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THE US NEEDS TO STOP POURING ROCKET MONEY INTO PUTIN'S POCKETS

BY M. RON WAHID

The Delta IV engine is more expensive than the RD-180, but at least it doesn't enrich cronies of the Russian president.

With the Russian economy in a tail-spin, President Vladimir Putin has been reorganizing his government's structures to funnel more income to his confidantes and allies. Russia's space industry is now controlled by numerous members of Putin's inner circle, including several who were sanctioned by the U.S. for their roles in the invasion of Crimea. It's time for the U.S. to stop adding rocket revenue to their haul.

Last year, a new law gave control of the nation's entire space industry to the state-owned corporation Roscosmos. Among its largest customers is the U.S. government, which has spent more than a billion dollars over the last decade and a half to buy RD-180 rocket engines for military and NASA missions.

In 2014, a Reuters investigation raised concerns that money spent on

RD-180s was being funneled to sanctioned individuals, including defense czar Dmitry Rogozin, military oligarch Sergey Chemezov, and billionaire Yuri Kovalchuk. Since then, the new Russian ownership structure appears to have given these people even larger roles in entities that are getting U.S. government funds. In 2015, Putin appointed Chemezov to the board of directors for the United Rocket and Space Corporation, the state-managed umbrella company that owns Roscosmos, and named Rogozin the chairman of Roscosmos.

The financial industry has also been reconfigured to suit. One month after the new Roscosmos was formed, the government declared that one of the largest Russian banks, FundServisBank, had gone bankrupt and was being put under the care of another major Russian financial institution, Novikombank. That bank's biggest shareholder is Rostec, the state-owned, Chemezov-run organization that controls about two-thirds of Russia's defense industry. The twist is that FundServisBank insists it ne-

ver had any financial problems; the end result is that the bank now serves as the personal stash for Putin and friends' space loot.

As Sen. John McCain has pointed out, this means that sanctioned individuals are in positions of direct control over the manufacture and sale of these RD-180 rocket engines. Even if we ignore what's clearly a shell game put into place by Putin and his friends, the fact remains that Roscosmos is chaired by one sanctioned official and has another on its board. This is ample enough reason to block payment of U.S. taxpayer dollars, in accordance with U.S. law. Indeed, in many other cases involving Chemezov, companies with which he is affiliated have been sanctioned directly by the Treasury Department, a standard it is apparently unwilling to apply to Roscosmos or Energomash.

As of March 7, the U.S. Treasury Department has opted to not sanction Russian space companies helmed by sanctioned individuals. Instead, the Defense Department and Trea-

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sury are hiding behind the paper construct of threshold enforcement, which allows its contractor, United Launch Alliance (ULA), a joint venture of Boeing and Lockheed Martin, to continue purchasing from RD AMROSS — the U.S. front company for the Russian government — so long as these sanctioned individuals don't have more than 50 percent ownership and control of the shell company. (When asked by a federal judge whether there were in fact sanctions violations, the Treasury Department, State Department, and Commerce Department sent letters saying that they had not conducted an inves-

tigation to make an affirmative determination — though were they to investigate, they said, these payments could be a “potential basis” for sanctions violations.)

There are U.S. government officials on both sides of the argument on whether the United States needs more RD-180s. Air Force Secretary Deborah Lee James recently told Congress that the Air Force wants 18 more of the big engines, for which it will spend \$540 million in the next few years, on top of the existing contracts already in place. But James Clapper, the Director of National

Intelligence, said at a Senate Armed Services Committee hearing in February that there were multiple American rockets today that could meet the needs of the military and intelligence community.

For its part, ULA says it must have the engines or it will stop bidding on national security space launches, even though it has a reliable, all-U.S.-made alternative, the Delta IV, which just costs more. Add to this the fact that the DOD Inspector General just opened an investigation into comments made by a now-resigned executive at ULA suggesting that the

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Pentagon “had improperly tipped a competition for rocket launches in its favor,” and it is clear that more questions need to be asked.

But this much we know for sure: the 2009 Obama rapprochement (aka “reset”) — the American relationship with Russia — is dead. The Chairman of the Joint Chiefs, the Secretary of Defense, and many other senior military leaders have testified to the grave geopolitical challenge Russia poses. And the recent meddling in Syria and the annexation of Crimea clearly demonstrate we must stop aiding and abetting the flow of hard currency, much less U.S. taxpayer dollars, to Putin and his kleptocratic tributaries. The Kremlin has been profiting nicely from Russian rocket engine sales to the U.S. space program since 2004, and the U.S. government is declining to concede that under the new Russian reorganization U.S. tax dollars appear to be flowing directly into the accounts of sanctioned Russian officials.

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