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TOP NEWS

Anti-terror operation under way in Ukraine's east

Pro-Russian insurgents have shot down two Ukrainian helicopters in the eastern Ukrainian city of Slovyansk and hit another one. There are victims.

You can find more details in the section "SEPARATIST PROVOCATIONS IN UKRAINE'S SOUTH-EAST".

Forty-six people die during large-scale clashes in Ukraine's Odessa

The Security Service of Ukraine (SBU) has said that the provocations in Odessa were coordinated by Russia and funded by former Ukrainian First Deputy Prime Minister **Serhiy Arbuzov** and the former Ukrainian minister of revenues and levies, **Oleksandr Klymenko**.

You can find more details in the section "SEPARATIST PROVOCATIONS IN UKRAINE'S SOUTH-EAST".

IMF approves 17bn-dollar loan package for Ukraine

In May, Ukraine will receive up to 5bn dollars of loans from the IMF, the USA, and the EU.

You can find more details in the section "ECONOMIC".

SEPARATIST PROVOCATIONS IN UKRAINE'S SOUTH-EAST

Anti-terror operation under way in Ukraine's Donetsk Region

In the early hours of 2 May, an active stage of an antiterrorist operation was launched in Donetsk Region's cities of Slovyansk and Kramatorsk.

On the same day, 2 May, the commander of the Ukrainian National Guards, **Stepan Poltorak**, said that the fighters of a unit in Slovyansk had practically cleared off the city from pro-Russian insurgents.

On 3 May, the deputy head of the Ukrainian Security Service (SBU) and the head of its Counterterrorism Center, **Vasyl Krutov**, stated that the SBU had neutralized a number of sniper units in Slovyansk's public buildings.

According to information at the disposal of law enforcers, as of 3 May, five people died and 12 were injured during the operation. No civilians were hurt in the process.

Andriy Parubiy, secretary of the National Security and Defense Council, has said that over 30 militants have been neutralized during a special operation in Slovyansk and Kramatorsk.

As previously reported, insurgents have been seizing administrative buildings and mass media offices, setting up roadblocks, and kidnapping people in Donetsk Region.

Over the past week the so-called people's militia have in particular seized the buildings of the Luhansk regional and city administrations, Donetsk and Luhansk regional prosecutor's offices, and the city council in Amvrosiyivka, Donetsk Region.

On 3 May, the headquarters of the so-called "army of the south-east" and Luhansk Region's "people's governor" **Valeriy Bolotov** declared war against Kiev.

Acting Ukrainian president and speaker **Oleksandr Turchynov** has said that the antiterrorist operation in eastern Ukraine will continue until the authorities reach the set goals.

Pro-Russian separatists shoot down two Ukrainian helicopters in eastern city

On 2 May, pro-Russian separatists shot down two Mi-24 helicopters of the Ukrainian Armed Forces, which were carrying out air patrol, near the eastern Ukrainian city of Slovyansk.

Additionally, another Mi-8 helicopter of the military aviation of the Armed Forces, which arrived to provide assistance to the wounded pilots, was damaged with shots fired from small arms.

The Security Service of Ukraine stated that the use of the portable air defence missile system which had shot down the helicopter showed that "highly qualified foreign military experts, rather than local civilians, who, according to the Russian leadership, have weapons purchased in hunting stores" were working in Slovyansk.

Ukrainian Interior Minister **Arsen Avakov** said that operatives of the Russian Main Intelligence Directorate were behind gunning down the Ukrainian helicopters.

The Ukrainian Foreign Ministry reported about the detention of four suspects in the case.

As previously reported, Russia insists that only "peaceful citizens" represent the ranks of armed separatists.

Russian president's representative pays unofficial visit to southeastern Ukraine

Following Russian President **Vladimir Putin's** order, a special representative of the Russian state, **Vladimir Lukin**, has been sent to Ukraine's south-east in order to conduct negotiations on the release of detained foreign military observers of the Organization for Security and Cooperation in Europe.

On 2 May, he was flown to Donetsk by a chartered aircraft. The Ukrainian Foreign Ministry was not notified about his visit.

