



# Gorshenin *Weekly*

**ISSUE 75 (238) 10/05/2015**

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**1. TOP STORIES****Normandy Four completes Paris talks on Donbas**

It discussed local elections in Ukraine, immunity for separatist candidates, withdrawal of arms smaller than 100 mm in calibre and control over the border.

*Read more in ARMED CONFLICT IN EAST UKRAINE.*

**Arms smaller than 100 mm in calibre being withdrawn from line of contact in east Ukraine**

The withdrawal of hardware in the security operation area will take 41 days and will be carried out in several stages.

*Read more in ARMED CONFLICT IN EAST UKRAINE.*

**2. ARMED CONFLICT IN EAST UKRAINE****Normandy Four completes Paris talks on Donbas**

Ukrainian President **Petro Poroshenko**, German Chancellor **Angela Merkel**, French President **Francois Hollande** and Russian President **Vladimir Putin** held talks on the situation in Donbas in the so-called Normandy format in Paris on 2 October 2015.

Hollande said that they agreed that elections in occupied Donbas should be held in line with the Ukrainian legislation therefore the dates of elections in the self-proclaimed Donetsk and Luhansk people's republics should be changed. In his words, separatist candidates should be granted immunity during local elections.

He added that they also discussed amnesty which "should take place together with the elections".

Hollande said that the sides agreed that Ukraine should step by step return its control over the border and that any foreign troops should leave the country.

Germany and France said that the Minsk protocol should be implemented in 2015, however they admitted that it might stretch into the next year.

**Ukraine now pulling out arms smaller than 100 mm in calibre**

President **Petro Poroshenko** has said that on 3 October 2015 Ukraine started to withdraw its arms smaller than 100 mm in calibre from the line of contact in Donbas.

The self-proclaimed Luhansk people's republic has also confirmed pulling out arms of less than 100 mm in calibre.

On 29 September, the trilateral contact group on a settlement of the conflict in east Ukraine reached an agreement that the conflicting sides should withdraw arms smaller than 100 mm in calibre from the line of contact.

Earlier, Poroshenko said that Russia had not delivered on any of the clauses of the Minsk agreements, except for a cease-fire in Donbas.

### **Russians do not want Donbas to join in - survey**

Only 16 percent of Russians want Donbas to become a part of Russia, according to a survey by the Russian Public Opinion Research Centre.

Some 31 percent of respondents would like Russia "not to intervene" in the situation in Donbas. Some 26 percent believe Russia should recognize the self-proclaimed Donetsk and Luhansk people's republics as independent states.

### **Germany to allocate 15m euros for Ukrainian displaced persons**

According to Ukraine's ambassador to Germany, **Andriy Melnyk**, the German government has allocated an additional 15m euros to support 70,000 internally displaced persons in Mariupol.

## **3. CRIMEAN ISSUE**

### **Crimean "deputy premier" sneaks into Poland unlawfully**

The so-called deputy prime minister of the self-proclaimed Crimean government, **Dmitriy Polonskiy**, took part in the OSCE conference on human rights in Warsaw on 30 September 2015.

Polish Foreign Minister **Grzegorz Schetyna** has said that Poland did not issue a visa to Polonskiy. In his words, the Crimean "official" sneaked into Poland under a different name. The surname in his passport was different from the one included in the sanction lists.

During Polonskiy's speech, the delegations of Ukraine, the USA and EU member states left the room.

## **4. INTERNATIONAL POLITICAL**

### **UKRAINE-UN**

### **Ukrainian president in UN accuses Russia of occupation**

Addressing the UN General Assembly in New York on 29 September 2015, Ukrainian President **Petro Poroshenko** said that Russia was unofficially waging a war against his country, having occupied 44,000 sq.km. of Ukrainian territory in Crimea and Donbas.

He also said that the procedure of transfer of the permanent Security Council membership of the former Soviet Union to the Russian Federation was "questionable" and accused Moscow of abusing the veto right in the UN.

When Russian President **Vladimir Putin** was speaking at the UN General

Assembly, the Ukrainian delegation left the hall. Ukraine's UN envoy **Yuriy Serheiyev** said that the delegation could not listen to the man who wages local wars.

