



# Gorshenin *Weekly*

**ISSUE 74 (237) 09/28/2015**

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## 1. TOP STORIES

### **Ukrainian president addresses UN General Assembly**

The president says Ukraine needs systemic reforms to counteract Russia's aggression ...

*Read more in INTERNATIONAL POLITICAL.*

### **Food blockade of Crimea now on**

An indefinite campaign to block cargo transport bringing goods to Crimea is under way on Ukraine's administrative border with the peninsula...

*Read more in CRIMEAN ISSUE.*

## 2. ARMED CONFLICT IN EAST UKRAINE

### **Contact group fails to agree on arms withdrawal**

**Martin Sajdik**, the OSCE representative in the trilateral contact group, has said that the group has failed to agree the withdrawal of arms from the line of contact in Donbas. In particular, this concerns arms with calibre below 100 mm.

### **Donetsk separatists object to Ukrainian referendum on NATO**

**Oleksandr Zakharchenko**, the leader of the self-proclaimed Donetsk People's Republic (DPR), has said that if Kiev attempts to hold a referendum on accession to NATO, the DPR will withdraw from the Minsk agreements and start to "liberate" the rest of Donbas.

Earlier Ukrainian President **Petro Poroshenko** said that a joint declaration was signed to step up Ukraine-NATO defence and technical cooperation and that a referendum on NATO entry was possible.

*See more details on Ukraine-NATO cooperation in INTERNATIONAL POLITICAL section*

### **Luhansk separatists expel UN humanitarian missions**

UN Under-Secretary-General for Humanitarian Affairs and Emergency Relief **Stephen O'Brien** has said that representatives of the self-proclaimed Luhansk People's Republic have requested that the UN team leave the area by 25 September 2015.

Several other international non-government organizations were also told to leave Luhansk.

### **Donetsk separatists block humanitarian aid from Red Cross**

On 24 September 2015, the representatives of illegal armed groups did not allow eight lorries carrying foodstuffs and hygiene products provided by the International Committee of the Red Cross to enter the self-proclaimed Donetsk People's Republic.

### **Russian major detained in Ukraine sentenced to 14 years in prison**

The Dzerzhynsk court of Donetsk Region has sentenced Russian army Maj **Vladimir Starkov**, who was detained in Ukraine on 26 July 2015, to 14-year imprisonment and confiscation of property.

**3. CRIMEAN ISSUE****Food blockade of Crimea now on**

An open-ended campaign to block cargo transport bringing goods to Crimea, which was initiated by the Crimean Tatar self-styled government Majlis with the support from MPs and public activists, started on 20 September 2015. Passengers travelling by foot and transport will be allowed free passage.

The campaign organizers believe that Ukrainian companies must stop any trade with Crimea because the peninsula was occupied by Russia.

Ukrainian MP **Mustafa Dzhemilyev**, the president's envoy for Crimean Tatar affairs, has said that the blockade may last for anything between one to six months, or even longer, until their demands are met.

**Ukrainian president initiates cancellation of free trade zone in Crimea**

President **Petro Poroshenko** has issued an instruction to table a bill in parliament on the cancellation of the free trade zone in Crimea.

**4. INTERNATIONAL POLITICAL****Ukraine-UN****Ukrainian president addresses UN General Assembly**

On 27 September, in his speech at the UN Sustainable Development summit, Ukrainian President **Petro Poroshenko** said that as a result of Russia's annexation of Ukraine's Crimea and its aggression in Donbas, thousands of people have been killed, a critically important infrastructure has been ruined and Ukraine has lost about one fifth of its economic potential.

Poroshenko said that each day of the war costs Ukraine around 5m dollars, the number of internally displaced persons runs into 1.5m, which is a serious problem not only for Ukraine but for the whole region.

The Russian delegation, except for one diplomat, left the room when Ukrainian President Poroshenko was addressing the summit.

