



# Gorshenin *Weekly*

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## 1. TOP STORIES

### **US vice-president visits Ukraine**

In his speech to the Ukrainian parliament the US politician has said that Ukraine must deal with two challenges – Russia's aggression and corruption.

*Read more in INTERNATIONAL POLITICAL*

### **Die Welt: EU to lift visas for Ukrainians in mid-2016**

The prime minister says Ukraine meets all EU conditions to visa-free-travel.

*Read more in INTERNATIONAL POLITICAL*

### **Ukrainian premier outlines 2016 government priorities**

An MP from the Petro Poroshenko Bloc disrupts the prime minister's speech in parliament.

*Read more in DOMESTIC POLITICAL*

## 2. ARMED CONFLICT IN EAST UKRAINE

### **OSCE records increased number of cease-fire violations in Donbas**

Last week the OSCE Special Monitoring Mission (SMM) recorded an increased number of cease-fire violations in Donetsk and Luhansk regions, it has said in its update.

OSCE deputy chief monitor **Alexander Hug** said that Donetsk airport remains a hotspot.

According to the Ukrainian antiterrorist operation HQ, last week the pro-Russian militants repeatedly violated the Minsk agreements by using banned multiple-launch missile systems BM-21 Grad. The separatists also opened fire on the antiterrorist operation troops with grenade launchers, 120- and 82-mm mortars, the HQ added.

### **UN says over 9,000 killed in Donbas conflict**

As a result of the military conflict in Donbas, at least 9,098 people were killed and at least 20,732 injured from mid-April 2014 to 15 November 2015, the Office of the UN High Commissioner for Human Rights said in its 12<sup>th</sup> report on 9 December 2015.

During the period from 16 August to 15 November covered by the document, 47 civilians were killed and 131 injured.

Serious human rights abuses, including arbitrariness, torture as well as the absence of rule of law and the difficult humanitarian situation, persist in the east, the report reads.

An inflow of ammunition, weaponry and fighters from the Russian Federation to the territories controlled by the militant groups continues, which carries latent risks of a resurgence of hostilities.

Over 130 people held captive by separatists in Donbas

As of 11 December 2015, pro-Russian separatists in Donbas have held 131 people captive.

### **Kiev swaps Russian major for Ukrainian serviceman**

Kiev has exchanged a detained Russian major for a Ukrainian serviceman, Ukrainian Foreign Minister **Pavlo Klimkin** said at the UN Security Council meeting on 11 December 2015.

According to the minister, this confirms that Russia was lying about not having its servicemen in Donbas.

### **Over 80 separatists busted in counter-terrorism operation in Donbass**

On 10 December 2015, 600 troops of the Security Service of Ukraine (SBU) carried out a large-scale operation in Krasnohorivka, Donetsk Region. They detained 85 persons suspected of involvement in terrorism.

## **3. CRIMEAN ISSUE**

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

On 8 December 2015, Ukraine resumed electricity supply to Crimea through the Kakhovska-Tytan transmission line, the information policy department head of the Ukrainian energy distribution company Ukrenerho, **Zynoviy Butsyo**, has said.

The ultranationalist party Right Sector said it withdrew from the Crimean blockade over differing views with the Crimean Tatar self-styled government Majlis on letting the authorities restore power supply via one of the lines.

The leader of Crimean Tatars and Ukrainian MP, **Mustafa Dzhemilyev**, said in an interview with the Zerkalo Nedeli weekly, quoting President **Petro Poroshenko**, that the contract on electricity supply from Ukraine to the peninsula, which expires on 31 December, can only be renewed if Crimea is described there not as «Crimean federal district» of the Russian Federation but as the Autonomous Republic of Crimea and the Ukrainian territory temporarily occupied by Russia.

### **UN says serious violations of human rights in Crimea persist**

The Office of UN High Commissioner for Human Rights **Zeid Ra'ad Al Hussein** said in its 12<sup>th</sup> report that Crimean residents continue to be affected by the broad curtailment of their rights due to the application of a restrictive legal framework imposed upon them by Russia.