### **Obama calls on Russia to stop aggression**

In his speech to the UN General Assembly US President **Barack Obama** has said that due to Russia's annexation of Crimea and further aggression in eastern Ukraine the USA cannot stand by when the sovereignty and territorial integrity of a nation is flagrantly violated.

### **UN fails to finance plan on Ukraine**

Opening the 70th session of the UN General Assembly, UN Secretary-General **Ban Ki-moon** has said the Ukraine plan has been funded by 39 percent due to the lack of funds.

### **UKRAINE-USA**

#### **Ukrainian, US presidents meet**

Ukrainian President **Petro Poroshenko** has had a meeting with his US counterpart **Barack Obama**, who assured him of further US support for Ukraine.

In addition to Obama, Poroshenko held meetings with Polish President **Andrzej Duda**, Austrian President **Heinz Fischer** and Japanese Prime Minister **Shinzo Abe**.

#### **USA to give Ukraine money for defence**

According to the 29 September memorandum signed by US President **Barack Obama**, the USA will allocate 21.5m dollars to the Ukrainian government for military purposes.

#### **USA to give Ukraine counter-battery systems for defence - Poroshenko**

US President **Barack Obama** has said at the UN General Assembly that he signed a resolution to send Ukraine long-range counter-battery systems for defence purposes, Ukrainian President **Petro Poroshenko** has said.

### **UKRAINE-NATO**

#### **NATO not changing position on Ukraine over Russia's actions in Syria**

NATO Secretary-General **Jens Stoltenberg** has said that Russia's fight against the Islamic State in Syria will not change the alliance's policy on Ukraine. He also pledged continued political and actual support for Ukraine.

**UKRAINE-RUSSIA****Ukraine's Savchenko denies involvement in murder of Russian journalists**

A Ukrainian pilot and member of the Ukrainian delegation to the PACE, **Nadiya Savchenko**, has denied accusations of involvement in the killing of two Russian journalists in Donbas in the summer of 2014. She was speaking at a court hearing in Russia's Rostov Region on 29 September 2015.

The Russian court did not accept the evidence presented by her defence lawyers who insisted that the geolocation of Savchenko's mobile phone shows that at the moment of the murder she had already been abducted and brought to a separatist-held area.

The Russian Justice Ministry said that it was prepared to consider Savchenko's extradition request if Ukraine adjudges a Russian ruling and guarantees that the convict will serve her term when back to her home country.

According to Ukrainian Justice Minister **Pavlo Petrenko**, Russia's statement of this kind before a court has even issued a ruling is a clear sign of pocket justice.

**Aeroflot stops selling tickets to Ukraine**

Russia's largest airline Aeroflot blacklisted by Ukraine has stopped selling tickets on flights there as of 25 October 2015. The S7 airline followed the suit.

Meanwhile, the Russian UTair airline, which was not included in the sanction list, is planning to increase the number of flights to Ukraine, its director-general **Andrey Martirosov** has said.

**Russian closes sky to Ukraine**

The Russian Transport Ministry has instructed the Federal Air Transport Agency (FATA) to notify Ukrainian airlines that they can no longer use the Russian air space starting from 25 October 2015, the Russian news agency TASS has said.

According to **Sergey Izvol'skiy**, an adviser to the FATA head, the ban is imposed on five Ukrainian airlines, namely Ukraine International Airlines, Dniproavia, YanAir, WizzAir and MotorSich.

Russia is acting in response to Ukraine's ban on flights by Russian airlines.

**Ukraine cuts trade with Russia by more than half**

Ukraine's foreign trade with goods and services with Russia in January-June 2015, compared with the same period of 2014, went 2.2 times down to 7.83bn dollars, the press service of the National Bank of Ukraine has said.

**Russia set to cancel trade preferences for Ukraine**

Russian Prime Minister **Dmitriy Medvedev** has once again said that Moscow intends to switch to preference-free trading with Kiev after the EU-Ukraine association agreement comes into force in full, including a free trade zone.

**Russia bans use of Ukrainian railway cars**

The state-owned company Russian Railways has banned the use in Russia of railway cars made by the Ukrainian state-owned company Ukrreftrans.

**Ukraine's central bank regulates procedure for anti-Russian sanctions**

The National Bank of Ukraine has defined a procedure for implementing the "anti-Russian sanctions" in the banking system. The National Security and Defence Council of Ukraine imposed sanctions due to Russia's aggression in the east.

