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THE SOCIO-ECONOMIC SITUATION IN OCCUPIED CRIMEA IN 2014 – 2020

**Third Edition
Revised and Updated
November 2020**



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The Socio-Economic Situation in Occupied Crimea in 2014 – 2020. Third Edition. Revised and Updated.
With contributions by Olha Korbut. Edited by Andrii Klymenko. Translated from Ukrainian by Hanna Klymenko.
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Back in the USSR. The Reverse Restructuring of the Crimean Economy

The socio-economic situation in Crimea after the occupation and illegal annexation by the Russian Federation (the RF) is characterized by a rapid return to the Soviet era, ranging from the sectoral structure of the economy to the standards of accounting and reporting and social services for the population.

Despite the myth of Crimea being the "USSR-wide health resort" that existed in the Soviet Union, the real nature of the economic processes in Crimea in the Soviet era was different.

In terms of employment, land use, state investment, and output volumes, Crimea was:

first and foremost, a large military and naval, aviation and space base that ensured the Soviet dominance in the Black Sea region and its influence in the Mediterranean and the Middle East;

secondly, an industrial and scientific centre of national significance in the areas of military instrument-making and shipbuilding;

thirdly, one of the Soviet food industry centres, which specialized in the processing of fish, vegetables, fruits, and grapes.

The Crimean industry was based on the enterprises of military instrument-making in Sevastopol, Yevpatoriia, Simferopol, and Feodosiia and military shipbuilding and ship repair in Sevastopol, Feodosiia, and Kerch.

Crimean shipyards built dozens of large naval ships, while Crimean instrument-making factories manufactured and tested guided torpedoes, weapons control systems, radio equipment, and complex parachute systems, including the ones for spaceships and tank landing.

At the same time, the data related to the defence industry and the military-industrial complex, such as the number of people employed and production volumes, never appeared in public official statistics.

With the end of the Cold War, during perestroika and in the years following the collapse of the USSR, the main Soviet-era industries of the Crimean economy were completely or mostly lost in the course of the political and spontaneous market changes.



Loading cruise missiles onto the USSR Black Sea Fleet submarine, Sevastopol, the 1970s. Photo from the BlackSeaNews archive

The labour resources released from these industries have been absorbed mainly by small business, which in Crimea has never meant classic entrepreneurship that creates the middle class, but rather a means of survival and self-employment. By 2001, the new economic structure of the peninsula had developed, and until 2010, the food and chemical industries were the main drivers of the Crimean economy. The share of agriculture continued to decline, and its place was increasingly taken by trade and services.

As a result of international sanctions, already by 2015, the leadership of the Russian Federation had begun to realize that their initial ambitious plans for the economic development of occupied Crimea had been unrealistic, and, therefore, they concentrated exclusively on its "military development" while continuing to use the economic development rhetoric.

A telling marker was that the "Ministry of Crimean Affairs" created on 31 March 2014, two weeks after the illegal annexation, was dissolved as early as 15 July 2015.

During 2016, the RF completely abandoned the idea of turning Crimea into a "new showcase for Russia". On 28 July 2016, the status of occupied Crimea and Sevastopol within the Russian Federation was lowered: the "Crimean Federal District", which had been created immediately after the annexation, on 21 March 2014, was eliminated by Putin's decree. The so-called "constituent entities of the Russian Federation", the Republic of Crimea and the city of Sevastopol, were merged into the Southern Federal District of the RF with the administrative centre in Rostov-on-Don.

Among other things, that act established a uniform system for the political and administrative governance and the military command, because, since the beginning of the occupation, all Russian military units in Crimea have been part of the Southern Military District with the headquarters in Rostov-on-Don.

Since 2016, the militarization of Crimea has become not only the main focus of Russia's Crimean policy but also the main driver of the occupied peninsula's economy. As a result, for almost 7 years of the occupation, it is the "military development" of the territory that has been the most striking "success story" of the Russian Federation in Crimea.

That "military development of the territory" includes, first of all, building up a giant military base that equals or exceeds in terms of the number of military personnel the largest U.S. military bases around the world. Reliable transport, energy and water supply infrastructure for military and dual purposes is being created.

At present, the economies of Crimea and Sevastopol are undergoing the "reverse" restructuring aimed at the priority restoration of the military-industrial enterprises and facilities preserved from Soviet times.

The main components of that "reverse" restructuring of the Crimean economy are as follows:

- building up the largest in Europe Russian joint force grouping in Crimea at a rapid pace;
- all Soviet-time military infrastructure and facilities in Crimea, such as numerous military airfields, missile launching sites, air defence facilities, radar systems, and nuclear weapons storage facilities, are currently being rehabilitated;

- the construction of new and reconstruction of old military compounds for the deployment of new military units, as well as the construction of housing and related infrastructure for the military is underway;

- to fulfil military orders, the operations of the military-industrial enterprises specializing in military instrument-making, shipbuilding, and ship repair have been resumed as a matter of priority. These enterprises have been included in the structures of Russian state-owned concerns.