The same day, the Russian president's press secretary, **Dmitriy Peskov**, said that the connection with Lukin had reportedly been lost after the launch of a Ukrainian anti-terror operation in Donetsk Region. Additionally, the Russian Foreign Ministry stated that Lukin's mission "is already facing danger" and demanded that the Ukrainian authorities "adopt exhaustive measures to ensure the security of the Russian representative".

For its part, Ukrainian Foreign Minister **Andriy Deshchytsya** said that he had spoken on the phone with the representative of the Russian president and offered him assistance with the mission. He added that Lukin referred to his visit to Donetsk as "a mission of a private individual".

Furthermore, the Russian politician stayed in the residence of Ukrainian tycoon **Rinat Akhmetov**, the Ukrainian weekly Zerkalo Nedeli has reported. The newspaper also pointed out that as Akhmetov's guest, he had gone to a football game between Shakhtar and Ilyichivets teams, which had taken place at the Donbas-Arena stadium on 2 May.

We shall remind you that at the end of February, Lukin served as Putin's representative at the negotiations that were held between the Ukrainian president at the time, **Viktor Yanukovych**, and activists of the pro-EU and anti-government protests, so-called Maydan. The Russian diplomat was the only representative of the participating parties who refused to sign an agreement between Yanukovych and the opposition. Moscow is now accusing the current Ukrainian authorities of not complying with its terms.

Russian president's representative says Ukrainian separatists free foreign military observers

Pro-Russian insurgents in Ukraine's east have released all the military observers of the Organization for Cooperation and Security in Europe (OSCE), President **Vladimir Putin's** representative **Vladimir Lukin** said in the eastern Ukrainian city of Slovyansk on 3 May.

Ukrainian Foreign Minister **Andriy Deshchytsya** confirmed this report, pointing out that it served as additional evidence that the insurgents in Slovyansk obeyed only Russia.

We would like to point out that on 2 May the Security Service of Ukraine obtained evidence that the Russian side had coordinated and exerted direct influence on the situation with the detention of the members of the OSCE military mission. In particular, it published a conversation between Lukin and the leader of the armed insurgents, **Ihor Hirkin**, also known as Strelok, or Shooter.

Additionally, the separatists in Slovyansk released a few kidnapped foreign journalists. At the same time, they continue to keep in captivity three officers of the Security Service of Ukraine.

Meanwhile, they continue to hold captive a number of Ukrainian journalists, public activists and three detained employees of the Security Service of Ukraine (SBU).

Ukraine denies Russia's report on participation of "English-speaking" mercenaries, far-right group in antiterrorist operation

The Russian Foreign Ministry has express concern over reports that English-speaking foreigners and civil groups, such as Ukraine's far-right organization Right Sector, were participating in an anti-terror operation in the east of Ukraine.

The Ukrainian Foreign Ministry denied these reports.

Ukraine not to ask UN to send peacekeepers

Ukraine does not intend to request that the UN send its peacekeepers to the east of the country, Ukrainian Foreign Minister **Andriy Deshchyt'sya** has been quoted by the Interfax-Ukraine news agency as saying.

The minister added that UN peacekeepers might be sent only after the ongoing military conflict was settled, but not while it was still under way.

The diplomat stressed that it was up to Ukraine to bring order to the country's eastern regions.

Over 40 people die in clashes in Ukraine's port city

On 2 May, pro-Russian separatists armed with firearms clashed with participants in the rally For United Ukraine and football fans. As a result, a few people were killed, including a member of the Odessa regional council, **Vyacheslav Markin**.

In the evening of 2 May, the clashes moved from Odessa's central streets to the Trade Union house, which was occupied by pro-Russian activists whose tent camp had been demolished by pro-Ukrainian activists. Pro-Russian activists shot and hurled stones at their opponents.

A fire broke out in the building, killing 46 people and injuring nearly 200, 22 among whom were policemen.

The police detained over 130 individuals who are suspected of participating in the mass disturbances in Odessa. However later, 67 detainees were released on the demand of around 1,000 pro-Russian activists.

Ukrainian First Deputy Prime Minister **Vitaliy Yarema** said that there were foreign nationals among those who had participated in the mass disturbances and those who had died in Odessa.

