NON-STANDARD CHALLENGES AND POTENTIAL RISKS FOR THE BUSINESS IN DONBAS

Iryna DOLIA

National Technical University "Kharkiv Polytechnic Institute", Ukraine

Abstract. The purpose of the paper – the conflict, which began in 2014, in the political sphere of the state of Ukraine and which led to the violation of the country’s sovereignty, the occupation of the part of Donetsk and Luhansk regions adversely affected the state of the economy of the state. The region, in which the main production complexes of coal mining, the metallurgy of machine building were concentrated, because of military actions and political decisions, was deprived of the opportunity to legally carry out its social and economic activities. This article presents an attempt to systematize and show specifically tendencies of the organization of domestic business in conditions of military occupation. Methodology. The main research methods were: historical, statistical, a method of analysis, comparison. The historical method was used to recreate the picture of the industrial production capacities that existed before the conflict in the region began. The method of the comparison made it possible to track the use of “shadow” schemes in organizing a business for the sale of coal and electricity by enterprises located in the occupied territories of Donbas. Result. The method of analysis examined the negative consequences for the national economy of individual decisions of state policy, namely, the termination of the fiscal services of Ukraine to return value-added tax, for products exported, which led to a decline in production up to the shutdown of a number of metallurgical enterprises over the lack of working capital. Using the method of statistics and comparisons, the author analysed the dynamics of the decline in the level of production of the main sectors of the regional economic complex, and also illustrated the growth of social crises in the region and in the country: unemployment, reduction of social standards, wage arrears. Practical implication. On the example of a number of large industrial enterprises of Donbas, the author demonstrated a scheme for their destruction with the aim of depriving Ukraine of strategically important industries: brick, metal, limestone, and others. At the same time, as shown in the material of the article, the illegal authorities of terrorists “LNR” and “DNR” are interested in the fact that the remaining enterprises worked and brought income, both to the budget of unrecognized republics and personally to persons in power. However, attempts to establish production by the occupation authorities only prove the interdependence of the regional economic complex of Donbas and other regions of Ukraine. The loss of economic ties, commodity markets, and the receipt of raw materials objectively do not allow enterprises in the occupation to work at full capacity, to the end using their potential. Separately, an attention is paid to the problem of the revival of illegal coal mining in the occupied territories in the so-called private uniformed mini-mines – “bootleg mines”. Value/originality. The result of the study was the discovery of the facts of the stagnation of the regional economic complex. The ineffectiveness of state policy and the lack of control over oligarchic business structures make it possible to assert that, in this historical period in Donbas, there is a redistribution of the remnants of existing enterprises, the purpose of which is not stabilization of the situation and withdrawal of the economy from the crisis but maximum shadowing and benefits for individuals.

Key words: occupation, regional economy, export, shadowing, bootleg mines, coal anthracite, electricity.

JEL Classification: L50, R11, R50

1. Introduction

The challenge for the stable development of the country’s economy in 2014 was the fact of external armed aggression, which resulted in the loss on the part of Ukraine of control a part of its territory and recognition of its temporary occupation. A part of Luhansk and Donetsk region, to date, has received the status of “temporarily occupied territories”. As a result, the powerful industrial complex of Donbas is in the zone of military operations, which negatively affects both the social and economic life of the region, and the country as a whole. Destruction of the basic enterprises
of coal, metallurgical, chemical, and a number of other industries provoked a break in domestic production chains and significantly reduced the income from the export of products of a number of sectors of the economy. At the current stage, it is necessary to quickly monitor the status of those enterprises that are still operating in the occupation, and develop plans for the resuscitation of the regional economy returned to Ukraine.

The aim of the article is to study the state of the hotel sectors of economic activity in the old industrial region of Donbas, identify threats and possible prospects for its revival. According to the results of the analytical review of the Ministry of Economic Development and Trade in 2014, the shadow economy of Ukraine reached 42% of GDP and beaten the shadowing record set by our country in 2007, which, by the way, was 7% less. The most shadowed sectors of the economy are: mining and processing industries, transport, trade and real estate transactions. If you look at international experience, then such high indicators of the shadow economy, namely, above 40% are typical for Latin America and Africa. The emergence of such a situation has traditionally been justified by the conduct of hostilities in Donbas, destabilizing the economy of the state. However, not everything is so simple. Official Kyiv seriously puts its hand to the departure of the leading branches of the economy (coal mining, metallurgy, energy) into the shadows. In this connection, a number of risks arose for Ukrainian business (Korrespondent.biz, 2016).