According to the procedure, as of 2 October, Ukrainian banks shall block money transfers to and by individuals and companies included in the sanction list by Ukraine.

**EU-UKRAINE****Ukraine to receive EU aid to prepare for elections**

Ukraine will receive 3.5m euros from the European Union to prepare for the local elections, according to the press service of the EU Delegation to Ukraine.

**5. DOMESTIC POLITICAL****Cabinet expands combatant status**

The Cabinet of Ministers has issued a resolution that expands the status of war veterans to include family members of servicemen and volunteers who died in the antiterrorist operation.

**Odessa governor slams cabinet for customs reform**

The governor of Odessa Region, ex-Georgian President **Mikheil Saakashvili** has criticized the government's innovations that regulate customs clearance procedures, which, in his opinion, have paralyzed clearance of goods at all customs offices.

It should be noted that, according to the resolution signed by the government, all goods should be cleared at prices predetermined the State Fiscal Service, not at their actual price (in accordance with the Customs Code). According to Saakashvili, it will allow manipulations with customs clearance costs.

**Court extends house arrest for former Regions Party faction head**

The Kiev Pechersky district court has extended house arrest for the former head of the Party of Regions parliamentary faction, **Oleksandr Yefremov**, until 1 November 2015.

It should be recalled that the Prosecutor-General's Office suspects Yefremov of abuse of office under aggravating circumstances, forgery and incitement to interethnic conflict.



**6. ECONOMY****State budget surplus reaches 470m dollars**

The state budget surplus in August 2015 reached 9.96bn hryvnyas (470m dollars), the State Treasury Service of Ukraine has reported.

**Real income of households drops in Ukraine**

The State Statistics Service has reported that real disposable income of households in the second quarter of 2015 decreased by 34 percent compared to the same period in 2014.

**Ukraine cuts steel output by 20 percent over nine months, pipe output by 42 percent**

Crude steel production in Ukraine over January-September 2015 reduced by 20 percent to 17.1m tonnes, rolled steel output declined by 21 percent to 14.9m tonnes, while production of pig iron dropped by 19 percent to 16m tonnes, the Interfax-Ukraine news agency has reported, citing data from the Metalurhprom association of steel companies.

Also, pipe production over the reported period decreased by 42 percent to 644,000 tonnes, coke output fell by 25 percent to 8.4m tonnes.

However, Ukrainian enterprises in September produced more crude steel (2.1m against 1.9m tonnes), rolled steel (1.8m against 1.7m tonnes), pig iron (2m against 1.9m tonnes) and pipes (76,000 against 72,000 tonnes) as compared to August.

**Government cancels licensing of non-ferrous metal exports**

The Cabinet of Ministers has issued a resolution that allows performing exports of scrap non-ferrous metals without receiving a license.

According to the Economic Development and Trade Ministry, the licensing of exports of non-ferrous metal products contributed to corruption.

**Ukrainians pay 265m dollars in war tax**

Ukrainian taxpayers in January-August 2015 paid 5.6bn hryvnyas (265m dollars) to the state budget in war tax, which is 15.1 percent more than it was planned.

Since the tax was introduced in August 2014, Ukrainians have paid 7.49bn hryvnyas (354m dollars) to the state budget.

**Ukraine loses positions in competitiveness ranking**

Ukraine has dropped from the 76<sup>th</sup> to the 79<sup>th</sup> place in the World Economic Forum's Global Competitiveness Report, which ranks the competitiveness of 140 countries.

**Ukraine abolishes duty on car imports**

Ukraine has abolished duties on imports of passenger cars, starting from 30 September.

The Interagency Commission on International Trade introduced the special duty on imports of passenger cars in 2013. Its size ranged from 6.46 percent to 12.95 percent of car value.

### **Ukraine resumes exports of dairy products to China**

The press service of Ukraine's Agrarian Policy Ministry has reported that China's regulators have recognized dairy products from Ukraine as complying with that country's requirements and have allowed resuming their exports to China.

It should be recalled that exports of dairy products were suspended in May 2014.

It should also be noted that after Ukrainian exports of agricultural products to Russia had declined significantly, Ukraine sharply increased its exports to China. Specifically, over January-July 2015, Ukraine's agricultural exports to China reached 890m dollars, which is more than two times above the corresponding figure seen last year (407m dollars).