In his previous speeches in New York, Poroshenko recalled that although Ukraine had abandoned nuclear weapons, the Budapest memorandum was not working. The president said that the Syria and North Korea issues cannot replace the issue of Ukraine which is now fighting for the democratic values of the entire world. At the same time, in Poroshenko's words, despite the Russian aggression in Donbas, Ukraine continues reforms and has already reached progress in the constitutional reform, namely in decentralization.

**Ukraine-Russia****Ukrainian government bans flights of Russian aviation companies**

The Cabinet of Ministers has adopted a decision, starting from 25 October, to ban Russia's Aeroflot, Transaero and other companies from performing flights

to Ukraine due to the sanctions applied to them.

Ukraine also banned transit flights of Russian companies over its territory, if these are transporting military goods, dual-purpose goods or Russian troops.

It is to note that only Russia's UTair has not been hit by sanctions. Former Ukrainian Deputy Infrastructure Minister **Oleksandr Kava** has said that if Ukraine closes its airspace to Russian companies due to the sanctions, the Ukraerorukh air traffic service will lose 150m dollars annually.

### **Ukrainian Foreign Ministry protests over Savchenko case**

The Ukrainian Foreign Ministry has issued a resolute protest over the start of hearings by the Russian court in the criminal case of Ukrainian MP **Nadiya Savchenko**.

The Ukrainian Foreign Ministry said that the prosecution was ignoring any proof of innocence presented by the defence and was trying to push her lawyers out of the case, limiting media access to the political process.

In court, Savchenko dismissed the accusations as fake and said that she was ready to sit a polygraph test.

As reported earlier, a court in Rostov Region started hearing the Savchenko case in essence.

### **Ukraine-EU**

#### **Germany says not going to cancel sanctions against Russia**

**Peter Altmaier**, the chief of staff of the German Chancellery and federal minister for special affairs, has said that the German government is not going to drop economic sanctions against Russia.

He was commenting on the statement by German Vice Chancellor **Siegmar Gabriel** who suggested cancelling the sanctions due to Moscow's important role in settling the Syria crisis.

### **Ukraine-NATO**

#### **Ukraine, NATO leaders launch military exercise**

On 21 September 2015, Ukrainian President **Petro Poroshenko** and NATO Secretary-General **Jens Stoltenberg** opened the 2015 Ukraine field military exercise at the Yavoriv training range (Lviv region).

#### **Ukraine, NATO sign several agreements**

The secretary of the National Security and Defence Council of Ukraine, **Oleksandr Turchynov**, and NATO Secretary-General Jens Stoltenberg have signed a roadmap of the partnership programme for strategic communication.

Foreign Minister **Pavlo Klimkin** and Stoltenberg signed an agreement on the status of the NATO representative office in Ukraine.

Additionally, first deputy secretary of the National Security and Defence Council of Ukraine, head of the Inter-Agency Commission for Military Cooperation and Exports control of Ukraine **Oleh Hladkovskyy**, together with NATO Deputy Assistant Secretary General for Defence Investment **Ernest Herold** signed a joint declaration on strengthening defence and technical cooperation between Ukraine and NATO.

### **Poroshenko: Ukraine to put NATO membership to referendum**

President **Petro Poroshenko** has said that after Ukraine meets all criteria, it will hold a referendum on NATO membership.

Poroshenko said that currently Ukraine was not ready to become a NATO member.

### **5. DOMESTIC POLITICAL**

Revival party nominates Kernes for Kharkiv mayor

The Kharkiv city office of the Revival party has unanimously voted to nominate **Hennadiy Kernes** as candidate for Kharkiv mayor in the coming local election.

### **Incumbent Lviv mayor to run for post**

The Self-Help party has nominated incumbent mayor **Andriy Sadovyy** as candidate for Lviv city head.

### **Communists not to run in local election**

Ukrainian Justice Minister **Pavlo Petrenko** has confirmed the absence of any Communist parties on the official list of parties running in the 25 October local election.