2. Leaving big business in the shade

In October 2014, the National Energy and Utilities Regulatory Commission, led by the way, by the former manager of Roshen, Dmitry Vovk, who does not understand the essence of the energy resources in the market, approved the prices for coal in tariffs at the level of 800 UAH per 1 tone. Whereas, according to the quick calculations of coal miners, the cost of it is now about 1500 UAH per 1 ton. Undoubtedly, this step was taken by the state with the aim of striking the empire of one of the largest oligarchs R. Akhmetov, which is a part of the business, which is called DTEK, which owns a network of thermal power stations throughout Ukraine. However, in this cunning intrigue, one very serious fact was missed. DTEK is also the owner of the largest mines in Donbas.

Indeed, the net cost of mining of 1 ton of coal without paying taxes to the state is 800 UAH. Although if the mines stop paying taxes to the treasury, then such a grid of prices for thermal power plants is really real. The precedent already exists – in the coal association “Dobropolyeugol” (Donetsk region), since March 2015 there is a delay in payment of salaries to employees, and consequently, taxes to the state. There is a second option, an exit from the current situation – the purchase of coal in the occupied territory, where its prime cost is generally minimal (450-650 UAH per 1 ton). DTEK is a concessionaire of such large coal corporations as Rovenkyantratsit and Sverdlovskyantratsit, which are successfully operating in the occupied territory controlled by the militants of LNR, which allows the corporation to successfully exit the current situation and even develop its business in the ATO zone. Moreover, schemes of illegal coal supplies bypassing roadblocks were established and operated until February 2017.

If we carry out modest calculations, a completely opposite picture turns out, what is a result of such a clever combination of state structures designed to undermine the business of R. Akhmetov. The profit of TPPs that are part of DTEK amounted to approximately 1,9 billion UAH for 5 months of 2015, according to the results of the same period in the successful for the corporation 2013, when it was equal to 2,3 billion UAH, and therefore decreased only by 17,4%, while with the existing tariffs for raw materials and prices for electricity for consumers, the decrease in net profit should have been 44% in the first half of 2015 and go into minus after its end. In addition to shadow schemes that allow circumventing the bans of the National Commission for Energy Regulation and Utilities, there is still a variant of electricity production in the occupied territory. In total, 10212 MW, or 18,7% of the total capacity of the United Energy System of Ukraine, is produced in the ATO zone. If we take into account only thermal generation, then the share of these TPPs is 29,8%, which is not small. Given that the commodity output of electricity for 2014 in monetary terms amounted to 111.889 billion UAH, about 55% of which is for thermal generation, because tariffs for it are higher than those of nuclear power, it turns out that for the year, generation in the ATO area accounts for 18,34 billion UAH (Bajkalov, 2016).

For the state company of the power producer “Centrenergo“, the prices for coal in tariffs at the level of 800 UAH per 1 ton steel are much more sensitive. It received less than 2 billion UAH income, and its profit for 5 months of 2015 amounted to 476,5 million UAH, which indicates a nearing bankruptcy. Back in late 2014, the government of A. Yatsenyuk was going to expose Centrenergo for the privatization but now the investor is unlikely to be found for the unprofitable enterprise. An important aspect of the current situation is the fact that, according to the official data of the Ministry of Energy, there was a sharp decline in the state coal production by almost 2 times – up to 9 million tons against 17 million tons from the already reduced in 2014. As a result, the state enterprises “Livvyuhillia” and “Volynyuhillia” are on the verge of ruin and closure, and miners are forced to strike the Cabinet (Bajkalov, 2016).

Prime Minister of Ukraine A. Yatsenyuk tried to somehow stabilize the situation, instructing the Antimonopoly Committee of Ukraine to investigate the influence of DTEK on the energy industry of the state. Potentially, under the bankruptcy of Centrenergo
and the closure of Lvivvuhillia and Volynvuhillia, the results of such an investigation could lead to the demand of the official Kyiv from R. Akhmetov to sell a part of assets with the aim of reducing the share in the energy market. But, international experience shows that such investigations last for years, and it is not a fact that they end successfully. Therefore, as a safety option, the NSDC proposed to establish a rent for coal mining, which could lower the profitability of the coal business of R. Akhmetov, if a large part of it were not in the occupied territory. Thus, to date, the efforts of the official authorities to ruin one of the largest oligarchs of Donbas, created favourable conditions for the development of coal mining and energy production in the territory of the breakaway republics and the transition of these industries in Ukraine into a shadow.

