

Lithuanian company LGC Cargo associated with Russian Railways and their partners in Latvia, as mentioned above, is also considered to be part of the Russian expansion to the Baltic States via the rail network analysed in this study.

This company started a very aggressive phase of expansion in Lithuania. LGC Cargo and the Lithuanian Association of Private Railway Companies (LPGJA), which promotes the company, have not only appealed against Lithuania to the European Commission for the alleged violations of competition¹¹³, but have also blackmailed that the "Rail Baltica" project can be suspended¹¹⁴.

In addition, when asked about relations with Russia and former Russian railway manager V. Yakunin, during his press conference organized specifically in Lithuania, A. Slesers ensured that they were a "small

logistics company from Latvia and had no business in Russia". "We've seen the whole of this "advertising campaign" that took place in Lithuania. [...] We do not have any business in Russia, we do not sell anything there. [...] One shouldn't be surprised if we import Russian coal, fertilizers or other goods, but we also carry them from the West", he explained. As far as reality is concerned, one can judge from the above facts.

O. Osinovsky's company Skinest Rail, invading from Estonia and related to the same Russian network, is also trying to defend expansion into Lithuania in the courts. It is now up to the Lithuanian Constitutional Court to examine its complaint¹¹⁵.

Other intermediaries of this network - the company Railvec, Gargždų geležinkelis¹¹⁶ and others - are active in Lithuania.

Are they really looking for competition?

All the representatives of the network involved in the Russian expansion through railways and their associates are constantly repeating that they are seeking competition.

“In our opinion, such actions of the Ministry of Transport and its subordinate institutions limit competition. Since the company has not been able to carry out cargo transportation activities in Lithuania for a long time, although it is not forbidden or restricted by law, we are forced to ask for help from the EC,” said LGJA Director Tomas Keršis, who is also the LGC Cargo logistics manager.

“Lietuvos Geležinkeliai AB” has been criticized for the current situation, as no private railway companies (carriers) who wish to provide passenger, baggage and cargo services are admitted to the market because AB Lietuvos Geležinkeliai currently has all the possibilities to give itself priority conditions to allocate railway infrastructure capacity and provide relevant services. Private carriers are currently feeling discriminated as AB Lietuvos Geležinkeliai is acting as a monopoly, not allowing any new railway company (carrier) on the market. For this reason, even the European Commission has been approached to assess the behaviour of AB Lietuvos Geležinkeliai as violating the interests of the companies (carriers) and the relevant EU legislation”, explains Vilius Nikitinas, who was director of the Law and

Personnel Department at the Lithuanian Railways, headed by S. Dailydka, and agitating for the full opening of the Lithuanian railway market¹¹⁷.

Last December, a report published by the National Audit Office on public railway infrastructure management also draws attention to the lack of competition leading to inefficient use of infrastructure¹¹⁸.

However, the past of businesspeople that are influenced by Russia is calling into question whether they are really seeking competition and intend to operate in a competitive environment. First of all, because the Russian business itself is more famous for corruption, protectionism and the related business model, but not for fair competition.

By the way, it has already been mentioned that the efforts of the Russian-related network have prevented the opening of the Estonian market to Western competition – the privatization of Estonian Railways was destroyed when US investors bought them.

It is worth paying attention to the personal experience of some of the network’s representatives. Here, Mr A. Slesers, being Minister of Transport and Communications of Latvia and controlling Riga airport, contributed to both – the collapse of Lithuanian company “flyLAL - Lithuanian Airlines”¹¹⁹ and the granting of exceptional conditions

at the same airport to Ryanair¹²⁰, which has even led him to the attention of corruption researchers, and Latvia has suffered considerable losses¹²¹.

One of the well-known independent Polish analytical center OSW assessed one of A. Slesers', as a businessman's acting in railways sector, contracts with Russian Railways as consolidation of the dominant position of

the Russian monopoly in the Latvian market¹²².

In 2008, O. Osinovsky was found guilty in Estonia of unlawful attempts to agree with Estonian Railways on price alignment, market sharing and other anti-competitive measures¹²³. The corruption scandals associated with these people are already listed above.

Is Lithuania ready for threats?