The Communist Party said that its candidates would be running in the 25 October local election on the ticket of the New State (Nova Derzhava) party. This party is a member of the newly-established Left Opposition association, alongside with **Natalya Vitrenko's** Socialists, three other parties and 13 public organizations.

### **Management of six customs offices dismissed**

Following inspections, the State Fiscal Service of Ukraine has decided to dismiss the management of the Vinnytsya, Volyn, Zaporizhzhya, Poltava, Rivne and Sumy regional customs offices.

### **President approves Ukraine's new military doctrine**

President **Petro Poroshenko** has signed a decree to enact the decision of the National Security and Defence Council "On the new wording of the Ukrainian military doctrine".

The document describes Russia's temporary occupation of Crimea and armed aggression in certain areas of Donetsk and Luhansk regions as the actual military threat to Ukraine.

**One Plus One TV takes Shuster Live talk show off air**

The One Plus One TV channel has once again taken the Shuster Live political talk show off the air for what it described as unagreed legal formalities.

**Head of National Council for Anticorruption Policy appointed**

Ukrainian President **Petro Poroshenko** has appointed the president's representative for Crimean Tatar affairs, **Mustafa Dzhemilyev**, as chairman of the National Council for Anticorruption Policy.

**6. ECONOMY****Ukraine suspends loan service**

Ukrainian Prime Minister **Arseniy Yatsenyuk** has signed an instruction to the Cabinet of Ministers to stop servicing government debts with a view to restructuring them.

Ukraine stopped servicing seven issues of government external bonds maturing 2015 to 2023. The list does not include Ukraine's 3bn-dollar debt to Russia, which is due to be paid in late 2015.

**IMF mission launched in Ukraine**

The International Monetary Fund mission took to work in Ukraine on 22 September 2015.

Ukrainian Finance Minister **Natalie Jaresko** has said that by the end of the mission, the government expects the IMF to disburse the next instalment of the loan.

On 4 August, the IMF disbursed the second tranche of 1.7bn dollars to Ukraine under the extended fund facility.

**Ukraine's external debt reaches almost 122.8 percent of GDP**

The State Statistic Service has said that the debt increased from 95.1 to 122.8 percent of GDP in the first half of the year.

The figure is based on the data not including Crimea.

According to the World Bank's forecasts, Ukraine's gross external debt will have reached 156.7 percent of the country's GDP by the end of 2015.

**World Bank revises Ukraine's economic forecast downward**

The World Bank has revised Ukraine's GDP fall forecast for 2015 downward to 12 percent.

The World Bank's previous forecast on the GDP fall was 7.5 percent.

According to the World Bank's forecast, inflation in 2015 will speed up to 50 percent in 2015.

The National Bank of Ukraine's (NBU) forecast for 2015 was more optimistic as the



GDP was expected to go down by 9.5 percent. The NBU predicted a 47.8-percent inflation.

### **National bank calculates Ukrainian banks' losses**

The Ukrainian banking system posted 47.9bn hryvnias in losses in January-August 2015. This figure does not include insolvent banks.

In August, operational banks' losses increased by 69.1 percent, or by 14.8bn hryvnias.

In 2014, the Ukrainian banking system reported 52.9bn hryvnias in losses.

### **Ukraine's central bank lowers discount rate by 5 percent**

National Bank of Ukraine (NBU) governor **Natalya Hontareva** has said that the NBU board has decided to soften the country's monetary policy by lowering the discount rate from 27 to 22 percent.

Last time the rate was adjusted on 27 August when it was lowered from 30 to 27 percent.

The lower discount rate is expected to allow banks to decrease loan and deposit rates. In experts' opinion, loans are unlikely to become significantly more affordable. According to the NBU, every fifth loan issued by banks was overdue in August.

