



# Gorshenin *Weekly*

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## 1. TOP STORIES

### **Shooting escalates in east Ukraine - foreign minister**

Ukrainian president says Donbas facing environmental catastrophe

Read more in *ARMED CONFLICT IN EAST UKRAINE*

### **Tatars announce sea blockade of Crimea**

Earlier they blocked the delivery of goods, food and electricity to Crimea from mainland Ukraine.

Read more in *CRIMEAN ISSUE*

### **Finance Ministry reveals 2016 budget draft**

State budget deficit capped at 3.5bn dollars

Read more in *ECONOMIC*

## 2. ARMED CONFLICT IN EAST UKRAINE

### **Foreign minister warns NATO counterparts about escalation in Donbas**

The frequency of shooting attacks against Ukrainian positions by pro-Russian militants has increased and the humanitarian situation has deteriorated, Ukrainian Foreign Minister **Pavlo Klimkin** said at the Ukraine-NATO foreign ministers' commission meeting on 2 December 2015.

He said that his counterparts were concerned about the actions of Russian mercenaries, in particular when they prevented the OSCE special mission from monitoring and verifying the withdrawal of arms.

Addressing the UN Climate Change conference in Paris on 30 November, Ukrainian President **Petro Poroshenko** said that because of the hybrid war waged by Russia in Donbas the region is facing an environmental catastrophe.

### **Ukrainian president says up to 9,000 Russian troops deployed in Donbas**

There are from 7,000 to 9,000 Russian servicemen in east Ukraine, Ukrainian President **Petro Poroshenko** has said in an interview with the French daily *Le Figaro*.

For Ukraine to restore peace and stability, Russia must withdraw its troops and weapons, he added.

### **NATO says Russia unlikely to meet Minsk agreements by year-end**

Supreme Allied Commander Europe of NATO Allied Command Operations **Philip Breedlove** has said there was little chance that Russia would meet a year-end deadline for the Minsk agreements.

He said that Russia was still in control of what was happening on the line of contact and continued to support the separatists in east Ukraine.

The deadline for implementing the peace deal agreed in Minsk in February expires on 31 December 2015.

### **Bellingcat publishes evidence of Russian involvement in Mariupol offensive**

Bellingcat, a UK portal for investigative journalists, has published its own investigation into the claims of Russian involvement in the attacks against the Ukrainian security forces in the Mariupol direction in August 2015.

Its journalists analysed open-source evidence from social media and satellite imagery which showed that artillery attacks and armoured vehicles sighted in the Novoazovsk area in July-August 2014 came from Russia.

Earlier, Bellingcat investigated the cases when Russian servicemen crossed the Ukrainian border, especially in the summer 2014, and published final own report on the Malaysian Airlines MH17 Boeing crash in Ukraine.

### **3. CRIMEAN ISSUE**

#### **Ukraine partially restores power supply to Crimea**

As of 8 December, Ukraine partially restored electricity supplies to Russia-annexed Crimea via one of four power lines.

Earlier, the energy supply company Ukrenerho reported on the completion of repairs at Kakhovka-Tytan, one of the four damaged power lines.

**Refat Chubarov**, leader of the Crimean Tatar self-styled government Majlis, has said that the activists of the Crimea blockade decided to allow power supply via the 220 kW Kakhovka-Tytan line to be partially restored.

#### **Putin launches first stage of Russia-Crimea power link**

Russian President **Vladimir Putin** arrived in annexed Crimea on 2 December 2015 to solemnly launch the first stage of a 230 MW power bridge from Russia's Kuban to Crimea.

Due to a failure on 6 December, the flow of power along the bridge dropped to 45 MW.

The Ukrainian Foreign Ministry protested against yet another unsanctioned visit to Crimea by the Russian president.

#### **Tatars announce sea blockade of Crimea**

Activists have already launched a sea blockade of Crimea, in particular in the Kerch Strait, **Lenur Islyamov**, coordinator of the civic blockade of Crimea, said in an interview with Radio Svoboda on 4 December 2015.

**Blockade organizer's property in Crimea reported arrested**

The so-called prosecutor of Crimea annexed by Russia, **Nataliya Poklonskaya**, has said that a court has arrested the property of one of the organizers of the Crimea blockade, the autonomy's former deputy prime minister and ATR TV owner, **Lenur Islyamov**.

On 2 November, the Russian Federal Security Service (FSB) opened a criminal case against Islyamov, and the office of the SimCityTrans company associated with him was searched. The Bank of Russia also suspended the license of his Just Bank.