Ukrainian security service says ex-politicians coordinated, funded 2 May clashes in Odessa

The clashes in Odessa on 2 May, which resulted in the death of dozens of people, involved illegal military formations from Moldova's breakaway Dniester region and were coordinated by sabotage groups from Russia, a representative of the Ukrainian Security Service's press center, **Kateryna Kosaryova**, said on 3 May.

She added that the developments in Odessa had been funded by the former Ukrainian deputy prime minister, **Serhiy Arbuzov**, and the former Ukrainian minister of revenues and levies, **Oleksandr Klymenko**, who belong to the entourage of ousted Ukrainian President **Viktor Yanukovich**.

According to information at the SBU's disposal, the clashes in Odessa were intended to undermine stability in the south of Ukraine and to start a large-scale campaign to destabilize the situation in the rest of the southern Ukrainian regions.

The head of the Centre for Military and Political Research, **Dmytro Tymchuk**, believes that the Odessa clashes were the result of an operation conducted and coordinated by

Russia. Its objective was to draw units of the Ukrainian army from Donbas to the south of Ukraine.

We would like to point out that the Russian Foreign Ministry said that the tragic events in Odessa were another example of "the criminal irresponsibility of the Kiev authorities, who are indulging the insolent national radicals, including [Ukraine's far-right party] Right Sector".

Ukrainian volunteers to set up military battalion in Odessa Region

The Ukrainian Interior Ministry's main directorate in Odessa Region is setting up a special-purpose battalion of police patrol services called Shturm (Assault), the Interior Ministry reported on 3 May.

According to Ukrainian media reports, police did not intervene in the conflict, but, what is more, assisted the terrorists.

We would like to point out that Odessa Region's governor **Volodymyr Nemyrovskyy** accused the law-enforcement agencies of criminal inaction, which had resulted in the deaths of people.

Ukrainian Interior Minister **Arsen Avakov** said that the head of the Interior Ministry's directorate in Odessa Region, **Petro Lutsyuk**, had been dismissed. A criminal case was launched against him.

New police chiefs appointed in Odessa, Luhansk Region

The entire leadership of the Interior Ministry's Odessa directorate has been suspended for the period of investigation into their performance, Interior Minister **Arsen Avakov** has said.

A new police chief in Odessa was appointed on 4 May 2014. This is a former head of the Interior Ministry's directorate in Chernihiv Region, police Maj-Gen **Ivan Katerynychuk**.

Earlier, on 1 May, police Lt-Gen **Anatoliy Naumenko** has been appointed as police chief of Luhansk Region.

His predecessor **Volodymyr Huslavskyy** tendered his resignation under separatists' pressure.

Ukrainian police detain separatist leader suspected of preparing explosion in eastern city on 9 May

The Security Service of Ukraine (SBU) has exposed and thwarted an extremist group in the eastern Ukrainian city of Kharkiv, which prior to the escalation of the regional situation had been preparing sabotage activities during May holidays, the SBU press service reported on 1 May.

According to information at the SBU's disposal, the participants in the group planned to organize explosions during public events on the occasion of Victory Day on 9 May.

The SBU also reported about the foiling of the criminal activities of a group of people who had been trying to organize acts of provocation in Odessa and Mykolayiv.

INTERNATIONAL POLITICAL

Russia beefs up military presence in Crimea

Russia has deployed additional military and transport aircraft and personnel in Crimea, the head of the Centre for Military and Political Studies, **Dmytro Tymchuk**, said on 5 May 2014.

Earlier, on 28 April, Russian Defense Minister **Sergey Shoygu** said that Russia had stopped military exercises on the Ukrainian border.

Reuters quoted an official representative of NATO as saying that there were no signs of Russian troops withdrawing from the Ukrainian border observed.

Mere 15 percent of Crimeans said to have voted for inclusion into Russia

Crimea has not voted for inclusion into Russia in fact. A statement to this effect was briefly published on the website of the council for the development of civil society and human rights under the Russian president, and then removed, the Ukrainian TV news studio TSN has said.

According to the council, not more than 30 per cent of Crimeans cast votes in the March referendum on the status of Crimea. Mere 15 percent of Crimeans said to have voted for inclusion into Russia, experts noted.

The Kremlin earlier said that the annexation was favoured by nearly 97 percent of Crimeans.