It is clear that, as in Soviet times, the official economic statistics do not show figures related to military activity. Therefore, to illustrate the "reverse" restructuring of the Crimean economy, the authors used the available statistics on putting into operation fixed assets by type of economic activity.

The most interesting type of activity in the official RF's classification has code 84 and the name "Public administration and defence, compulsory social security". The main ingredient of this Russian cocktail of military defence and social security is the activity listed under code 84.22, "Defence activities".

"...This class includes administration, supervision, and operation of military defence affairs and land, sea, air and space defence forces such as combat forces of army, navy, and air force,

engineering, transport, communications, intelligence, material,

personnel forces and commands, reserve and auxiliary forces of the defence establishment,

military logistics (provision of equipment, supplies, structures, etc.),

health activities for military personnel in the field ...".

Thus, the sections of the figures, especially the blue one in Figure 1, which applies exclusively to Sevastopol, the main base of the Black Sea Fleet of the RF, indicates that over the years of the occupation, military facilities and equipment worth up to 150 billion roubles have been put into operation in Sevastopol. These facilities and equipment were assigned to the Black Sea Fleet and naval aviation headquarters located in the city.

The fact that defence activities account for about 70% of fixed assets put into operation in Sevastopol demonstrates which industry has been given the highest priority in the city's economy.

The so-called "Republic of Crimea" has somewhat different tasks, which is shown in Figure 2.



Construction of the Karakurt Project corvette carrying Kalibr cruise missiles at the seized Zaliv shipyard in Kerch, 2018. Photo from the BSNews archive

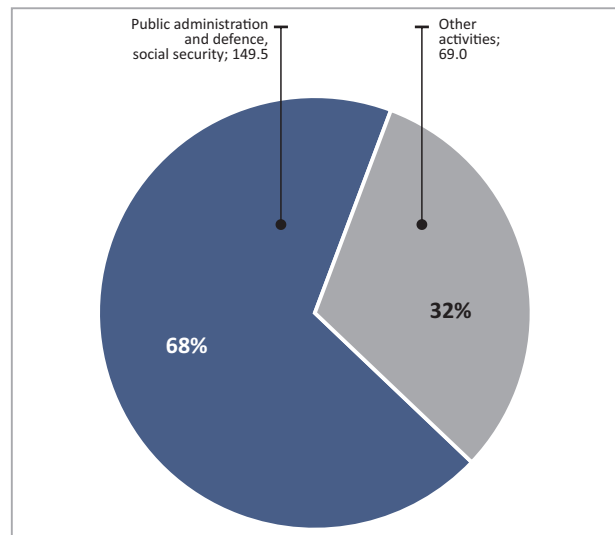


Figure 1. Putting into operation fixed assets in Sevastopol by type of economic activity, according to Rosstat, 2014-2019, billion roubles

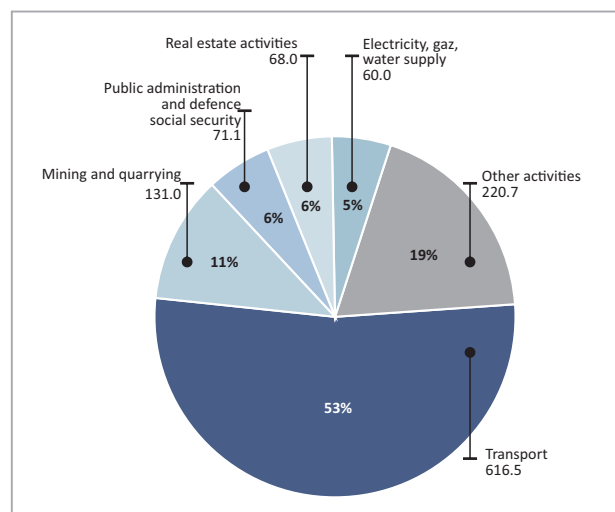


Figure 2. Putting into operation fixed assets in occupied Crimea by type of economic activity, according to Rosstat, 2014-2018, billion roubles

Our analysis of Russian investment activity on the peninsula has demonstrated the following: the main reason for the existence of the occupied Crimea territory for the RF is to provide transport and critical infrastructure transit from the territory of the RF to the military base in Sevastopol.

This "mission" consists of the following priorities:

- providing logistics support: reliable and fast transportation of troops, armoured vehicles, missiles and shells, fuel and other supplies from the territory of the RF to military bases and airfields located in or operated from Sevastopol;
- providing logistics support to Russian military bases in Syria and the Russian Navy squadrons in the Mediterranean;
- providing military facilities with engineering infrastructure: water supply, sewerage, heat supply, power supply, gas supply, and communications systems (the provision of this infrastructure to the population of the peninsula is funded residually);
- providing critical services, such as health care and trade, to members of the Russian armed forces, civil servants, law enforcement officers, and their families (the provision of these services to the rest of the population is funded residually).