### **Crimean police search Crimean Tatar TV's ex-director's home**

On 9 December 2015, Russian law enforcers searched the home of a former director-general of the Crimean Tatar TV channel ATR, **Elzara Islyamova**, former

ATR deputy director-general **Lilya Budzhurova** has said.

On 3 December, Russia-controlled Crimean prosecutor **Nataliya Poklonskaya** said that a court arrested the local property of one of the organizers of the Crimea blockade and ATR owner, **Lenur Islyamov**.

#### **Polish Foreign Ministry slams MEP for visiting Crimea**

The Polish Foreign Ministry has criticized MEP **Janusz Korwin-Mikke** for visiting Crimea annexed by Russia.

It recalled that Polish nationals have to respect the laws regulating foreigners' stay on the territory of Ukraine.

Earlier, the Ukrainian Foreign Ministry protested over Korwin-Mikke's visit to Crimea on 9 December 2015.

#### **4. INTERNATIONAL POLITICAL**

##### **UKRAINE-USA**

#### **US vice-president visits Ukraine**

US Vice-President **Joseph Biden** on 7 December 2015 arrived in Ukraine on a two-day visit.

He met the country's leadership and delivered a speech in the Ukrainian parliament.

Addressing MPs, he said that the implementation of the Minsk agreements on Donbas should not be delayed. In his opinion, Russian troops must leave Donbas and the Ukrainian side of the border must be returned under Ukrainian control. Speaking about the prospect of elections in Donbas, he said that Ukrainian media and political parties must be provided full access. Full and unobstructed OSCE election monitoring must be ensured.

Biden said that the USA will never recognize Russia's attempt to annex Crimea.

He is confident that Ukraine needs to change fundamentally to root out corruption and hold reforms.

Petro Poroshenko Bloc MP **Svitlana Zalishchuk** said that at a meeting with Ukrainian politicians Biden suggested that Prosecutor-General **Viktor Shokin** should step down.

Biden has visited Ukraine for the fourth time since the protests known as Euro-Maydan in late 2013-early 2014.

##### **UKRAINE-EU**

#### **Brussels hosts second meeting of EU-Ukraine Association Council**

On 7 December 2015, Brussels hosted the second meeting of the EU-Ukraine Association Council chaired by Ukrainian Prime Minister **Arseniy Yatsenyuk** and High Representative of the EU for Foreign Affairs and Security Policy and

Vice-President of the European Commission **Federica Mogherini**.

After the meeting, Yatsenyuk said that Ukraine had completed the implementation of EU conditions to visa-free travel.

### **EU planning to lift visas for Ukrainians in mid-2016, media say**

Die Welt has quoted a diplomatic source in Brussels as saying that Ukrainian and Georgian nationals will be able to travel to the EU visa free as of mid-2016.

However by spring 2016 Kiev must demonstrate success in tackling corruption, it said.

### **Ukraine, European Defence Agency sign administrative arrangement**

High Representative of the EU for Foreign Affairs and Security Policy **Federica Mogherini**, in her capacity as Head of the European Defence Agency, and Ukrainian Defence Minister **Stepan Poltorak** signed on 7 December 2015 an Administrative Arrangement between the EDA and the Ukrainian Defence Ministry.

The document provides Ukraine with legal grounds for defence cooperation with EU member states and enables Ukraine's potential participation in EDA's military-technological projects and programmes.

### **Polish Sejm rules to commemorate famine victims in Ukraine**

The Polish Sejm unanimously adopted a resolution to commemorate the victims of Holodomor, the forced famine in Ukraine in 1932-33, which affected several thousand Poles.

### **Ukraine waiting for Dutch inquiry about stolen paintings – National Police chief**

Ukraine is awaiting an official inquiry from the Dutch Public Prosecution Service detailing the theft of Dutch paintings, Ukrainian National Police chief **Khatia Dekanoidze** has said.

Ukrainian President **Petro Poroshenko** instructed the Security Service of Ukraine (SBU) to check the information concerning the stolen Dutch paintings.

Earlier, the director of the Westfries Museum, **Ad Geerdink**, said that the collection of 24 paintings, which were stolen in 2005, is in the hands of the OUN volunteer battalion in Ukraine, which was trying to sell them back for 50m euros, which is way beyond what they cost, according to experts.