Russian Defence Ministry says troops withdrawn from Ukrainian border

On 28 April 2014, Russian Defence Minister **Sergey Shoygu** told US Defence Secretary **Chuck Hagel** that Russia had stopped its military exercises near the Ukrainian border.

On 29 April, Reuters quoted an official representative of NATO as saying that no signs of Russian soldiers withdrawing from the Ukrainian border were observed.

On 24 April, Shoygu said that Russia had started battalion tactical group exercises on the southeastern border of Ukraine.

Ukraine closes checkpoints on border with Crimea

On 1 May, the Ukrainian government decided to temporarily close down 27 checkpoints on the state border with the Autonomous Republic of Crimea.

The cabinet attributed its decision to the escalation of the situation on the peninsula and by "an invasion of Ukrainian territory by armed units, individuals inclined to extremism, and military aggression of the Russian Federation".

Ukraine assesses damage from Russian occupation of Crimea at 86bn dollars

Ukraine has assessed the damage caused by the occupation of Crimea, not including missed profits, at 950bn hryvnyas (86.36bn dollars), Ukrainian Justice Minister **Pavlo Petrenko** has said.

He said that due to the adoption and entry into force of the law on occupied territories, Ukraine receive additional tools to protect its interests in a dispute with the occupying forces, in particular by bringing foreign nationals, including high-ranking officials, to account for war crimes and crimes against the integrity of Ukraine.

Former Majlis head denied entry to Crimea

The former head of the Crimean Tatar self-styled government Majlis and Fatherland MP, **Mustafa Dzhemilyev**, was denied clearance at passport control in Moscow on 2 May 2014 when he was about to fly to Simferopol. He said he was banned from entering Crimea.

On 3 May, he attempted to enter the peninsula by car, however was denied entry again by the Crimean authorities.

Around 5,000 Crimean Tatars blocked the border between the peninsula and mainland Ukraine protesting against the ban on Dzhemilyev's entry.

Crimean prosecutor threatens to ban Crimean Tatar Majlis

Crimean prosecutor **Natalya Poklonskaya** (Poklonska) has described the blockade of the border by Crimean Tatars as "unlawful public activities of extremist nature". According to Poklonskaya, the Crimean prosecutor's office has sent two motions to the Russian Investigations Committee and the Federal Security Service (FSB) "on the opening of a criminal prosecution against the guilty persons".

Poklonskaya issued a warning to the head of the Crimean Tatar self-styled government Majlis, **Refat Chubarov**, saying "the extremist activities are unacceptable" on the Crimean territory and threatening to ban the Majlis.

Russian Aeroflot cancels flights to Donetsk, Kharkiv

On 2 May 2014, Russia's Aeroflot announced that it had cancelled all flights from Moscow to Kharkiv and Donetsk until 5 May citing the absence of permit to enter Ukraine's airspace.

The company also said that it would use the opportunity to redirect earlier booked aircraft and increase the frequency of flights to Simferopol.

However, the head of the State Aviation Service of Ukraine said that no restrictions on flights above Ukraine had been put into place, except for a certain route between Donetsk and the Russian Federation.

Russian Sberbank says inspection of Ukrainian office reveals no fault

An unscheduled inspection of Russian Sberbank's subsidiary bank has not revealed any violations of the Ukrainian legislation, the press service of the Russian bank has said.

The bank had been suspected of financing terrorist groups in eastern Ukraine.

Russian diplomat expelled from Ukraine for spying

On 30 April 2014, the Foreign Ministry said that it had declared the naval attache of the Russian embassy in Ukraine persona non grata. The Russian diplomat was detained as a result of a counterintelligence operation at the site of intelligence activities.

On 1 May, the Security Service of Ukraine (SBU) said that he was expelled because he had been trying to collect information about Ukraine's cooperation with NATO, the Interfax-Ukraine news agency said.

The SBU said that the Russian naval attache, a career employee of the Main Intelligence Directorate of the Russian Armed Forces' General Staff, recruited a colonel of the Ukrainian Armed Forces who had direct access to files on Ukraine's military and political cooperation with NATO countries.