Serious difficulties in late 2014 – early 2015 began to experience the mining and metallurgical production of Ukraine, whose problems are related to the fact that the State Fiscal Service of Ukraine (SFSU) in the face of a serious deficit of the state budget has ceased to provide a VAT refund (value added tax) for exported products. As of mid-May 2015, the amount of debt exceeded 5.6 billion UAH, which had a negative impact on the work of metallurgical plants, the largest of which belonged to R. Akhmetov and his partner in the corporation “Metinvest”; the owner of the business group “Smart” – B. Novinsky, their losses from this amount amounted to 3.5 billion UAH. According to the official information of the State Treasury Service of Ukraine, the VAT refund to the companies of MMC for the months of this year did not exceed 47.5% of the total debt, and in April it decreased to a critical 28.9%.

The result of this policy has been a decline in production up to a stop because of a shortage of working capital. This is a trigger mechanism for increasing debt to suppliers of raw materials, materials, energy resources, transportation services and contracting organizations. According to the data of Metalurgprom of Ukraine, the enterprises of the metallurgical industry of the country increased the negative financial result from ordinary activity before taxation by 65.4% compared to the corresponding period of 2014, which amounted to 21 billion UAH. The export of Ukrainian metal products fell in value by 38.2% – to $2.1 billion. Thus, the state lost the balance of payments due to a decrease in foreign exchange earnings. It should be remembered that in this industry about 350 thousand skilled workers are involved, and almost 1 million are in related industries, whose unemployment can lead to real social protests.

At the same time, the Donetsk Metallurgical Plant, Donetsk State Plant; Yenakiieve Iron and Steel Works; Makiivka Branch of PJSC “Yenakiieve Steel”; Khartsyzsk Tube Works; Dokuchaevsk Flux-Dolomite Plant; LLC “Electrostal” continue to operate in the occupied territory. The products of which have no added value, since the state simply does not pay the tax, and consequently there is no shortage of working capital. In this regard, a very dangerous situation arose, connected with the company “Metinvest” and SCM Corporation. They own unprofitable (for now) – the largest producer of coke Avdiivka Coke Plant (Avdiivka) and consumers of its products by the metallurgical enterprises of Mariupol (Ilyich Iron and Steel Works and “Azovstal”). Despite the risks, there are a number of points that testify that the situation of the transition of the Ukrainian economy into the shadow will not change. 1. The fighting in the ATO zone continues, no matter what. 2. Administrative pressure on big business from the state is increasing. 3. The tax burden for small and medium-sized businesses becomes overwhelming. 4. A sharp increase in subsidies, living at the expense of government payments, funds for which are needed to be taken somewhere.

In addition, the de-oligarchization of the Ukrainian economy did not happen, as evidenced by the fact that the provisions of the transfer pricing law have not entered into force. Verkhovna Rada made every effort to keep the oligarchs able to withdraw profits from the controlled enterprises in Ukraine to foreign offshore accounts, for which they voted on May 23, 2015. In order not to provoke outrage among the citizens, a law was passed that obliged businesses to disclose the final recipients of income – beneficiaries, what could be a breakthrough in the fight against corruption and economic crime in our country. If there were not only one point – sanction for its violation is simply missing. That is, the law cannot be implemented and nothing will be done for it. Consequently, in the Ukrainian economy, as before, the leading role is played by oligarchic structures, primarily concerned with making a profit, and not about the welfare of the state. Thus, in the foreseeable future, the situation with the shadowing of the Ukrainian economy is unlikely to change.

3. A military threat to businesses operating in the zone of contact

A sharp aggravation of the situation in Donbas in the zone of carrying out ATO causes a great damage not only to the state but also to big business. So in the zone of active hostilities, there was a whole series of enterprises, whose owners somehow try to keep production facilities. To date, it is Avdiivka Coke Plant, PJSC Krasnogorovka Refractory Plant, Research and Production Enterprise “Donbassnerudprom”, OJSC “Novotroitskoye Rudoupravlenie”, OJSC “Komsoomskoye Rudoupravlenie”. Some of them are unique not only in Ukraine but also in Europe.

1. PJSC Krasnogorovka Refractory Plant (Krasnogorovka, Donetsk region) - before the beginning of the ATO was the largest not only in Ukraine but also in the world manufacturer of the piece and unshaped
materials for thermal units of metallurgy, machine building, coke chemistry, heat power engineering, construction materials industry. The enterprise supplied products to more than 3000 partners in the CIS countries, as well as to Hungary, Poland, Bulgaria, Egypt, India, Iran.

