

# What Would Peter the Great Think of Putin and His Grain Deal Exit?

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*Russia's President Vladimir Putin (R) walks with Commander-in-Chief of the Russian Navy, Admiral Nikolai Yevmenov (C) as he takes part in the main naval parade marking Russian Navy Day, in St. Petersburg on July 31, 2022. OLGA MALTSEVA/AFP via Getty Images*

When Russian President Vladimir Putin announced the cancellation of the Black Sea Grain Initiative on July 17, our first thought was of Peter the Great. Peter is one of Putin's heroes and also the founder of Russia's navy. What would Peter the Great think of Putin's latest adventure?

As oligarch researchers, our second thought was about the opportunities that Putin might generate for himself and Russia by exiting the grain deal. Putin is an oligarch, and oligarchs are opportunists. We have argued in previous writings that Putin's improvised invasion of Ukraine, which some observers see as evidence of Russian military incompetence, may also generate new opportunities for Putin to gain new wealth and power. We want to look beyond the obvious impact of the deal cancellation on Ukraine's ability to generate foreign exchange to other, more subtle opportunities the cancellation might provide.

The first and most obvious opportunity for Putin is financial. Grain futures prices increased by over 11% since July 17 before falling back somewhat, due to the disrupted and potentially reduced supply from Ukraine. Since the deal cancellation, Russia has also attacked grain storage facilities in Ukraine,

further contributing to price increases. Putin is likely to have been one of the few people to know about his intention to exit the deal. So going long on grain would be an easy way to generate a lot of financial gains quickly, particularly if this speculation used wheat futures and options. Those gains could be for Putin's personal benefit, for the benefit of the Russian state or both. And they don't depend on Russia's own ability to export grain, which now may have been impacted in the Black Sea by Ukraine in retaliation.

Second, the deal's cancellation amounts to a reset of Russia's relationship with Turkey. After all, Turkish President Recep Tayyip Erdoğan was the key interlocutor in brokering the grain deal last year and an important Putin ally in the emerging anti-West international order. But as Putin has floundered in his war effort, Erdoğan has gained the upper hand in their relationship. Putin's unilateral grain deal cancellation is his reminder to Turkey that he still has some moves to play. Erdoğan has already indicated his interest in responding to Putin's latest action and restoring the deal.

Third, Putin's offer to send free wheat to poor countries in the wake of the deal cancellation enhances Russia's diplomatic standing with the Global South. That standing was damaged recently by Putin's decision not to travel to South Africa for the BRICS summit over concerns that he may be arrested by that International Criminal Court member. And African states have already expressed concerns about how the deal's cancellation might impact their food security. This offer may also dilute negative reactions in some African countries to Yevgeny Prigozhin's announced intention to return to the continent — after the leader of the mercenary Wagner Group openly criticized the Russian military's war efforts and launched a short-lived rebellion before accepting exile in Belarus.

Fourth, the deal's cancellation is likely to be popular with the average Russian. While we don't have reliable polling data on Putin's popularity since the grain deal cancellation, these kind of moves are generally seen by the Russian populace as further evidence of Putin's cleverness in the face of adversity. Putin will likely ensure that local grain prices remain stable to manage any downside political risk. Of course, the deal cancellation also takes popular attention off of the recent Prigozhin affair.

Fifth, following the cancellation, Putin has now mounted an intensification of his ongoing naval blockade of Ukraine. With threats to attack any commercial ships approaching its adversary, Russia has made a new military move, one with which it has had mixed success historically. However, following the embarrassment of Prigozhin's attempted military insurrection, Putin is keen to demonstrate that Russia can still do interesting things with its military forces.

It remains possible that Putin will rejoin the grain deal. However, in our view, that would require a set of new opportunities to arise for him. Opportunities for him to generate new power and wealth. At the moment, we don't see any evidence of those openings. To the contrary. To rejoin the deal now would demonstrate weakness by Putin. That is not how he works.

More broadly, what does the grain deal cancellation tell us about where Putin is strategically these days? Is this the move of a desperate man grasping at straws, or a bold gambit to reshuffle the deck yet again? In our view, Putin is simply deploying yet another instrument of war as he searches for new opportunities. Contrary to some other observers, we don't see Putin as a desperate man or the grain deal cancellation as a desperate move.

And what about Peter the Great? What might he think about his acolyte's latest move? Peter was a czar who liked to keep his enemies guessing, too, as he did through the 1709 defeat of Sweden in the Battle of Poltava. Peter also saw Russia's navy as central to Russian strength, saying, "A ruler that

has but an army has one hand, but he who has a navy has both.” Since the sinking last year of Moskva, the Russian Black Sea Fleet flagship, restoring at least the perception of Russian naval strength has likely been very much on Putin’s mind.

We think Peter the Great would have been pleased by Putin’s latest venture.

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