State broadcasting committee seeks to terminate information agreement with Russia

The State Committee for TV and Radio Broadcasting of Ukraine has suggested that the information agreement with the Russian Federation be terminated, its press service has said.

"Due to the systemic and blatant violations of agreements between the [Ukrainian] cabinet and the Russian government by Russia, the State Committee for TV and Radio Broadcasting has suggested to the Ukrainian government that the agreement on information cooperation between Ukraine and Russia be terminated," it said in a statement.

Court bans Russian Unity party in Ukraine

On 30 April 2014, the Kiev district administrative court banned the all-Ukrainian party Russian Unity in Ukraine, RBK-Ukraine has said.

The leader of the party is self-proclaimed Crimean prime minister Sergey Aksenov.

UKRAINE-WORLD

Most UN Security Council members support antiterrorist operation in Ukraine

On 3 May 2014, the UN Security Council held an emergency session at the request of

Russia due to the antiterrorist operation carried out by Ukraine in its eastern regions.

The absolute majority of the Security Council members expressed their support for Kiev. The only critical statement against the Ukrainian leadership was made by Russia.

China issued a diplomatically neutral statement.

DOMESTIC POLITICAL

Kharkiv mayor shot

On 28 April 2014, an unidentified person shot Kharkiv mayor **Hennadiy Kernes** in the back when he was jogging in a forest. A bullet damaged the liver, lungs and spine. The mayor was admitted to a local hospital and had a surgery there. In a while, the mayor was flown to an Israeli hospital where he underwent several more surgeries.

On 2 May, the Kharkiv city council said that Kernes's life was no longer at risk.

Investigators are working on four main scenarios of the attack, including its connection to Kernes's professional activities, commercial interests and counteraction to separatists.

Sonya Koshkina, editor in chief of the news and analysis website LB.ua, suggested that the shooter who wounded the Kharkiv mayor could be Russian with a great degree of probability, and that the shot was meant as a message to all in the southeast who object to federalization, inclusion into Russia and support Ukraine's unity.

Nationwide referendum on broader rights for regions can be held on 15 June

On 28 April 2014, the National Security and Defence Council of Ukraine recommended scheduling an all-Ukrainian referendum on broader rights for regions for 15 June 2014 during the runoff of the presidential election.

Prime Minister **Arseniy Yatsenyuk** called on parliament to prepare and agree a bill on relevant amendments to the constitution of Ukraine by 25 May. In his opinion, the constitution in its new wording should abolish regional and district state administrations, establish executive committees and delegate powers to them.

The opposition Party of Regions insists that the constitution should be amended to give Russian the status of the second state language.

Donbas to hold referendum on attachment to Dnipropetrovsk Region

All population centres in Donetsk and Luhansk regions are going to hold a referendum on their possible attachment to Dnipropetrovsk Region on 11 May

Gorshenin Institute (@Gorshenin_eng) on Twitter

2014, the deputy governor of Dnipropetrovsk Region, **Borys Filatov**, has quoted the interregional council of territorial communities of the southeast as saying in a statement. The council was set up on the initiative of Dnipropetrovsk regional governor **Ihor Kolomoyskyy**.

Representatives of the so-called Donetsk people's republic are going to hold a referendum in Donetsk and Luhansk regions on their independence also on 11 May.

Two candidates quit presidential run

On 1 May 2014, presidential candidates **Oleh Tsaryov** and **Natalya Korolevska** informed the Central Electoral Commission that they were quitting the run for president.

Tsaryov said he decided to do so because he could not "make sure that the voice of the southeast is heard in the rest of Ukraine".

Korolevska explained that, in her opinion, the current presidential campaign was splitting the country, not bringing peace closer.

Mykhaylo Dobkin, the presidential candidate nominated by the opposition Party of Regions, said that the party's political council would decide on his further participation in the election campaign in the near time.

The main presidential candidates are the leader of the Fatherland party and former prime minister, **Yuliya Tymoshenko**, and unaffiliated MP **Petro Poroshenko**. Tymoshenko accuses her opponent of close connections with Ukrainian oligarchs, including **Dmytro Firtash**.

Poroshenko expects to win in the first round of the presidential election.