However, since August 2015 Krasnogorovsky refractory plant is under constant bombardment of terrorists again, as a result of which the last of which on August 14, 2015, the enterprise suffered a significant damage. In view of the lack of gas supply to Krasnogorovka, the plant has been standing idle for three years.

The owner of the plant since 2011 is the Venture Fund “General Investment Resources” (GIR), for the benefit of which a private investment company operates in Ukraine – “Altra Finance” Investment Group. The latter, on behalf of its sponsor by 2013, bought up all the largest Ukrainian enterprises specializing in the production of refractories and extraction of raw materials for them: Krasnogorovka Refractory Plant, Krasnoarmeisk Silica Brick Plant, Velikoanadolsky Enrichment Plant, Central Processing Plant “Uzlovskaya”, “Krasnaya Zvezda”, Central Concentrating Factory “Russia” and Central Concentrating Factory “Ukraine”.

The owner of the production of refractory products of Ukraine, who received the nickname “The King of Refractories” became Guram Nemsadze, the son of the infamous Givi Nemsadze, a friend of Rinat Akhmetov, accused of creating a criminal group in Donbas in the 1990s, whose conscience was the murder of 57 people. In the Ukrainian media for some time there was an opinion that Givi Nemsadze was simply a manager working for the business interests of the Viktor Yanukovych clan, and the refractory industry thus merged into the economy of the then president. General Investment Resources was registered at the same legal address with its management company “Altra Finance”, founded by Eduard Prutnik, a businessman close to Viktor Yanukovych, who worked for 10 years to create the largest business empire of the then-president’s family.

As of 2014 the enterprise at least existed, and even was able to restore production, however, in the beginning of summer 2015, it was interested in the business structure of the new President of Ukraine P. A. Poroshenko. The head of the civil-military administration of the city was appointed a person close to the entourage of the then-president’s family. Director N.A. Markov received a proposal to replace the main staff of the work collective instead of local residents to hire specialists of the same profile from Dnepropetrovsk. At the same time, the time of full repair for the budget account and the preparation of the necessary conditions for living in an abandoned hostel Novotroitskoe was stipulated either. After the refusal of the management of Donbassnerudprom from such an event, the mine was strangely in the field of heavy artillery, and the kaolin extraction had to be suspended because of the threat to the life of employees.

2. The Research and Production Enterprise “Donbassnerudprom” (Volnovaha, Donetsk region) officially belongs to the lecturer of the Department of Electromechanical Systems of Donetsk National Technical University, Candidate of Technical Sciences, Markov Nikolay Alekseevich, the actual owner is still unknown. The company, engaged in the extraction of kaolin, crushing and averaging it on the order of consumers, has a serious production turnover and capacity. The mine is located between the village Novotroitskoe and Bogoroditske in the “Belaia Balka” (“White Gully”) where 14 km of railway canvas from it are laid to the node station Volnovaha, but for buyers from Greece, Italy, Spain, and Turkey, kaolin clays are sent by sea from the Mariupol port. The annual sales volume is 300 thousand tons. After the beginning of the ATO, Donbassnerudprom was re-registered in the city of Volnovakh and before the events of August 2015 it carried out unimpeded production activities, even it was able to increase its turnover to 500,000 tons. But they remembered about it again, in a rather strange context. Director N.A. Markov received a proposal to replace the main staff of the work collective instead of local residents to hire specialists of the same profile from Dnepropetrovsk. At the same time, the time of full repair for the budget account and the preparation of the necessary conditions for living in an abandoned hostel Novotroitskoe was stipulated either. After the refusal of the management of Donbassnerudprom from such an event, the mine was strangely in the field of heavy artillery, and the kaolin extraction had to be suspended because of the threat to the life of employees.

3. Extraction of metallurgical limestone and dolomite is carried out by two large mines located in Novotroitskoe of the Volnovaksky district of Donetsk region, controlled by the SCM group, owned by Rinat Akhmetov. Its ownership in this area includes Novotroitskoe Ore Administration, Komsomolskoye Mine Administration – the largest in Ukraine producers of flux limestone for metallurgical enterprises. At their disposal, there are two quarries - Central and Zhegolevsky, and two crushing and dressing factories, bought out in 2007 with an auction. The mines are unique in that they are engaged in the development and extraction of metallurgical limestone, without which the melting of metal is simply impossible. The mines never fell under serious shelling, only isolated facts of “random” shells were found. Even as a result of fierce fighting on August 12 and 14, 2015, the property of SCM was not damaged in this area. Today, as in 2014, the products go off on schedule.