The "Trophy Economy". Militarization as a Factor of Industrial Growth

As early as 4 April 2014, at an ad-hoc meeting of the Collegium of the Ministry of Defence of the Russian Federation, Defence Minister Sergei Shoigu announced his intention to provide the industry of the occupied peninsula with state defence orders, emphasizing the importance of "using the manufacturing and technological potential of the Crimean defence industry effectively".

In mid-April 2014, Russia's Kommersant reported that the Ministry of Defence had already compiled the list of 23 Crimean enterprises of interest to the agency. Citing sources in the ministry, the newspaper wrote that "it has been done in line with the directives of President Vladimir Putin and the process is being supervised by Deputy Defence Minister Yuri Borisov. Currently, the proposals on the effective use of the enterprises are being developed".

According to Borisov himself, they "will start working on ensuring the workload for the enterprises after finalizing all the formal procedures, such as licensing and re-registration".

The "formal procedures" the Russian Deputy Defence Minister referred to meant, first and foremost, the expropriation of Ukrainian public and private enterprises. All the peninsula's defence enterprises were "nationalized" by Russia in the first months of the occupation of Crimea, and most of the state-owned defence enterprises – in the first two weeks.

Almost all Crimean defence companies have already been or are about to be taken over by large Russian corporations, have been leased to Russian enterprises, or at least have so-called "supervisors" in Russia.

The institute of such supervisors was officially introduced in 2016 when the Ministry of Industry and Trade of the Russian Federation ordered that the Crimean enterprises should be assigned supervision. The responsibility of the supervisors has been to share work orders with the Crimean plants they supervise and ensure their modernization.

At year-end 2015, Crimea was declared "the leader in terms of the growth rate of industrial production" in Russia with a growth of 12.4%. According to official data, in the first half of 2016, the industrial production index in Crimea exceeded 120%, which represented a 20% year-on-year increase.



The towing operation of the unfinished Kozelsk missile corvette from the More shipyard in occupied Crimea, the Don River, Rostov-on-Don, 21 October 2019. Photo from the BlackSeaNews archive

That growth was mainly due to the provision of Crimean enterprises with military orders.

In April 2016, the then Russian President's envoy in the so-called "Crimean Federal District" Oleg Belaventsev said that the military-industrial complex, which included about 30 companies, was a strategic direction for Crimea's industrial policy.

In 2016, of the eight regions of the Southern Federal District, the highest growth rate of the industrial production was shown by Sevastopol. Over the course of the year, the city's output of industrial production increased by 21.8%. As a reminder, in 2014 industrial production in Sevastopol grew by 372.9%.

Overall, compared to 2015, in 2017, the defence industry output in Crimea and Sevastopol grew by 430.8% and compared to 2016 – by 227.6%.

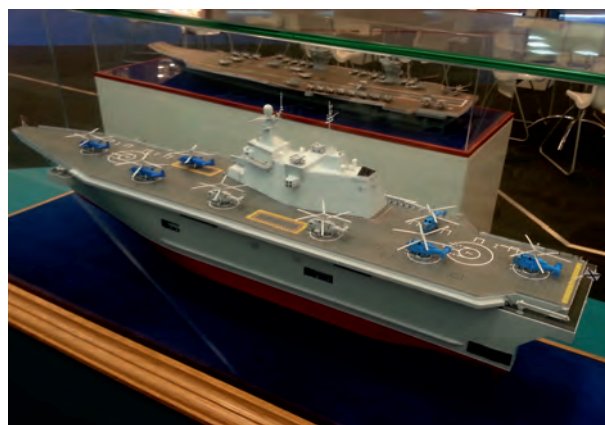
Official data show that until mid-2018, the growth rate of industrial production in Sevastopol was a staggering 110%.

According to representatives of the Crimean "government", the Crimean enterprises are receiving a sufficient number of state orders mainly due to the personal attention of President Putin and "the firm decision to place a large number of orders at the Crimean shipyards".

As a result of the occupation, the aggressor acquired 13 Ukrainian defence enterprises, which had been part of the Ukrainian state-owned Ukroboronprom concern, as "war trophies".

At the beginning of 2014, the Ukroboronprom concern included 13 Crimean enterprises, namely:

- Feodosiia Shipyard More;
- the State Enterprise Feodosiyskiy Optichnyi Zavod (Feodosiia Optical Plant);
- PAT Zavod Fiolent (Fiolent Plant), Simferopol;
- the State Enterprise Konstruktorsko-Tekhnologichne Biuro Sudokompozit (Sudokompozit Design and Technology Bureau), Feodosiia;
- the State Enterprise Naukovo-Doslidnyi Instytut Aeropruznykh System (Research Institute of Aeroelastic Systems), Feodosiia;
- the State Enterprise Yevpatoriyskiy Aviatsiyni Remontnyi Zavod (Yevpatoriia Aviation Repair Plant);
- the State Enterprise Sevastopolske Aviatsiine Pidpriemstvo (Sevastopol Aircraft Enterprise);