Tymoshenko says external attack being planned to disrupt Ukrainian election

Destabilization in the east of Ukraine is a Russian plan to disrupt the presidential election scheduled for 25 May 2014, the leader of the ruling Fatherland party, **Yuliya Tymoshenko**, has said.

She added that the Ukrainian authorities would not allow Moscow to carry out its plan.

Ukraine resumes army conscription

On 1 May 2014, interim Ukrainian president and speaker **Oleksandr Turchynov** signed a decree on measures to improve the country's defence capability, which provides for resumed conscription into military service.

According to the decree, male Ukrainian citizens aged 18 to 25, who are not entitled to a waiver, are subject to conscription.

Conscription into the Ukrainian army was cancelled last year.

Ukraine forming second battalion of National Guard

Interior Minister **Arsen Avakov** has said that Ukraine will form the second battalion of the National Guard.

He said that the National Guard acted in a very effective and professional manner on combat duty in Slovyansk.

Adm Kabanenko appointed deputy defence minister

Ukrainian Navy Adm **Ihor Kabanenko** has been appointed deputy defence minister.

Previously, he was the first deputy head of the Ukrainian Armed Forces' General Staff. In the autumn 2013, the Security Service of Ukraine (SBU) checked the General Staff for keeping state secrets confidential, as a result of which Kabanenko lost access to state secrets on suspicion of violating the regulations on their secrecy. Kabanenko said that the case was cooked up.

ECONOMY

IMF approves 17bn-dollar loan for Ukraine

The Executive Board of the International Monetary Fund on 30 April approved a two-year standby programme for Ukraine in the amount of 17bn dollars.

The IMF will provide 3.2bn dollars to Kiev immediately, including 2bn dollars to cover the national budget deficit.

At the same time, the fund may increase the size of the aid programme for Kiev if the Ukrainian government loses control over the industrial regions in the east.

Finance Minister **Oleksandr Shlapak** said that the government is expecting the first tranche from the IMF to arrive on 5-8 May. According to Shlapak, two thirds of this amount will be used to cover the budget deficit while the remaining part will replenish the foreign exchange reserves of the National Bank.

According to Economic Development Minister **Pavlo Sheremeta**, the first tranche of the IMF loan will be used to pay off state debts.

The Interfax-Ukraine news agency said that according to the IMF loan programme, the national oil and gas company Naftohaz Ukrayiny will buy 2.16bn dollars from the National Bank of Ukraine in May and by the end of the month will pay off the debt to Russia's Gazprom, which has been accumulated by the end of March.

However, as noted by Ukrainian Prime Minister **Arseniy Yatsenyuk**, in addition to the IMF credit, Kiev in May should receive 1bn dollars from the United States and up to 1bn euros from the European Union.

European Commission signs memorandum on allocating 1bn euros to Ukraine

On 28 April Vice-President of the European Commission **Siim Kallas** on behalf of the European Union signed a memorandum of understanding on macro-financial

assistance for Ukraine worth 1bn euros. This loan is part of the 11bn-euro aid programme for Ukraine that was announced by the European Commission on 5 March.

European Commission announces new support for Ukraine

The European Commission on 29 April adopted a special support package for Ukraine in the amount of 365m euros.

Of this amount, 355m euros will be provided to support the government of Ukraine in addressing short-term economic problems and preparing for in-depth reform in the context of political association and economic integration with the EU on the basis of the Association Agreement/Deep and Comprehensive Free Trade Area through support to improved governance, the fight against corruption, judiciary reform and public administration reform. The first disbursements (250m euros) are expected to take place shortly after the signing of the financing agreement by the Ukrainian government.

Another 10m euros will be aimed at enhancing the role of civil society; promoting and monitoring democratic reforms and inclusive socio-economic development in Ukraine.

Ukraine's GDP drops by 1.1 percent

Ukraine's GDP in the first quarter of 2014 declined by 1.1 percent as compared to the corresponding period of 2013, according to the State Statistics Service.

Compared with the fourth quarter of 2013, GDP contracted by 2 percent.

The International Monetary Fund forecasts that real GDP in Ukraine in 2014 will decrease by 5 percent.

Ukraine's budget deficit down 8.6 percent

The budget deficit in Ukraine in January-March 2014 totaled 4.13bn hryvnyas (375m dollars), an 8.6-percent drop against January-March 2013, according to the Finance Ministry.