In addition, in the same production cycle, with these enterprises, OJSC “Dokuchaevsk Flux-Dolomite Plant”
(Dokuchaevsk, Donetsk region, which is currently controlled by the DNR) operates. This is one of the largest mining and processing enterprises in Ukraine, where fluxed limestone and dolomite are processed, and the metallurgical dolomite is fired. The plant burned in November 2014 as a result of the bombing of terrorists and the seizure of the city. The work of the enterprise was restored, however, already in the occupied territory. The terrorists reminded R. Akhmetov about their existence. From time to time, Yenakieievo Iron and Steel Works and its branch Makivka Metallurgical Plant are burned either; however, work was not stopped until March 2017, until they the property of the illegal armed formations of the DNR. Thus, one can say with a confidence that ATO is not only a large-scale military operation in Donbas but also a new test for the local business.

4. Attempts to restore the economic potential of Donbas by self-proclaimed republics

A special place in the economy of the self-proclaimed republics is occupied by heavy industry, fully represented today by one of the largest enterprises of Metinvest Holding Group - PJSC Yenakiieve Iron and Steel Works, which has a full metallurgical cycle, which restored its work after the shelling in March 2015 and received net profit in the first quarter 341,901 million UAH. In addition, Makivka Branch of PJSC “Yenakiieve Steel” continues to work in regular mode, despite the destruction caused by the serious shelling on August 12, 2015, as a result of which the electric networks, the gas pipeline, and the rolling stock of the enterprise were damaged. The enterprise is equipped with the most modern equipment in Ukraine for the production of rolled steel - the average performance of existing rolling mills is 1.5 million tons of steel a year (RBK, 2017).

Terrorists are doing another profitable business – they increase the amount of scrap metal export. The authorities of the so-called “DNR” created the State Enterprise “Vtorotsvetmet”, an organization that controls the collection and sale of scrap metal on the territory of the republic. That is, the process of cutting industrial objects, including factories and mines, turning them into metal has been completely legalized and has already reached colossal scales.

First of all, all infrastructure facilities located in the zone of military operations are under the knife. The second – the collection of war scrap metal. The process of selecting and transporting scrap metal is fine-tuned and fully controlled by the leaders of DNR and LNR. In the rear zones: near Perevalsk, Sverdlovsk, Snezhnoye, and Amvrosievka, large scrap metal reception centres have been set up, where it is loaded onto road transport, which is directly transported across the border to the Russian Federation, or at the Ilovaysk station, where it is loaded into wagons and leaves by rail. According to unofficial data, the DNR has developed a map of the destruction of the remaining factories, the mines located in the first line of defence, which must be transferred to scrap metal in the first place. Similar work has already begun on the outskirts of Kuibyshev, Petrovsky, Kievsky districts of Donetsk.

The main component of the region's economy is still the coal industry, which enterprises operate depending on the volatile situation of the armed conflict. So, on a half of capacity, work mines of a name of Abakumov after Chelyuskintsev and after Skochinsky, as well as the former State Enterprise “Donetsk Coal Energy Company”. The debt of Ukraine to which on wages for the summer of 2014 was 500 million UAH. However, the self-proclaimed republics are not in a hurry to pay with the miners, on average, the payments of the DNR and LNR make up 50% of the earned income, with a stable delay of 2-3 months. A very difficult situation arose with the enterprises of “Donetskukhulia” and “Makiivuhlilia”, whose employees, working in full rotation, only after a series of protests and refusal to leave the lava were able to request a salary for the month of May 2015. In the associations “Toreznatratris” and “Snezhnaya Anthracite” beginning of 2017, payments were more regular. Best of all, until recently, things were going on at mines belonging to the large Ukrainian capital CJSC Zasyadko mine, Rovenky coal, Krasnodon coal, mines in Sverdlovsk and Shakhtersk, where coal mining was in the same volume and wages are paid in UAH, and a delay of not more than a month.