**Ukrainian cabinet dismisses official for Crimean affairs**

The Cabinet of Ministers has dismissed **Omer Kyrymly**, chairman of the State Service for Crimean Affairs.

**4. INTERNATIONAL POLITICAL****UKRAINE-RUSSIA****Russia tightens entry rules for Ukrainians**

Starting from 1 December 2015, Russia will deny entry to Ukrainians who violated the terms of stay, limited to 90 days during a 180-day period, without proper permits.

**Ukraine to slap Russian cars with import duty**

The interdepartmental commission on international trade has said in a statement that Ukraine is introducing a countervailing duty of 10.41 percent to 17.66 percent on Russian-made cars as of 3 January 2016.

**Jailed Ukrainian pilot disqualifies all judges in Russian court**

On 2 December 2015, Ukrainian pilot and MP **Nadiya Savchenko** disqualified the judges and prosecutors during a trial in the Donetsk city court of Russia's Rostov Region.

However, the judges dismissed the appeal as one that is «not based on law».

**Director of Ukrainian library in Moscow to remain under house arrest**

On 3 December 2015, the Moscow city court rejected the appeal by the lawyer of **Natalya Sharina**, director of the local Ukrainian library, against her house arrest until late December.

She was detained and later put under house arrest within the framework of a criminal case on the distribution of extremist literature after the Ukrainian library in Moscow was searched on 28 October.

Her lawyer asked the court to release Sharina on her own recognizance not to abscond.

#### **UKRAINE-EU**

##### **Ukrainian president meets European leaders at UN Climate Change summit**

Ukrainian President **Petro Poroshenko** met German Chancellor **Angela Merkel** and European Commission President **Jean-Claude Juncker** during the UN Climate Change summit in Paris on 30 November 2015.

They discussed reforms in Ukraine, EU visa-free regulations, energy security and the implementation of the Minsk agreements.

On 1 December, Ukrainian Foreign Minister **Pavlo Klimkin** and High Representative of the EU for Foreign Affairs and Security Policy **Federica Mogherini** discussed the recent developments in Donbas. The sides confirmed that the Ukraine-EU free trade regulations would enter into force on 1 January 2016 as scheduled.

##### **Iceland, Denmark soften visa requirements for Ukrainians - foreign minister**

On 1 December 2015, Iceland simplified the Schengen visa application procedure for Ukrainians, Foreign Minister **Pavlo Klimkin** has said.

Denmark is also expected to follow suit as of 1 January 2015.

##### **European Commission to give Ukraine 100m euros for decentralization reform**

On 2 December 2015, the European Commission decided to allocate 100m euros in financial assistance to Ukraine's decentralization reform, Deputy Head of the EU Delegation to Ukraine **Thomas Frellesen** has said.

#### **5. DOMESTIC POLITICAL**

##### **Election body reveals results of Mariupol, Krasnoarmiysk polls**

Self-nominated candidate **Vadym Boychenko** has won the mayoral election in Mariupol (Donetsk Region) with 72.9 percent of the votes, according to the Central Electoral Commission. Boychenko is a top manager at Mariupol Illich Steel Mill, which belongs to Ukrainian tycoon **Rinat Akhmetov**.

Three parties will be represented in the Mariupol city council: Opposition Bloc (83.3 percent), Power of People (9.3 percent) and Our Land (7.4 percent).

Meanwhile, self-nominated candidate **Ruslan Trebushkin** with 83.5 percent has become the mayor of Krasnoarmiysk (Donetsk Region). Trebushkin is the former mayor of Dymytrov (Donetsk Region) and a former member of the Party of Regions.

Seats in the Krasnoarmiysk city council will be distributed among representatives of the following parties: Revival (58.64 percent), Opposition Bloc (13.43 percent) and Youth Party (8.75 percent).

It should be recalled that the local elections in Mariupol and Krasnoarmiysk were held on 29 November. The voting in these cities failed to take place on 25 October, when local elections were held across the country, as there were problems with ballot papers.

### **Top prosecutor appoints head of specialized anticorruption unit**

Prosecutor-General **Viktor Shokin** on 30 November appointed the first deputy prosecutor of Crimea, **Nazar Kholodnytskyy**, as deputy prosecutor-general and head of the Specialized Anticorruption Prosecutor's Office.

**Maksym Hryshchuk**, a prosecutor from Lviv and a participant of the security operation in Donbass (from among the so-called "cyborgs" involved in the defence of Donetsk airport), was appointed as Kholodnytskyy's deputy.