Balance of payments deficit reaches 203m dollars in March

Ukraine's consolidated balance of payments in January-March 2014 showed a deficit of 4.28bn dollars against a surplus of 1.82bn dollars a year earlier, according to the National Bank.

In March 2014, the consolidated balance of payments deficit amounted to 203m dollars, contracting significantly compared to the first months of the year (2.14bn dollars in February and 1.94bn dollars in January), which happened thanks to inflows in the financial account.

Industrial output sales down by 1 percent

Sales of industrial products in Ukraine in January-March 2014 totaled 273.213bn hryvnyas (24.84bn dollars), which is 1 percent down on January-March 2013, according to the State Statistics Service.

Ukraine significantly cuts metal exports to Russia

Ukrainian steelmakers in the first quarter of 2014 reduced exports to Russia by 34 percent compared with the same period in 2013, to 350m dollars, according to the State Information and Analysis Center for Monitoring of External Commodity Markets.

Supplies of Ukrainian steel to other CIS countries also decreased significantly (-37 percent), while exports to the EU showed growth. Domestic companies slightly increased shipments to the Middle East, which is a traditional market for Ukrainian steelmakers.

FBI to track down Yanukovych's assets

The US Federal Bureau of Investigation will create a special unit that will trace the financial flows of corrupt foreign leaders, US Attorney General **Eric Holder** said, according to Deutsche Welle.

According to Holder, the new special squad will include a dozen of agents and analysts who will investigate corruption in Ukraine and other countries.

The press service of Ukraine's Prosecutor-General's Office reported that the United States would allocate 2.5m dollars for the purpose of returning the assets stolen by the former senior officials and brought outside Ukraine.

An investigation of the Ukrainian corruption schemes was also launched by the British law-enforcement authorities. The British officers reported receiving an order to freeze the assets of Ukrainian citizens in the amount of 23m pounds.

Prosecutor-General **Oleh Makhnitskyy** said that Yanukovych brought to Russia 32bn dollars. In total, according to Makhnitskyy, the former president stole from Ukrainians more than 100bn dollars.

Firtash faces 50 years in US prison

The Austrian court in May will consider the extradition of Ukrainian tycoon **Dmytro Firtash** to the United States.

Under the US law, Firtash faces up to 50 years in prison and confiscation of all assets.

Firtash, who allegedly has close ties with Russian President **Vladimir Putin**, is accused of creating an international criminal group.

However, the Ukrainian businessman denies all the charges against him and claims that his arrest cannot have any effect on Putin.

According to Firtash, the USA began persecuting him because of his confrontation with long-time opponent **Yuliya Tymoshenko**, the Financial Times writes.

At the same time, he said that he would support **Petro Poroshenko** in the presidential elections.

Firtash was arrested on 12 March in Austria on the warrant issued by the US Federal Bureau of Investigation. The FBI suspects him of bribery and conspiracy. The investigation into the case started back in 2006. He was later released on bail of 125m euros. Firtash is expecting extradition to the USA.

ENERGY

Ukraine, Russia, EU fail to reach gas agreement

Ukraine, Russia and the European Union on 2 May held trilateral gas talks in Warsaw. The sides failed to come to agreement with regards to the issues concerning secure natural gas supplies via Ukraine to the EU and a fair price of the Russian gas for Ukraine. At the same time, it was agreed to hold two more rounds of negotiations in May.

According to the estimates by the Russian side, in April Ukraine's debt for supplied gas grew to 3.49bn dollars.

Russia's Energy Minister **Oleksandr Novak** said that if state-run energy company Naftohaz Ukrayiny makes no advance payment for June's supplies before 31 May, Gazprom may limit the volume of gas deliveries to Ukraine.

According to Ukraine's Energy Minister **Yuriy Prodan**, Kiev does not agree with Russia's assessment of the debt. He also said that the Ukrainian government was ready to pay off the gas debt to Russia if it agrees to reduce the price of gas for Ukraine to the price that was in effect in February-March 2014 (265.8 dollars per 1,000 cu.m.).