According to official statistics of the state statistics, at the beginning of 2015, 5,000 enterprises operating in the occupied territory of Donbas are re-registered in Ukraine; they paid 19 billion UAH of taxes to the state budget. However, in conditions of the policy of the complete blockade of the self-proclaimed republics the DNR and LNR supported by the official Kyiv, the coal-electricity-metal production relations are violated and difficult to maintain, which affects the existing volumes of production. So for the first half of the 2015 year, the production of ordinary coal amounted to 7,5 million tons, which is 12,8 million tons less than the same period of 2014 (by 2,7 times). The same situation is observed with the extraction of hard coal, whose volume was 5,8 million tons with the same proportions for cutting production as for the private. Coke production for the same period of 2015 was implemented in the volume of 2,7 million tons to only 55,4% of 2014. The output of pig iron in the first half of 2015 reached 4,8 million tons, falling from the same period of 2014 by 34,1%. Steel production, solely due to the active activities of “Metinvest Holding”, decreased by only 29,0%, amounting to 4,9 million tons. Production of finished rolled products was carried out in the amount of 2,4 million UAH and decreased on 38,0% from the last year (Interfax-Ukraine, 2017).
In parallel, in Ukraine, converting centres began to operate, through which the money earned in the occupied territories was laundered. According to the latest data of the SSU, one of such companies for “cashing” carried out its illegal activities in the city of Kharkiv. Periodically, law enforcement authorities reported such cases in the Dnipropetrovsk and Zaporizhzhia regions. In this regard, it is interesting that according to the requests of the head of the DNR, the ruble mass in the republic for 2015 almost supplanted the hryvnia and amounted to 92%, but the conversion centres for unknown reasons worked in Ukraine until 2017. In conditions of high unemployment and, most importantly, the acute shortage of money supply in the occupied territories of Donbas, attempts have been made to establish a local business focused on marketing products in the RF.

The most profitable sector of the occupied territories of Donbas until 2017 was the coal business, although this does not mean that the leadership of the DNR and LNR began to revive the mines of the region, on the contrary, the main stake was made on quick, less costly and conditionally legal production by developing “bootleg mines”, with which they fought in vain in peacetime. According to the Independent Trade Union of Miners of Ukraine, the volume of illegal mining in Donbas (using "bootleg mines") in 2013 was 6 million tons or about 10% of all mined coal in the country. This is a colossal amount of money with minimal investments. And apparently, the leaders of illegal armed groups were familiar with this business in all details. It is the occupied cities of Yenakiyev, Gorlovka, Shakhtersk (Donetsk region), as well as Stakhanov, Rovenky, and Anthracite (Luhansk region), which are the richest on "bootleg mines". Entering these cities, the terrorists, first of all, destroyed the officially operating mines and eliminated representatives of the "criminals" who control illegal mining, re-subordinating them to the so-called military commandants. One of the reasons for the conflict between A. Mozgovoy and the ataman N. Kozitsyn (already liquidated by his own associates) with the leadership of LNR (during the first weeks of occupation V. Bolotov and then I. Plotnitsky) was precisely the reluctance to give control over "mine" business to "military commandants" of cities appointed by the leadership of pseudo-republics. In the territory under the control of LNR, it was from the filing of A. Mozgovoy and the ataman N. Kozitsyn in 2014–2015, there was the active sale of the mined coal here to Russia, and through it to Ukraine.

At the same time, at this stage, “military commandants” of the illegal armed formations of the cities of Yenakiyev and Shakhtersk are people of A. Zakharrenchko, and here the situation is different – there is no division but there is a problem with the sale of mined coal. Despite the decline in production at the officially operating mines of the occupied Donbas, the terrorists control 83 coal mines out of 150 existing mines. In October 2014, Donetsk region mines produced 1,134 million tons of coal, which is 64,4% less than the corresponding period of 2013, but 16,6% more than in September of the same year. Thus, there really was an excess of coal in the DNR. However, to sell it to the leadership of the DNR, it was necessary to try hard and establish illegal rail traffic to Ukraine.

5. Legalization of “bootleg mines”

In 2015 (January 12), the head of the DNR, Alexander Zakharrenchko, assembled the so-called directors of the mines (owners of “bootleg mines”) for the meeting and announced the coal mining plan, emphasizing that it should not just be fulfilled, “but also it is necessary to give a quality, and not mixed with the breed coal". Such machinations were abused by the leaders of state mines in peacetime. So in 2013, they reported on the extraction of 24,147 million tons of coal, and in fact, the output of marketable products was only 17,597 million tons. Thus, 27% of the coal produced by the state went to the black market. Given that in Donbas by the beginning of 2014 there were 35 working state mines, it is possible to imagine the level of shadowing of the coal industry and the amount of profits involved in the schemes of officials and miners.

In addition, the DNR and LNR started to seriously address the issue of legalization of “bootleg mines” even issued a decree providing for the official registration of “bootleg mines” as artels, which established a fixed “tax” (this selection can be called so) for the coal mining, the sanction was approved in advance of the form of physical elimination of those willing to create new corruption links and continue to receive super profits in circumvention of the leadership of illegal armed formations.