One of the prototypes of the helicopter-carrying amphibious assault ships of the Russian Navy laid down at the seized Zaliv shipyard in Kerch. Photo by Artem Tkachenko, de.wikipedia.org

- the State Enterprise Feodosiia Ship and Mechanical Plant of the Ministry of Defence of Ukraine;
- the State Enterprise Central Design Bureau Chornomolets, Sevastopol;
- the State Enterprise Spetsialna Vyrobnnycho-Tekhnichna Baza Polumia (Special Production and Technical Base Polumia), Sevastopol;
- the State Enterprise Research Centre Vertolit, Feodosiia;
- the State Enterprise Konstruktorske Biuro Radiozviazku (Radiocommunications Design Bureau), Sevastopol.

Of those 13, ten enterprises continue operations as separate entities.

- By decree 118 dated 28 February 2015, the occupation authorities of Sevastopol "nationalized" Konstruktorske Biuro Radiozviazku and unofficially liquidated it shortly thereafter.
- Skloplastyk has become part of Feodosiia Shipyard More, which after corporatization will become part of Kalashnikov Concern.
- Sevastopol Central Design Bureau Chornomolets has ceased to exist, having become a design centre within DUP Sevastopolskyi Morskyi Zavod (Sevastopol Shipyard).

The Monitoring Group of the Black Sea Institute of Strategic Studies and BlackSeaNews has identified 59 Russian companies that collaborate with the seized Crimean enterprises of Ukroboronprom and a total of 149 companies collaborating with the Crimean plants on military production.

Some of the most striking examples of the use of trophy Crimean enterprises are provided below.

* * *

Leningrad Shipyard Pella first became a so-called supervisor and then a leaseholder of Feodosiia Shipyard More owned by the state of Ukraine (the city of Feodosiia, the Autonomous Republic of Crimea). After the occupation of Crimea, the More shipyard was seized, expropriated, and "transferred" into the federal ownership of Russia. On 15 November 2016, the More shipyard was leased to Leningrad Shipyard Pella until the end of 2020.

The Russian Pella shipyard has built three new Project 22800 (codenamed Karakurt) inner maritime zone missile corvettes, small-size missile ships according to the Russian classification, at the More shipyard.

Even before the lease of the More shipyard, on 10 May 2016, the Pella shipyard started building Shtorm, the first in a series of 3 missile corvettes of the new Project 22800 Karakurt, for the Black Sea Fleet of the Russian Federation as part of the Russian state defence contract.

On 17 March 2017, the shipyard began the construction of Okhotsk, the second missile ship in that series, and on 19 December 2017 – Vikhr, the third corvette.

Following the publication of this information in June 2018, there was a threat of U.S. and EU sanctions against the Pella shipyard.

Afterwards, events unfolded as follows.

- The first of the three "Feodosiia Karakurts", the Kozelsk small-size missile ship, yard number 254 (during laying down it was named Shtorm), was laid down on 10 May 2016, it was scheduled to be commissioned into the Black Sea Fleet in 2019, and was launched on 9 October 2019 in an unfinished condition.
- The Okhotsk small-size missile ship, yard number 255 (during laying down it was named Tsiklon), was laid down on 17 March 2017. It was scheduled to be commissioned into the Black Sea Fleet in 2019 and was launched on 29 October 2019.
- The Vikhr small-size missile ship, yard number 256 (the name was given during laying down and so far has not been changed), was laid down on 19 December 2017, launched on 13 November 2019.

After that, in order to avoid international sanctions, Leningrad Shipyard Pella decided to suspend the construction of the three missile corvettes of the Karakurt Project immediately, a year before the lease term expired. It launched unfinished hulls of varying degrees of readiness and organized their towing to the Pella shipyard.

* * *

AO Zelenodolskiy Zavod Imeni A. M. Gorkogo (Zelenodolsk Shipyard Plant named after A.M. Gorky), based in the Republic of Tatarstan, part of the AO Ak Bars Holding company, is one of the largest ship manufacturers in Russia. Zelenodolsk Shipyard Plant's main "success" on the peninsula is its illegal seizure of the property of the Zaliv shipyard in Kerch in August 2014.

It should be pointed out that Zaliv has one of the largest shipbuilding docks in Europe. Being 364 metres long and 60 metres wide, the dock has no equivalents in the RF. Therefore, we anticipate that its use for the needs of the Russian military will continue to grow.



The cable layers and icebreakers Volga and Vyatka; the displacement is over 10,000 tonnes, length – 140 metres, removed from the dry dock of the Zaliv shipyard to make room for the construction of the helicopter-carrying amphibious assault ships, 18 August 2020. Photo from the BlackSeaNews Monitoring Group archive



The launch of the Tsiklon corvette, the first of the three missile corvettes of the Karakurt Project being built at the seized Zaliv shipyard in Kerch; 24 July 2020. Photo from the BlackSeaNews archive

As of 1 October 2020, the programme to construct warships for the Black Sea Fleet of the RF at the Zaliv shipyard as part of the Zelenodolsk Shipyard Plant's state defence order was as follows.