He noted that Ukraine pays the highest price for Russian gas in Europe. While Gazprom sells gas to EU countries at 370 per 1,000 cu.m., Ukraine has to pay 485 dollars.

The Ukrainian minister said that if the parties do not agree on this issue, Ukraine would file a lawsuit in the international arbitration court.

European Commissioner for Energy **Gunther Oettinger** acknowledged that Naftohaz Ukrayiny was not fulfilling its obligations under the agreement on Russian gas supplies.

Naftohaz rejects Gazprom's fine for low gas purchases

State-run energy company Naftohaz Ukrayiny has sent to Russia's Gazprom a letter of refusal to accept a bill of 11.4bn dollars, which the Russian company invoiced in late April as a demand "to cover for natural gas purchases in arrears from 2013," the Ukrainian company said on 1 May.

In its letter Gazprom refers to the so-called take-or-pay provision, which, according to Naftohaz's officials, is no longer a market practice in the form described by the Russian gas monopoly. In addition, the Ukrainian side says that the agreement between Naftohaz and Gazprom provides no mechanism for the practical implementation of this provision.

Ukraine, Slovakia sign memorandum on gas supplies

Ukrtranshaz, the operator of Ukraine's gas transport system, and Slovakia's gas operator Eustream signed a memorandum on reverse gas supplies from Slovakia to Ukraine. The document was signed on 29 April in Bratislava.

According to Ukrtranshaz, the document provides two options for gas deliveries.

The first option, the so-called "small reverse", will be launched in the near future. It will allow pumping 8bn cu.m. to Ukraine per year through the now-idle pipeline Vojany-Uzhhorod.

The second option, "the greater reverse", which is preferred by Ukraine, requires negotiations with Russia's Gazprom. This option allows supplying gas through one of the underutilized branches of the pipeline which is used by Russia to pump gas to the West. This route allows pumping up to 30bn cu.m. of gas per year, which can bring Ukraine's gas purchases from Russia to zero.

The reverse gas supplies to Ukraine through Slovakia will begin in August. By October, the Vojany-Uzhhorod pipeline will be loaded at full capacity.

Ukrtranshaz also offered Eustream to sign an operator agreement to merge the countries' gas transport systems.

Ukraine resumes gas supplies from Hungary

Ukraine on 1 May resumed imports of natural gas through the territory of Hungary, Ukraine's gas transport system operator Ukrtranshaz reported, according to news agency Interfax-Ukraine.

Imports are made by state-run company Naftohaz Ukrayiny.

According to Hungarian operator FGSZ Ltd, the 1 May order is for a minor volume of 22,500 cu.m.

In August-September 2013, the maximum volume of daily imports through Hungary reached 9m cu.m.

Turchynov orders to ensure national energy security

Interim President of Ukraine **Oleksandr Turchynov** on 1 May enacted the 28 April decision of the National Security and Defence Council on energy security.

According to the decree, the government before 20 June must approve financial plans of major state-owned companies and monopoly enterprises, as well as a forecast balance of receipt and distribution of natural gas for 2014.

In addition, the cabinet should introduce an energy-saving system and stabilize operations of state-run company Naftohaz Ukrayiny, to update Ukraine's 2030 Energy Strategy and indicators of current threats and risks in the energy sector.

Electricity tariffs for industry rise by almost 5 percent

The National Energy Regulatory Commission on 25 April increased by 4.8 percent retail electric power tariffs for electricity supply companies in May.

From 1 May, the electricity tariff increased from 0.81 hryvnias (0.07 dollars) to 0.85 hryvnias (dollars)/kWh in April for first voltage-class consumers (35 kV and above), and from 1.03 hryvnias (0.09 dollars) to 1.08 hryvnias (1 dollar)/kWh for consumers of the second voltage class (below 35 kV).

Gas tariff for industrial consumers and government agencies grows by 17.5 percent in May

The National Energy Regulatory Commission on 30 April raised the gas prices for industrial consumers and government organizations and institutions. From 1 May, the rate for such consumers increased by 17.5 percent to 4,724 hryvnias (429 dollars) per 1,000 cu.m.

The increase in the marginal gas prices was due to fluctuations of the hryvnia rate against the dollar.

From 1 May, the price of gas for households grew by more than 1.5 times.

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