### **State Reserve Agency reports shortage of 39m dollars**

Economic Development and Trade Minister Aivaras Abromavicius has said that the express audit of the State Reserve Agency has revealed a shortage of 250,000 tonnes of grain worth 800m hryvnias (35m dollars) and fuel worth over 80m hryvnias (3.5m dollars).

### **Balance of treasury accounts makes 35bn hryvnias**

On 24 September 2015, National Bank governor **Valeriya Hontareva** said that the balance of the treasury accounts made 35bn hryvnias (1.5bn dollars).

In early September 2014, the balance was 13.5bn hryvnias (0.6bn dollars).

### **Sale of fuel at filling stations falls by almost quarter**

According to the State Statistics Service, petrol retail sale at Ukrainian filling stations (not including occupied Crimea) fell by 22.9 percent in August 2015 compared with August 2014, down to 167,600 tonnes.

Diesel fuel retail sale went 24.4 percent down to 118,500 tonnes, compressed gas sale 20.7 percent down to 6,300 tonnes, while liquefied gas sale went 29.5 percent up to 54,800 tonnes.

**Third of Ukrainians do not trust banks**

According to a survey carried out by the Deposit Guarantee Fund with the support from the financial development programme, a third of the country's population does not trust its savings to banks.

**7. ENERGY****Russia sets gas price for Ukraine**

Russian Prime Minister **Dmitriy Medvedev** has signed a resolution setting the price of gas for Ukraine in October-December on a par with Ukraine's EU neighbour states.

Russian Energy Minister **Aleksandr Novak** has said that Ukraine will have to pay 287 dollars per 1,000 cu.m. of gas in July-September and 262 dollars in October-December.

It is also to note that on 25 September Ukraine, Russia and the European Commission initialled a protocol on Russian gas supplies to Ukraine in the wintertime.

**Russia's Gazprom drops "take or pay" demand to Naftohaz**

On 24 September 2015, Russia's gas monopoly Gazprom sent the Ukrainian oil and gas company Naftohaz Ukrayiny a letter signed by its board chairman **Aleksey Miller**. In particular, the letter confirms that the Russian gas monopoly will not apply the take or pay clause to Naftohaz within the framework of the winter gas package from 1 October 2015 to 31 March 2016.

**Ukraine cuts coal extraction**

According to a statistical report by the Energy and Coal Industry Ministry, Ukraine extracted 11.5bn cu.m. of coal in January-July, or 4.5 percent (or 0.5bn cu.m.) less than a year before. This figure does not include the Crimean Chornomornaftohaz oil and gas company.

**State Property Fund makes mind on privatization of energy companies**

The State Property Fund of Ukraine is planning to put the packages of 11 regional energy distribution companies for sale by the end of the year. The packages will include from 5 to 46 percent of shares.

The fund is also planning to sell 5-percent stakes in the Odessa and Kherson thermal power plants, the Odessa Portside Plant and the Sumykhimprom company.

The Zasyadko mine is planned to be privatized by 16.5 percent.

**Ukraine stocks 2m tonnes of coal**

Ukrainian Energy and Coal Industry Minister **Volodymyr Demchyshyn** has said that 2m tonnes of coal has been stocked at thermal power plants by 22 September 2015.

Coal stocking continues, the minister said.

Demchyshyn added that the first supply of South African coal was not expected until October. As much as 500,000 tonnes can be imported by the end of the year.

## **Ukraine cuts electricity generation, consumption**

The Interfax-Ukraine news agency has quoted a source in the Energy and Coal Industry Ministry as saying that electricity generation by the united energy system of Ukraine over eight months has decreased by 17.6bn kWh down to 104.7bn kWh or by 14.4 percent, compared with the same period of 2014.

Hydro power plants produced less electricity due to the continuous absence of rain.

The share of nuclear power plants in electricity generation went up to 54.9 percent whereas in January-August 2014, it was 46.2 percent.

Electricity consumption went 11.5 percent or 12.9bn kWh down, to 100.2bn kWh.

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