Three off-shore maritime zone missile corvettes of Project 22160:

- the main ship of this project, Vasily Bykov, was laid down on 26 February 2014 in Zelenodolsk, launched in August 2017. In November 2017, it was towed for completion to the Zaliv shipyard. The construction was completed in March 2018. On 25 March 2018, it headed from Kerch to Novorossiysk for state testing. In December 2018, it was commissioned into the Black Sea Fleet of the RF;
- the missile corvette Pavel Derzhavin was laid down on 18 February 2016; launched on 21 February 2019. In April 2019, it arrived in Novorossiysk from Kerch for state testing; the commissioning into the Black Sea Fleet of the RF is scheduled for 2020. It has become the first warship to be built entirely at the Zaliv shipyard;
- the missile corvette Sergey Kotov was laid down on 8 May 2016. It is currently under construction. Its launch scheduled for 2019 didn't take place, the deadline for the completion of construction in 2020 will also be missed.

The construction of the three missile corvettes of Project 22800 Karakurt:

- the Tsiklon corvette was laid down on 26 July 2016; launched on 24 July 2020. The deadline for the construction completion in 2019 was missed;
- the Askold corvette was laid down on 18 November 2016; is currently under construction on open slipways, the deadline for the construction completion in 2019 was missed;
- the Amur corvette was laid down on 30 July 2017; is currently under construction on open slipways, the deadline for the construction completion in 2020 was missed.

The construction of naval cable ships of Project 15310 codenamed Kabel

- The cable layers and icebreakers Volga and Vyatka of Project 15310 were laid down on 6 January 2015; launched on 18 August 2020. They have a displacement of over 10,000 tonnes, a deadweight of 8,000 tonnes, a length of 140 metres, and a width of 19 metres. Their purpose is laying marine communications cables, wiretapping or damaging international submarine cables, including in Arctic waters. Contract deadlines for the completion of construction in 2018 and 2019 were missed.

The construction of two military oil tankers (supply ships) of Project 23131

- Their purpose is receiving, storing, transporting, and transferring liquid (diesel fuel, motor oil, water) and dry cargoes (food, equipment, weapons) to ships.
- The length of one such ship is 145 m, width – 24 m, water draught – 7 m, speed – 16 knots, deadweight – 12,000 tonnes, navigation area – unlimited, cruising endurance – 8,000 miles. The ships were laid down on 26 December 2014, the deadlines for construction completion in 2017-2018 were missed due to Western sanctions. The formation of the ships' hulls and superstructures has been completed, the preparation of the hulls for electrical installation work is currently underway.

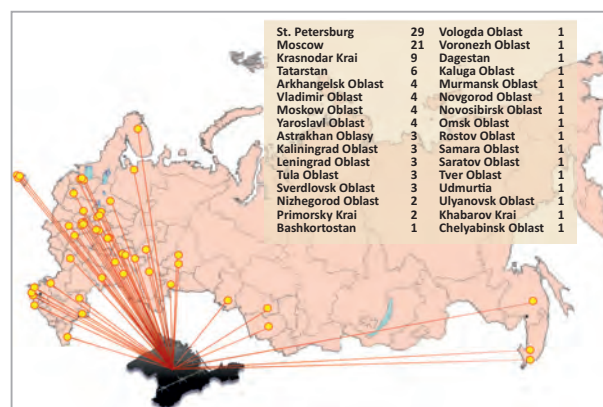


Figure 3. The geography of manufacturing ties of enterprises from the regions of the RF with the seized Crimean enterprises manufacturing and carrying out maintenance of military equipment

The construction of amphibious assault ships of Project 23900

On 20 July 2020, for the first time in the history of the Russian Navy, the two helicopter-carrying amphibious assault ships of Project 23900, Ivan Rogov and Mitrofan Moskalenko (yard numbers 01901 and 01902), were laid down at the seized Zaliv shipyard with the participation of the President of the Russian Federation.

The operational characteristics and even the general appearance of these ships are classified.

- It is known that one such ship will carry on board more than 20 heavy-lift helicopters, as well as ship-based unmanned combat aerial vehicles and reconnaissance UAVs, will have a well dock for landing craft utilities and will be able to carry about 1,000 marines and 75 armoured fighting vehicles. Its displacement is up to 30,000 tonnes, length – over 220 m. The cost of one such ship is 40 billion roubles. The commissioning of the first amphibious assault ship into the Russian Fleet is scheduled for 2025, the second – for 2027.

The related companies in this project will have to cooperate with the two plants that are already under international sanctions, including the U.S. sanctions. The construction of warships of this class will require cooperation with hundreds of plants in Russia.