The OUN battalion in its statement denied any involvement with the paintings or **Borys Humenyuk**, who was mentioned in the Westfries Museum's statement.

Humenyuk was the initial source of information that the collection stolen 10 years ago was in the mansion of a person from ex-President Viktor Yanukovich's entourage in the Donetsk suburbs in the area controlled by pro-Russian Donetsk separatists.

The Netherlands is to hold a referendum on 6 April 2016 regarding the

association deal with Ukraine . It is not legally binding but, if citizens vote negatively, may have political consequences for the government.

In February 2016, the Dutch Security Council is expected to publish its final report on what caused the crash of the Malaysian Airlines aircraft MH17.

### **Ukraine, Cyprus sign double taxation treaty**

Ukrainian Finance Minister **Natalie Jaresko** and Cypriot Minister of Commerce, Industry and Tourism **Yiorgos Lakkotrypīs** signed the updated intergovernmental double taxation treaty in the presence of **Petro Poroshenko** and **Nicos Anastasiades**, the presidents of Ukraine and Cyprus respectively, in Kiev on 11 December 2015.

### **PrivatBank's subsidiary in Latvia fined 2m euros**

The Latvian Financial and Capital Market Commission has decided to fine the PrivatBank commercial bank 2m euros for violating the Money Laundering and Terrorism Financing Prevention Act and the law on credit institutions, the Delfi news website has said.

The commission suspended the bank's board chairman, **Oleksandr Trubakov**.

Latvia-based PrivatBank is owned by the Ukrainian commercial bank PrivatBank owned by businessmen **Ihor Kolomoyskyy** and **Hennadiy Boholyubov**.

## **UKRAINE-RUSSIA**

### **Putin orders taking court action against Ukraine over outstanding debt**

On 9 December 2015, Russian President **Vladimir Putin** instructed Finance Minister **Anton Siluanov** to take a legal action against Ukraine over the outstanding debt of 3bn dollars Russia had issued to then President Viktor Yanukovich's government in December 2013.

Prime Minister **Arseniy Yatsenyuk** said that Ukraine was prepared to go to court over the debt.

### **Jailed Ukrainian pilot's defence not to appeal court ruling**

The lawyers of **Nadiya Savchenko**, a Ukrainian pilot and MP jailed in Russia, have been instructed by their client not to appeal the ruling of the Russian court of the first instance regardless of what it says.

## **UKRAINE-UN**

### **Ukrainian president appoints new permanent representative to UN**

President **Petro Poroshenko** has appointed **Volodymyr Yelchenko** as Ukraine's new permanent representative to the UN.

Yelchenko replaced **Yuriy Serheyev** who had held this post since 2007.

Yelchenko was appointed Ukraine's ambassador to Russia in 2010, when Viktor Yanukovich was the president. In 2014, as Russia annexed Crimea, Yelchenko



was recalled from Moscow for consultations and never returned there. He was dismissed as ambassador on 9 December 2015.

## **5. DOMESTIC POLITICAL**

### **Premier outlines seven priorities for cabinet in 2016**

Speaking in parliament during the government's Q&A session on 11 December, Ukrainian Prime Minister **Arseniy Yatsenyuk** identified priorities in the work of the Cabinet of Ministers in 2016, including reforms in education and medicine, privatization, decentralization of power, a new tax policy, the completion of the judiciary reform, as well as the implementation of the free trade agreement with the EU and the introduction of the visa-free regime.

During Yatsenyuk's speech, MPs of the Petro Poroshenko Bloc (PPB) and the People's Front started scuffling after MP **Oleh Barna** (PPB) had attempted to pull off the prime minister from the rostrum.

Following the incident with Yatsenyuk, Barna was expelled from the PPB faction. In addition, the regulations committee banned the MP from attending five plenary sittings of parliament.

### **Pro-presidential party says no plans to vote for premier's dismissal**

The head of the Petro Poroshenko Block parliamentary faction, **Yuriy Lutsenko**, said at the forum of local councillors on 12 December that his faction will not vote for the resignation of Prime Minister **Arseniy Yatsenyuk**.

In addition, Lutsenko noted that the government's annual report will be postponed until next year.

It is worth noting that Yatsenyuk and his cabinet's immunity from resignation expired on 11 December.