### **Saakashvili accuses premier of corruption**

Odessa Region governor **Mikheil Saakashvili** has accused the Cabinet of Ministers headed by **Arseniy Yatsenyuk**, as well as the country's top businessmen, of large-scale corruption.

Among major Ukrainian corruptionists he named tycoons **Rinat Akhmetov**, **Ihor Kolomoyskyy** and **Dmytro Firtash**, MPs of the People's Front **Mykola Martynenko** and **Andriy Ivanchuk**.

He estimated that some 5bn dollars is moved out from Ukraine through corruption schemes each year, while state-owned enterprises lose 120bn hryvnias (5bn dollars) as missed profits and earnings.

According to experts, Saakashvili, who is a close ally of Ukrainian President **Petro Poroshenko**, in his statements mentions members of the prime minister's team and says nothing about corrupt activities committed by the president's entourage.

### **Premier's embattled ally says steps down as MP**

MP **Mykola Martynenko** of the People's Front faction has said that he submitted his resignation as a member of parliament in the wake of a corruption scandal surrounding his name.

At the same time, he said that he was conducting his own investigation and would identify and name those who ordered the smear campaign against him.

### **Ukrainian tycoon tells about deals with president**

Ukrainian oligarch **Ihor Kolomoyskyy** has said in an interview with the LB.ua news and analysis website that he had a verbal agreement with Ukrainian



President **Petro Poroshenko** ahead of his resignation from the post of Dnipropetrovsk Region governor.

According to Kolomoyskyy, the agreement reached between the president and Prime Minister **Arseniy Yatsenyuk**, on the one hand, and him and his business partner **Hennadiy Boholyubov** on the other hand consists of two parts. «There are things concerning business, politics or information, but there are also provisions concerning personal issues. I was interested in the protection of people whom I hired and for whom I was a moral authority,» the businessman said.

He also said that among the agreement guarantors were the head of the Presidential Administration, **Borys Lozhkin**, the secretary of the National Security and Defence Council, **Oleksandr Turchynov**, and Interior Minister **Arsen Avakov**.

He noted that the agreement with the president was verbal, although it was written on paper without signatures.

### **Firtash postpones his return to Ukraine**

Ukrainian tycoon **Dmytro Firtash** has said that he has decided to postpone his return to Ukraine which was scheduled for early December.

It should be recalled that on 29 November Interior Minister **Arsen Avakov** said that the National Police would arrest the businessman as soon as he arrived in Ukraine as there was a warrant from the US Department of Justice.

At the same time, it is known that there are no criminal proceedings in Ukraine in which Firtash would be held as a suspect, but there is a case against his company Ostchem, under which he was summoned for questioning as a witness.

### **Supreme Administrative Court head tenders resignation**

The chairman of the Supreme Administrative Court, **Oleksandr Nechytaylo**, on 3 December filed a letter of voluntary resignation from the post of judge.

### **Interpol refuses to put former top prosecutor on wanted list**

Interpol has refused to put former Ukrainian Prosecutor-General **Viktor Pshonka** on the wanted list for economic crimes, arguing that Ukraine presented unconvincing evidence, according to the head of the special investigations department of the Prosecutor-General's Office of Ukraine, **Serhiy Horbatyuk**.

## **6. ECONOMY**

### **Finance Ministry reveals 2016 budget draft**

The Finance Ministry on 30 November published the draft 2016 budget.

According to the document, the budget revenues are expected in the amount of 598.2bn hryvnyas (24.8bn dollars) and the expenditures at 674bn hryvnyas (28bn dollars). The maximum budget deficit is set at 83.7bn hryvnyas (3.5bn dollars), a 10.2-percent increase compared to the state budget of 2015.

Spending on defence and security is planned at 100bn hryvnyas (4.1bn dollars) or 4.4 percent of GDP.

As far as social security is concerned, the 2016 budget draft projects an increase in the subsistence minimum from 1,330 hryvnyas (55.2 dollars) per month to 1,399 hryvnyas (58 dollars) from 1 May 2016 and to 1,496 hryvnyas (61 dollars) from 1 December 2016.

At the same time, it is planned to increase the minimum wage from 1,378 hryvnyas (57.2 dollars) per month to 1,450 hryvnyas (60.2 dollars) from 1 May and to 1,550 hryvnyas (64.3 dollars) from 1 December.

The 2016 budget is based on the exchange rate of 24.1 UAH/USD.