The construction of other ships:

- three small hydrographic survey vessels of Project 19910 for the Black Sea Fleet of the RF were laid down on 26 July 2016, 18 November 2016, and 30 June 2017;
- the rescue vessel Spasatel Ilyin of Project MPSV07 for the Ministry of Emergency Situations of the RF was laid down on 28 July 2015 and launched on 21 February 2019. It is being completed at the dockside of the Zaliv shipyard; the construction completion is scheduled for 2020;
- passenger-and-freight auto ferry of Project CNF22 was laid down on 16 March 2020; its cost is 3.1 billion roubles; the construction completion is scheduled for December 2021. The customer is Rosmorrechflot for Kamchattransflot (regular transportation between Kamchatka and Vladivostok; 150 passengers, cars and trucks, buses, wheeled and tracked vehicles, 20-foot and 40-foot containers).

Aircraft-Building Enterprises

- PAO Obedinennaya Aviastroiitelnaya Korporatsiya (United Aircraft Corporation), Moscow. It is on the



The Be-12 aircraft of the Russian Black Sea Fleet maritime aviation at the seized Yevpatoriyskiy Aviatsiyniy Remontnyi Zavod. Photo from the BlackSeaNews archive



The antisubmarine amphibious Be-12 aircraft of the Russian Black Sea Fleet maritime aviation is being repaired at the seized Yevpatoriyskiy Aviatsiyniy Remontnyi Zavod. Photo from the BlackSeaNews archive

Ukrainian and EU sanctions lists. By the orders of the Ministry of Industry and Trade of the RF, Obedinennaya Aviastroiitelnaya Korporatsiya has been officially assigned to DUP RK Yevpatoriyskiy Aviatsiyniy Remontnyi Zavod (Yevpatoriia Aviation Repair Plant) in order to provide the latter with orders. After corporatization, Yevpatoriyskiy Aviatsiyniy Remontnyi Zavod will become part of Obedinennaya Aviastroiitelnaya Korporatsiya.

- AO Vertolety Rossii (Russian Helicopters), Moscow, part of Rostec. The company is on the Ukrainian and U.S. sanctions lists. By the orders of the Ministry of Industry and Trade of the RF, Vertolety Rossii has been officially assigned to Sevastopolske Aviatsiine Pidpriemstvo (Sevastopol Aircraft Plant) in order to provide the latter with orders. FGUP Syevastopolskoye Aviatsionnoye Pryedpriyatiye is de facto integrated into the Vertolety Rossii holding.
- AO Tekhnodinamika, Moscow, part of Rostec. The company is on the Ukrainian and U.S. sanctions lists. It is a leading Russian developer and manufacturer of aircraft equipment, including landing gear, fuel and flight control systems, and auxiliary power units. Tekhnodinamika has been assigned to Naukovo-Doslidnyi Instytut Aeropruznykh System in order to provide the latter with orders. After the corporatization of the State Enterprise Naukovo-Doslidnyi Instytut Aeropruznykh System, the company will become part of AO Tekhnodinamika.
- PAO Taganrogskiy Aviatsionnyy Nauchno-Tekhnicheskii Kompleks Imeni G. M. Berieva (Taganrog Aviation Scientific-Technical Complex named after G.M. Beriev), Taganrog. The company develops and manufactures aviation equipment, part of PAO Obedinennaya Aviastroiitelnaya Korporatsiya. The seized Yevpatoriyskiy Aviatsiyniy Remontnyi Zavod repairs Be-12 aircraft produced by PAO Taganrogskiy Aviatsionnyy Nauchno-Tekhnicheskii Kompleks Imeni G. M. Berieva that oversees the quality of repairs.
- AO 121 Aviatsionnyy Remontnyi Zavod (121 Aircraft Repair Plant) is a leading enterprise in repair and modernization of tactical aviation aircraft and engines. The company is part of PAO Obedinennaya Aviastroiitelnaya Korporatsiya. A separate business unit of 121 Aviatsionnyy Remontnyi Zavod, Service Centre Saki, has been set up on the premises of Yevpatoriyskiy Aviatsiyniy Remontnyi Zavod in Novofedorivka.

However, not all trophy enterprises of Ukroboronprom in Crimea will be used by the Russian military-industrial complex. Some of them, which have equivalents in the Russian Federation, such as Feodosiyskiy Optychnyi Zavod, are likely to be liquidated.



The "Trophy Economy". The Development of the Stolen Ukrainian Black Sea Shelf

Gas production in Crimea is carried out by DAT Chornomornaftohaz, a subsidiary of NAK Naftohaz Ukrainy, which several years before the occupation of the peninsula purchased a modern fleet for its Crimean branch, including two advanced deep-water jackup rigs.

In 2013, Chornomornaftohaz produced about 1.651 billion cubic metres of gas, which provided 82% of the Crimean domestic gas consumption (about 2 billion cubic metres), with the remaining demand met via the pipelines from mainland Ukraine.