### **President signs law preserving ban on farmland sales**

President **Petro Poroshenko** has signed the law that extends the prohibition of alienation of agricultural land until 1 January 2017.

This law, which was passed by parliament on 10 November 2015, bans the purchase and sale of agricultural land in state and communal ownership.

### **Parliament adopts new law on public service**

The Ukrainian parliament has passed a new version of the law on public service, according to which public officials can now be appointed exclusively on a competitive basis.

The law, if approved by the president, will come into force on 1 May 2016.

### **Parliament speaker signs law on restructuring currency loans**

Parliament speaker **Volodymyr Hroysman** on 8 December signed the law which provides for the restructuring of all consumer loans in foreign currency at the

rate that was in effect on the date when respective loan agreements were signed (in most cases the rate was 5.05 UAH/USD).

Bankers, for their part, called on the Ukrainian president to veto the law, arguing that it would lead to a destabilization of the financial and currency markets and jeopardize the economic stability of Ukraine as a whole.

### **Parliament fails to call repeat mayoral election in Kryvvy Rih**

The Ukrainian parliament on 10 December failed to secure enough votes to pass the draft law that calls a repeat mayor election in Kryvvy Rih (Dnipropetrovsk Region).

Earlier, on 9 December, the interim parliamentary special commission investigating election rigging in Kryvvy Rih established that violations had occurred during the mayoral runoff in the city and recommended that a fresh election be called.

### **Court lifts arrest on fugitive tycoon's property**

The economic court of Kiev on 30 November withdrew the attachment of cash and property belonging to the VETEK company controlled by businessman **Serhiy Kurchenko** (often associated with the entourage of ex-President **Viktor Yanukovich**). The court also cancelled the arrest imposed on cash assets of Metalist FC, which also belongs to Kurchenko.

### **Information, infrastructure ministers tender resignations**

Information Policy Minister **Yuriy Stets** and Infrastructure Minister **Andriy Pyvovarskyy** have tendered their resignations.

### **Security service busts terrorist group operating across country**

The Security Service of Ukraine on 9 December carried out a special operation to bust a sabotage group which operated in a number of Ukrainian cities, including Kiev.

Seven saboteurs - three Russians and four Ukrainians – were detained in Kiev and Kharkiv. The eighth member and the leader of the group, **Oleh Muzhchyl** (ex-member of the ultranationalist organization Right Sector), was killed during the operation.

### **President sets up National Unity Council**

President **Petro Poroshenko** has established the Council for National Unity that will facilitate the further consolidation of the Ukrainian society, and has become the head of the council.

## **6. ECONOMY**

### **Government submits 2016 budget bill to parliament**

The Cabinet of Ministers on 11 December submitted to parliament the draft budget for 2016 and the draft of the new Tax Code, on which the budget law is based.

The Finance Ministry said that these documents had been agreed with the IMF.

US Vice President **Joe Biden**, speaking in the Ukrainian parliament, called on the MPs to adopt the mentioned budget law.

### **Budget law projects no financing of anti-corruption unit**

Anti-Corruption Prosecutor **Nazar Kholodnytskyy** has said that the draft budget for 2016 stipulates no funding for the Anti-Corruption Prosecutor's Office, whose needs are estimated at 78m hryvnyas (3.3m dollars).

For his part, President **Petro Poroshenko** said that the absence of funds for the Anti-Corruption Prosecutor's Office in the draft budget was «an unfortunate misunderstanding and a technical error».

### **IMF approves reform to provide loans to Ukraine after default**

The IMF has lifted the ban on extending loans to countries with outstanding sovereign debts.

In this way, Ukraine, even if it defaults on Russian-held bonds worth 3bn dollars, will retain access to IMF financing.

It should also be noted that according to Finance Minister **Natalie Jaresko**, the IMF decided to provide the third tranche to Ukraine under its loan programme only after the country passes the new Tax Code.

### **USA announces 190m-dollar aid for Ukraine**

During his two-day visit to Ukraine, US Vice-President **Joe Biden** announced that Ukraine would receive a fresh assistance in the amount of 190m dollars.

In such a way, the United States will provide Ukraine with 760m dollars in direct aid starting from 2014.