The total fee from each such “coal artel” was 30 thousand UAH per month, of which 10 thousand UAH are for local (city or rural) “authorities” and 20 thousand UAH – for Donetsk, so to speak in the "republican budget". In the event of the owners’ refusal of “bootleg mines” from the passage of this procedure, their business is simply taken in favour of the "republic" by transferring it to “state property”. Thus, the self-proclaimed DNR and LNR by the end of 2015 received full control over coal mining in Donbas by attempting to unshadow it. If at the end of 2014 coal mining in "bootleg mines" was in question, due to the elementary division of spheres of influence between the leadership of terrorists and local criminal structures, today all spheres of influence are divided.

Despite such a high level of interest in investing in legal production, the DNR and LNR are in no hurry since the main emphasis is on the work of “bootleg mines”. True, I. Plotnitsky (who made a lot of efforts to suppress the “Cossacks” who had their own views on the export of coal) tried to give some kind of legitimacy to “bootleg
regions controlled by the separatists, the rest are of 70 located on the territory of Donetsk and Luhansk. The number of officially operating mines in the occupied territories is only about 20 out of 769 million 839 thousand UAH. The facts of payments are confirmed by the "Donbass", "Snezhnoyantratsit", "T orezantratsit", "Makiivvuhillia" coal mining industry workers, were credited with 1 billion 106 million 839 thousand UAH. But all this is just a cover, an illusion of the separatists to trade with the Ukrainian government at a price of 1800 UAH per ton (112 TV channel, 2016).

The only logical answer to why Donbas coal has become the most interesting thing is that "bootleg mines" appear as mushrooms after rain in an area where workers already are, shallow to 1500 km, profitable mines. For example, mine "Enakievskaya", mine "Bulavinskaya", mine "Poltava", mine "Dolzhanskaya capital", but careful management of pseudo-republics prefers not to support working enterprises but practices their closure. The lack of an opportunity to formally work in the mines of the region forces men to become slaves to the owners of illegal mining. At the same time, the price of labour, given the high percentage of injuries, deaths, and completely manual extraction is minimal. So, for 10-12 hours of work the coal miner receives from 100 to 150 UAH, the loader pulling the trolley with coal to 50-70 UAH. In fact, for a day of work, one "bootleg mine", in which 4 people work, produces from 3 to 10 tons of coal, depending on the formation and skill, about 300 tons of coal per month. But even with such a price policy and risk for life, those who want to work do not decrease. According to residents of Shakhtersk who work on such "bootleg mines", such an exploitation of the mineral resources can aggravate the ecological situation in the region and provoke an industrial catastrophe in the form of contamination of water basins with heavy metals from incorrectly stopped mines, the formation of holes, and erosion of soils. Production in the "bootleg mines" is filled with industrial water from nearby non-functioning mines, which allows it to quickly reach the surface (Sher, 2016).

From January to April 2015, according to the data of the Ministry of Energy of the Russian Federation, "Donbass", "Snezhnoyantratsit", "T orezantratsit", "Makivvuhillia" coal mining industry workers, were credited with 1 billion 106 million 987 thousand UAH wages and miners received 769 million 839 thousand UAH. The facts of payments are confirmed by the miners themselves. But all this is just a cover, an illusion of renewal of the former glory of the mining region. In reality, however, the number of officially operating mines in the occupied territories is only about 20 out of 70 located on the territory of Donetsk and Luhansk regions controlled by the separatists, the rest are destroyed (13 completely and cannot be restored) and are gradually being flooded (according to unofficial data, more than 60% of the mines have been flooded Donbas in the occupied territory). The number of officially working miners in comparison with 2013 has decreased by 40%, and the tendency to reduction remains.

The work of these mines provides a kind of cover for setting up full-scale mining in an illegal way, thanks to which significant production figures appear. According to local residents, in 2016, the flow of coal export from “bootleg mines” has grown many times, for the transportation, there is actively used as an automobile transport for deliveries through the Russian border checkpoints “Donetsk”, “Gukovo”, “Matveev Kurgan”, and railway through the checkpoint “Ilovaysk – Matveev Kurgan”. True, it is not a secret for anyone that the supply of coal to the Russian Federation is carried out illegally; this is 100 % smuggling, which for some reason is not clearly seen by Russian customs officers and border guards. But the most interesting thing is that this business is clearly damaging the coal enterprises of the Russian Kuzbass. In fact, coal from the occupied Donbas interrupts the price and at the expense of better quality reduces the demand for Russian coal (Demchishin, 2016).