The Ukrainian company owned 17 fields, including 11 gas fields, 4 gas condensate fields, and 2 oil fields. The total reserves of all the fields amounted to 58.56 billion cubic metres of natural gas, 1,231 thousand tonnes of gas condensate, and 2,530 thousand tonnes of oil.

Chornomornaftohaz is developing 9 fields: 2 gas condensate ones (Holitsynske and Shtormove), 6 gas ones (Arkhanhelske, Dzhankoiske, Zadornenske, Skhidno-Kazantypske, Pivnichno-Bulhanakske and Odesa), and the Semenivske oil field.

The major driving force for the development in the years before the occupation was the offshore Odesa gas field located off the coast of the Odesa region, 150 km west of Crimea and 130 km south of the city of Odesa.

On 13 March 2014, Chornomornaftohaz, including its jackup rigs at the Odesa field, was seized by the Russian special operations forces. The seizure of the Chornomornaftohaz rigs was carried out by the well-known in Russia "Pskov paratroopers" of the airborne troops, namely the 104th air assault regiment, part of the 76th Guards air

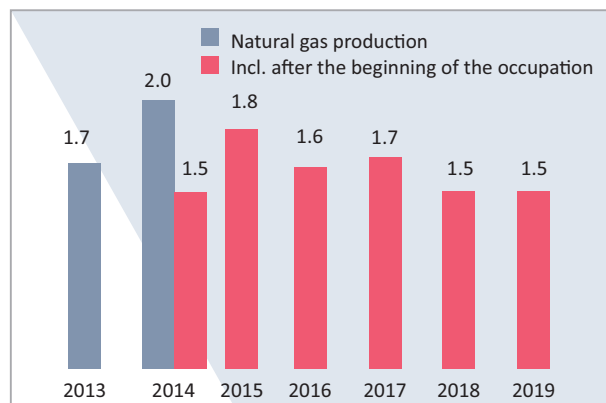


Figure 4. Natural gas production in Crimea and offshore, billion cubic metres

assault division. The area of deployment is Pskov oblast of the Russian Federation, military unit 32515.

Since 14 March 2014, NAK Naftohaz Ukrainy has not been receiving from the DAT Chornomornaftohaz PAT the daily operational information on the production, transportation, and use of natural gas, oil, and gas condensate.

A few days later, on 17 March 2014, Chornomornaftohaz was expropriated by the Crimean collaborators. Its offshore facilities continued to work under the round-the-clock guard by the Russian special operations forces and naval ships of the RF's Black Sea Fleet.

Minesweepers, small anti-submarine ships, and missile boats controlling the surface picture, underwater and air situation have been guarding the gas fields.

After the seizure and expropriation of Chornomornaftohaz in the spring of 2014, Naftohaz Ukrainy disconnected Crimea from the mainland gas transportation system (GTS). That happened after Naftohaz Ukrainy had stopped receiving from Chornomornaftohaz automatic information on the parameters of the gas distribution stations operation.



Figure 5. The layout of the seized Ukrainian hydrocarbon deposits on the Black Sea and the Sea of Azov shelf

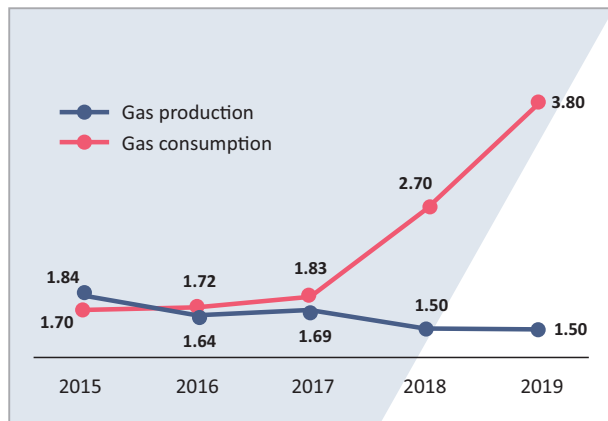


Figure 6. The production and consumption of gas in occupied Crimea, billion cubic metres



Petro Hodovanets drilling rig, renamed Crimea 2 by the occupiers, at the Shtormove field defended by Russian special forces, September 2017. Photo by the State Border Guard Service of Ukraine



7 September 2017. Marine drilling rigs seized by Russia in the northwestern part of the Black Sea during the occupation are being defended by the marines and the Russian Black Sea Fleet ships: the hydrographic survey vessel Petr Gradov and the medium-sized intelligence ship Priazovye (SSV-201). Photo by the State Border Guard Service of Ukraine

Ukraine's decision to disconnect occupied Crimea from its GTS had led to the gas shortage that Russia decided to make up for by increasing the volume of production at the Odesa field. In 2014, the production grew to 2 billion cubic metres and, for the first time, Crimea managed to do without the supply from the mainland.

However, as early as the winter of 2014/15, the disconnected system encountered a new problem – the seasonality of consumption: 4 million cubic metres a day in summer and more than 12 million cubic metres a day in winter. In other words, they had a surplus of gas in summer and a shortage in winter.