### **EU to provide Ukraine with 97m euros**

The European Commission, in its press release, has announced the allocation of 97m euros to support the decentralization reform and re-enforcement of local governance in Ukraine.

### **Kiev's creditors agree to debt restructuring**

The meeting of holders of Kiev's Eurobonds on 8 December made the decision to restructure the loan of 300m dollars maturing in 2016.

### **Inflation reaches 2 percent in November, 46.6 percent in annual terms**

The State Statistics Service has reported that 2-percent inflation was recorded in November after deflation of 1.3 percent in October. The annualized inflation rate increased slightly over the month, from 46.4 percent to 46.6 percent.

### **Prominvestbank boosts authorized capital by 2.1 times**

Prominvestbank has increases its authorized capital by 2.1 times or 20bn

hryvnyas (855.8m dollars) to 39.0bn hryvnyas (1.67bn dollars) by issuing additional shares.

The bank's shareholders made the decision at the general meeting on 10 December.

It should be noted that the bank's largest shareholder is Vneshekonombank (Russia, 99.39 percent).

According to the National Bank, as of 1 October 2015, Prominvestbank was the country's fourth bank (among 123 operating banks) with 55.9bn hryvnyas (2.6bn dollars) in net assets.

### **Ukrainians again sell more currency than buy in November**

The National Bank has reported that the sales of foreign currency by Ukrainian households exceeded the purchase by 70.2m dollars in November.

It is worth noting that the trend of currency sales by the population exceeding the purchase continues for the 10<sup>th</sup> consecutive month (since February 2015).

## **7. ENERGY**

### **Gazprom names gas price for Ukraine in first quarter of 2016**

The deputy board chairman of Russia's Gazprom, **Valeriy Golubev**, has said that the estimated price of natural gas for Ukraine for the first quarter of 2016 will amount to 230 dollars per 1,000 cu. m.

It is worth noting that Ukraine's government has projected the gas price of 225 dollars per 1,000 cu.m. in the draft budget for 2016.

### **Energy minister says Ukraine cut dependence on Russian gas, coal**

This year Ukraine has reduced the purchase of natural gas from Russia to 5.8bn cu.m. from 14.5bn cu.m. recorded last year, and coal to 600,000 tonnes from 2m tonnes, Ukrainian Energy Minister **Volodymyr Demchyshyn** has said.

### **Ukraine imports 3.6bn dollars' worth of oil products in 11 months**

The State Fiscal Service of Ukraine has reported that Ukraine in January-November 2015 imported petroleum products to the tune of 3.6bn dollars.

It is worth recalling that over the entire 2014, Ukraine imported petroleum products for 6.7bn dollars.

### **Ukraine imports 13.3m tonnes of coal in 11 months**

Ukraine in January-November 2015 imported 13.3m tonnes of coal worth 1.5bn dollars, according to the State Fiscal Service of Ukraine.

The main exporters of coal in Ukraine are Russia, the USA and Australia (shipped coal to the tune of 703.2m, 374.6m and 118.8m dollars, respectively).

It should be recalled that Ukraine imported 14.7m tonnes of coal for 1.8bn dollars over the entire 2014.

Earlier, Energy Minister **Volodymyr Demchyshyn** said that on 5 December Ukraine received 160,000 tonnes of coal from South Africa at a price of 57 dollars per tonne (at port).

### **Russia resumes coal supplies to Ukraine**

Russian Energy Minister **Aleksandr Novak** said on 11 December that Russia had resumed shipments of coal to Ukraine.

### **Fiscal service blocks Ukrnafta's assets**

The State Fiscal Service on 11 December arrested 9bn hryvnias (385.1m dollars) in assets of Ukrnafta, Ukraine's largest oil producer, due to the company's debts to the budget, Prime Minister **Arseniy Yatsenyuk** said during his report in parliament.

It is worth noting that earlier the State Fiscal Service asked the cabinet to consider the revocation of all licenses held by the company because of its multi-billion debts.

It should also be recalled that Ukrnafta officially recognizes its arrears in tax, rent and dividend payments in the amount of 9.4bn hryvnias (409.5m dollars), insisting that it does not have sufficient working capital for the repayment.

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