The average wholesale price per ton of coal from the DNR and LNR for the Russian Federation is 500 UAH, and the Kuzbass price is 700 UAH for the hryvnia equivalent. However, it has become more profitable for the separatists to trade with the Ukrainian government since 2016 as, after the adoption of the "Rotterdam Plus" scheme, a ton of coal already costs more than 1000 UAH. According to the so-called "Ministry of Energy of the Russian Federation", during the period from March to June 2015, 20594 coal wagons were transported to Ukraine. From the calculation of their tonnage, the volume of supplies almost reached one and a half million tons. True, an attention is constantly focused on the fact that Russia remains the main consumer of coal. However, neither the DNR nor the LNR are in hurry to publish official statistics on the volumes of supplies to the "older brother". And this is understandable; firstly, those who know how to take the coal miners as the direct miners will have an elementary question: where the money which they get is going; and secondly, the issue of the legality of these supplies is harmful to the image of the Russian Federation itself. At the moment, there is no legal way to export products from the occupied territories of Donbas. Since, according to international norms, any export activity presupposes the availability of international certificates for products. The only logical answer to why Donbas coal has become so interesting to Russia is the cheap purchase of high-quality anthracite and resale already under the Russian brand for much more money, moreover, it is possible that it is for the same Ukraine (at a price of 1800 UAH per ton) (112 TV channel, 2016).
6. Conclusions

In addition to the export of coal to the Russian Federation, the price of anthracite coal sharply increased in the territories of Donbas controlled by Ukraine, which also activated the business of "bootleg mines" on the other side of the line of demarcation. This fact has a logical explanation, because of the numerous damages of the main gas pipelines, a significant part of settlements along the line of demarcation is forced to switch to the installation of solid fuel boilers oriented to coal anthracite. And given the inadequate price of gas for the residents of peaceful Ukraine, then there also massively switch to an alternative to gas – coal. In the country since February 2017, there really exists a deficit of coal of "A" grade, especially in the front-line cities, caused by transport blockade from Ukraine. As a rule, residents of the Maryinsky and Volnovahsky Donetsk regions purchased this coal grade from private entrepreneurs in the cities of Donetsk, Shakhtersk, and Torez. And if back in May 2016, smuggled into the detour of official checkpoints on the line of delimitation, such supplies of coal were flowing (the price of transportation in case of hitting the Ukrainian mobile checkpoint was 200 UAH per ton of coal), today all roads are blocked, supplies are discontinued. At the same time in May 2017, the price of A Grade Coal for the population of the front-line Ukrainian territories of Donbas was 2200 UAH for a ton but, at the beginning of autumn, it increased already up to 2700-3000 UAH per ton.

Thus, the industrial potential of the occupied territory of Donbas has been preserved only in a part and only thanks to the exceptional efforts of the owners of these enterprises, continuing to hold their own business, at their own risk and to cooperate with both sides of the conflict. Undoubtedly, there is an insignificant part of those companies that fell into the hands of terrorists, managed to stay afloat and bring income to new owners.

Proceeding from the foregoing, it can be precisely said that the leaders of pseudo-republics are not oriented toward the development of the old industrial region and the creation of a self-sufficient subject, either within Ukraine or as a separate state.

References:
Demchishin nazval stoimost uglja iz «DNR» i «LNR». Retrieved February 9, 2016 from: http://sharij.net/45814
и сравнения автор проанализировал динамику падения уровня производства продукции основных секторов регионального экономического комплекса, а также проиллюстрировал рост социальных кризисов в регионе и стране: безработица, снижение социальных стандартов, задолженности по выплате заработных плат.

Практическое значение работы. На примере ряда крупных промышленных предприятий Донбасса автором продемонстрирована схема их уничтожения с целью лишения Украины стратегически важных производств: кирпича, металла, известняка и других. Незаконная власть террористов «ЛНР» и «ДНР» заинтересована в том, что бы оставшиеся предприятия работали и приносили доход, как в бюджет непризнанных республик, так и лично лицам, находящимся у власти. Однако, попытки наладить производство оккупационными властями лишь доказывают факт взаимозависимости регионального экономического комплекса Донбасса и других регионов Украины. Отдельно обращено внимание на проблему возрождения на оккупированных территориях нелегальной добычи угля в так называемых частных неоформленных мини-шахтах – «копанках».

Значением проведенного исследования стало выявление фактов стагнации регионального экономического комплекса. Не эффективность государственной политики и отсутствие контроля за олигархическими бизнес структурами позволяет утверждать, что в данный исторический период времени на Донбассе происходит перераспределение остатков действующих предприятий, цель которых не стабилизация ситуации и вывод экономики из кризиса, а максимальная тенезизация и выгода для отдельных частных лиц.