In January 17, 2017 among the threats, dangers and risk factors mentioned in Chapter IV of the National Security Strategy of the Republic of Lithuania, the following are mentioned as well: *“economic and energy dependence, economic vulnerability – economic entities of states that do not meet the criteria of Euro-Atlantic integration, as well as states that are based on the former USSR political, military, economic and other unions of states, involvement of economic entities in dominating sectors of strategic importance for national security, intentions to take over control and land areas of companies and equipment strategically important for national security, inappropriate protection of companies and equipment strategically important for national security or use of state power in violation of state interests, monopolisation of import of energy resources, remaining interconnections of electricity with the Russian Federation and the Republic of Belarus and belonging to the same synchronous zone, disruption of*

development and competitiveness of the transport system, insufficient diversification of export and investment”¹²⁴.

In the Republic of Lithuania Law on Companies and Equipment of National Importance for National Security and Other Companies Important to Ensure National Security Amendment to Act IX-1132, adopted on 12 January 2018, the transport sector is mentioned among these strategically important for the national security¹²⁵.

It is asserted that the partially separated public railway infrastructure management model chosen by the Ministry of Transport and Communications will ensure that “the public railway infrastructure necessary for the smooth operation of railway traffic and the activities, i.e. passenger and cargo transit services by rail, which is important for the national security of the State of Lithuania, is protected against all risk factors that may endanger national security interests”.

Conclusions

1. From the above facts it can be concluded that the Lithuanian railway market was not targeted by separate businesses that only wanted to implement their business interests, but the whole complex geopolitical Kremlin expansion network, not only related to each other, but also actively cooperating not only in business but possibly in illegal activities.
2. This study reveals the strategic approach of the Kremlin to transport and, in particular, the railway sector as a weapon and expansion tool for Russian foreign policy, as well as a network of interconnected individuals and companies, which co-ordinated acts in Estonia and Latvia, and suggests that despite Lithuania's readiness to stand up the threat of this expansion, the fight is far from complete. So far, Lithuania's actions seem to have helped to prevent some of the companies and individuals associated with Russia from expansion into our country. But when the legal struggle moves to the European Union level, the outcome is hard to predict. Moreover, the people and companies of this network are already active in Lithuania, and they do not intend to give up. It can be concluded from the stories about the influence of Russia or its affiliated companies on the purchases of Lithuanian Railways and successes in them, that the "state within the state", which President D. Grybauskaitė spoke about when the Lithuanian Railways were managed by former management, is still not fully dismantled. And that "state within the state" seemed to be closer to the Putin regime than to Lithuania.
3. There is a strong likelihood that the Kremlin's weapon of former energy policy in the Baltic States, whose influence and potential is weakening, aims to influence the arms of a less strategically important area of transport, namely the railway sector.
4. The threat to national security in Lithuania is not only due to the geo-economic and geopolitical expansion of the Kremlin, but also to the inevitable factors associated with the Putin regime: the probability of corruption, money laundering, mafia criminal activity and direct impact on domestic political decisions is not only theoretical but also practical possibility, shown by the activities of the individuals and companies mentioned in the study.

5. The Lithuanian railway infrastructure, its use and control in the current geopolitical context must also be assessed from a military perspective.

6. Competition in the rail sector is desirable and welcome. It is necessary to look for ways to ensure this competition. However, it would be naive to expect companies that

are related to Russia and operate according to corrupt and competition-preventive business model, to create competition. The examples presented show that it can happen the other way around. Market opening for such companies can lead to efforts to reduce competition through various behind-the-scenes agreements, corruption and other actions.

Recommendations

► 1. It is necessary to prepare a strategy for the further reduction, and in the future – for full prevention, of Russia's influence in the railway sector in general and at the Lithuanian Railways Company separately.

► 2. Lithuania must continue opposing expansion of the network and possibly expansion of new affiliated companies in Russia to our national transport sphere as a strategic economic area in general and the railway sector separately.

► 3. Verification of potential investments in this area should not be limited to the verification of Russian capital. An in-depth examination of the Western companies involved with Russia, their comprehensive clarification of relations must become the norm rather than the exception.

► 4. There is a need to develop an action plan, based on our own experience, such as in this study, and all other possible ways

to convince the European Union's partners, especially neighbours, that attempts to protect against the Russian threat are not a restriction of competition or a policy directed against our partners, but common European interest. The same thing needs to be done in the structures of the European Union, as it is obvious that the Kremlin's expansion architects intend to move their struggle to Brussels, where they have plenty of lobbying forces and other leverage.

► 5. Strengthen the role of intelligence, in particular the Security Department, in preventing these threats.

► 6. It is necessary to educate Lithuanian society and politicians in these fields, because this fight is already in the field of informative Russian war against Lithuania. In the future, this war "due to the need for economic cooperation and competition" will only intensify, especially when it comes not to Russia but formally to European companies and their arrival in Lithuania

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