However, according to Agrarian Policy and Food Minister **Oleksiy Pavlenko**, exports of Ukrainian agriculture products to the Russian Federation in eight months of 2015 fell from 983m dollars to 193m dollars compared with last year. In addition, Pavlenko said that exports of Ukrainian agricultural products to Russia in 2012-13 amounted to 2bn dollars (in each year).

### **Balance of payments surplus grows in Ukraine**

The National Bank of Ukraine has reported that the surplus of the country's consolidated balance of payments in August 2015 grew to 513m dollars from 438m dollars recorded in July.

### **Alfa-Bank to grow authorized capital by 59.5 percent**

Alfa-Bank (Kiev), a bank with Russian capital, will increase its authorized capital by 59.5 percent to 7.4bn hryvnyas (350m dollars), the bank's press service has reported.

It should be noted that there are 10 banks with Russian capital operating in Ukraine, of which four banks are among the top ten in terms of assets, including Alfa-Bank on the eighth position with 40.282bn hryvnyas (1.9bn dollars) in assets.

## **7. ENERGY**

### **Russian gas transit up 49 percent in September**

The state-run Ukrtranshaz company, the operator of Ukraine's gas transport system, has reported that the transit of Russian natural gas to the European Union through Ukraine's territory in September 2015 increased by 49 percent compared to September 2014, to 5.8bn cu.m.

Meanwhile, Ukrtranshaz forecasts that the transit of Russian gas through Ukraine to the EU will fall 17.7 percent in 2015 as compared to 2014, from 62bn to 51bn cu.m.

**EU gives 500m dollars to Naftohaz to buy Russian gas**

The board chairman of the state-run energy company Naftohaz Ukrayiny, **Andriy Kobolev**, has said that the company has received 500m dollars from the European Union, which will be channelled into purchase of natural gas from Russia.

As it follows from Naftohaz's audit report for 2014, Ukraine, importing 15bn-18bn cu.m. per year, has lost its critical dependence on Russian gas supplies.

**EBRD approves loan to Naftohaz**

The European Bank for Reconstruction and Development has approved the allocation of a 300m-dollar revolving loan to the state-run energy company Naftohaz Ukrayiny for a term of three years.

**Naftohaz shows net loss of 213m dollars in first year half**

The state-run energy company Naftohaz Ukrayiny in January-June 2015 reduced its net loss by 7.2 times year on year, from 32.6bn hryvnias (1.54bn dollars) to 4.5bn hryvnias (212.8m dollars), according to the company's press service.

Naftohaz's total expenditures made 23.3bn hryvnias (1.1bn dollars), while its gross income was 18.8bn hryvnias (888.9m dollars).

**Naftohaz deprived of monopoly position**

On 1 October, the law on natural gas market took effect, in accordance with which Ukraine's largest energy holding Naftohaz Ukrayiny has lost its monopoly position.

**Rollins approved as Ukrnafta head**

The supervisory council of Ukrnafta, Ukraine's largest oil producer, has unanimously voted for the appointment of UK citizen **Mark Rollins** as chairman of the company's board.

**Ukrnafta starts distributing dividends to state**

Ukrnafta, Ukraine's major oil-producing company, has fully paid dividends for 2014, funnelling 632.3m hryvnias (29.9m dollars) to the state budget, according to the company's press service.

In total, Ukrnafta is to transfer 2.41bn hryvnias (113.9m dollars) to the state budget in dividends for several years.

**DTEK resumes gas imports from Europe**

DTEK, which is owned by Ukrainian businessman **Rinat Akhmetov**, has resumed natural gas imports from Slovakia.

DTEK started to import gas from Europe in 2013, supplying to Ukraine 628.3m cu.m. of gas over the year.

### **Ukraine resumes electricity supplies to Poland**

On 2 October, Ukraine resumed exports of electric power to Poland, using the overhead line from the Dobrotvir thermal power plant to Zamosc.

It should be noted that Ukraine performed no electricity supplies to Poland in January-June 2015.

**Founded in July 2010, Gorshenin Weekly is a weekly digest of expert analysis covering the most important political, social and economic events in Ukraine. It is the key source of information about opinion polls carried out by the Gorshenin Institute as well as the best professional commentaries on recent developments.**

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