It should be noted that the Finance Ministry presented only the text part of the draft budget, without attachments which detail revenues and expenses.

### **Balance of payments surplus reaches 229m dollars over 10 months**

The National Bank of Ukraine has reported that the surplus of Ukraine's consolidated balance of payments for the first 10 months of 2015 decreased by 119m dollars compared with the previous month and reached 229m dollars.

### **Single treasury account balance grows to 2bn dollars**

The State Treasury Service has reported that the balance of the single treasury account in November increased by 9.9 percent or by 4.3bn hryvnyas (180.8m dollars) to reach 47.9bn hryvnyas (2bn dollars) as of 1 December.

### **National Bank extends currency restrictions for three months**

The National Bank of Ukraine on 4 December extended for three months the key foreign exchange restrictions, including the requirements to sell 75 percent of foreign currency earnings by legal entities and to perform settlements on export and import transactions within a 90-day period.

### **Japan to provide 300m-dollar macro-financial loan to Ukraine**

The Ukrainian government and the Japan International Cooperation Agency have signed a loan agreement on extending a macro-financial loan of up to 36.97bn yens (299.3m dollars) to Ukraine. The loan is allocated for 20 years with a grace period of six years and an interest rate of below 1 percent.

It should be recalled that Japan gave Ukraine the Economic Reform Development Policy Loan of 100m dollars in August 2014.

**EIB to allocate 10m dollars for displaced persons in Kharkiv Region**

The deputy governor of Kharkiv Region, **Yuliya Svitlychna**, has said that the European Investment Bank will allocate 242m hryvnyas (10.2m dollars) to the region to provide decent living conditions for displaced persons from Donbass.

The financing project should be launched before the end of the year.

**Earnings from exports of ferrous metals drop by 38 percent**

The State Fiscal Service has reported that Ukrainian metallurgical companies in January-November 2015 reduced currency earnings from exports of ferrous metals by 38 percent compared to the same period of the last year, to 7.5bn dollars.

At the same time, the share of ferrous metals in the total revenues from exports of goods fell to 21.7 percent against 24.1 percent recorded in the first 11 months of the last year.

Imports of ferrous metals over 11 months of 2015 decreased by 46.8 percent to 643.4m dollars.

**Railway sector shows 48m-dollar loss in nine months**

The Infrastructure Ministry of Ukraine has reported that the loss of the country's railway industry amounted to 1.03bn hryvnyas (48.4m dollars) in January-September 2015 as compared to the loss of 353.6m hryvnyas (16.6m dollars) recorded over the same period of the previous year.

**7. ENERGY****Gas talks with Russia to be held in December – official**

The negotiations with Russia concerning the price of natural gas for the first quarter of 2016 will be held in December 2015, the board chairman of the state-run energy company Naftohaz Ukrayiny, **Andriy Kobolyev**, has said.

Earlier, Ukrainian Energy Minister **Volodymyr Demchyshyn** forecasted that the price of Russian gas in the first quarter of 2016 will be 210 dollars per 1,000 cu.m. At the same time, the price of European gas for entire 2016, according to him, can drop to 175 dollars per 1,000 cu.m.

**Ukraine imports 16.2bn cu.m. of gas over 11 months**

The state-run Ukrtransgaz company has reported that Ukraine imported 16.2bn cu.m. of natural gas in January-November 2015.

Most of the gas came from Europe - 10.0bn cu.m. or 62 percent of total gas imports.

Over the same period of the last year, gas imports to Ukraine totalled 17.9bn cu.m., of which only 15 percent came from Europe.

**Naftohaz says Ukraine will receive gas from Romania**

Next year, Ukraine will start importing natural gas from Romania, according to the board chairman of the state-run energy company Naftohaz Ukrayiny, **Andriy Kobolyev**.

According to the official, Ukraine may import up to 1bn cu.m. of gas per year from Romania.

**Gas reserves in underground storage facilities recorded at 15.8bn cu.m.**

The Association of European Gas Storage Operators has reported that as of 5 December there were 15.8bn cu.m. of natural gas in the Ukrainian underground storage facilities. In such a way, Ukraine's storage facilities are filled by 51.05 percent.

**Government approves new charter of Naftohaz Ukrayiny**

The Cabinet of Ministers of Ukraine has approved a new charter of the state-run energy company Naftohaz Ukrayiny which envisions a supervisory board consisting of five members, including three independent members, one representing the government and the other delegated by the president.

In addition, by the decision of the government, the company's shares should be transferred from the Energy Ministry to the Economy Ministry .

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