Given that the peninsula's Hlibovske underground gas storage facility (UGSF) has an active volume of up to 1 billion cubic metres, or about 60% of the annual consumption, the Chornomornaftohaz had a surplus of gas. Having filled the UGSF to the highest level in its history, the company was forced to restrain production. In 2015, it declined to 1.844 billion cubic metres. 57% of that volume, that is, about 1 billion cubic metres was produced at the Odesa field.

It should be pointed out that even though the Odesa field is located outside the territorial waters of Ukraine, it is still in its exclusive economic zone that is not adjacent to the occupied Crimean Peninsula.

The projected reduction in gas production has turned out to be correct: in 2016, Chornomornaftohaz produced 1.644 billion cubic metres of gas, which was less than in the last pre-war year of 2013.

Because of that, the occupying power had to sharply accelerate the construction of the gas pipeline from Krasnodar Krai, originally scheduled for completion only in mid-2018.

The pipeline started operation on 27 December 2016. The total length of the land part of the Krasnodar Krai – Crimea main gas pipeline with the diameter of 720 millimetres is 341 km, 16 km is laid underwater, across the Kerch Strait. The gas pipeline is able to pump 2.1 billion cubic metres of gas per year, and with an increase in pressure – up to 4 billion cubic metres per year.

The pipeline has been built by Stroygazmontazh, a company under the international sanctions. The final cost is not disclosed, however, according to the authors' sources, due to the force majeure situation, its value has significantly exceeded the estimated 20 billion roubles. The construction of the underwater part accounted for up to 70% of the total cost. For fear of sanctions, it is not Gazprom that supplies the natural gas to occupied Crimea via the pipeline, but the federal state unitary enterprise (FSUE) Foreign Economic Association Promysyeimport. The gas is purchased at the St. Petersburg International Mercantile Exchange.

Meanwhile, in 2017, Ukraine made significant progress on these issues in international courts. There are two proceedings currently underway.

The first proceedings were brought by the Ministry of Foreign Affairs of Ukraine at the Permanent Court of Arbitration in The Hague, the Netherlands, under the 1982 UN Convention on the Law of the Sea.

- The notice of arbitration, the claim and the grounds for it were sent to Russia on 14 September 2016.
- The Arbitration Tribunal was formed on 22 December 2016.
- On 12 May 2017, the first court hearings took place, resulting in the order as to the procedural deadlines.



- On 19 February 2018, Ukraine submitted a memorandum containing a description of Ukraine's claims against Russia.

The Ministry of Foreign Affairs memorandum states that Russia has violated the sovereign rights of Ukraine in the Black Sea and the Sea of Azov, as well as in the Kerch Strait.

Since 2014, the RF has deprived Ukraine of its right to exercise its powers as a maritime nation, has been exploiting Ukraine's sovereign resources for its own needs and usurped the right of Ukraine to regulate its own marine areas.

It is also noted that Russia has been stealing the energy and fish resources belonging to Ukraine and its people, while also causing physical damage to Ukrainian fishermen, and has been blocking the entry of ships into Ukrainian ports due to the illegal construction of the Kerch Bridge.

On 21 February 2020, the Tribunal concluded that it had no jurisdiction over some of the claims concerning the rights of Ukraine as a coastal state in the waters near Crimea, as it had no jurisdiction to decide the issue of sovereignty over the peninsula.

That is, it will not consider the issues of Ukraine's rights in the Black Sea and will only consider those related to the Sea of Azov and the Kerch Strait.

The second proceedings were instituted by NAK Naftohaz Ukrayny together with the six other companies of the group, Chornomornaftohaz, Ukrtranshaz, Ukhazvydobuvannia, Ukrtransnafta, Haz Ukrainy, Likvo.

- The lawsuit was filed in October 2016.
- In August 2017, the Permanent Court of Arbitration in The Hague began consideration of Naftohaz's arbitration claim against the Russian Federation regarding compensation for the assets lost as a result of the annexation of the Crimean Peninsula in 2014.



Tavrida drilling rig at the Odesa field, September 2017. Photo by the State Border Guard Service of Ukraine

- An oral hearing on the issues of jurisdiction and responsibility was held at the Peace Palace in The Hague in May 2018.
- In March 2019, the Tribunal recognized its jurisdiction over Naftohaz's arbitration claim against Russia regarding the lost assets.

According to Chornomornaftohaz that was relocated to Kyiv, from the beginning of the occupation to 2020, the Russian occupiers produced more than 11 billion cubic metres of gas on the occupied peninsula and from the offshore fields in the Black Sea and the Sea of Azov.

The only thing that can be considered a notable "success" in the Russian development of the Ukrainian shelf is the creation of mini-military bases on the oil platforms. The Russian military has installed radar stations on the seized Ukrainian rigs and platforms. These facilities are constantly guarded by about 130 armed servicemen.

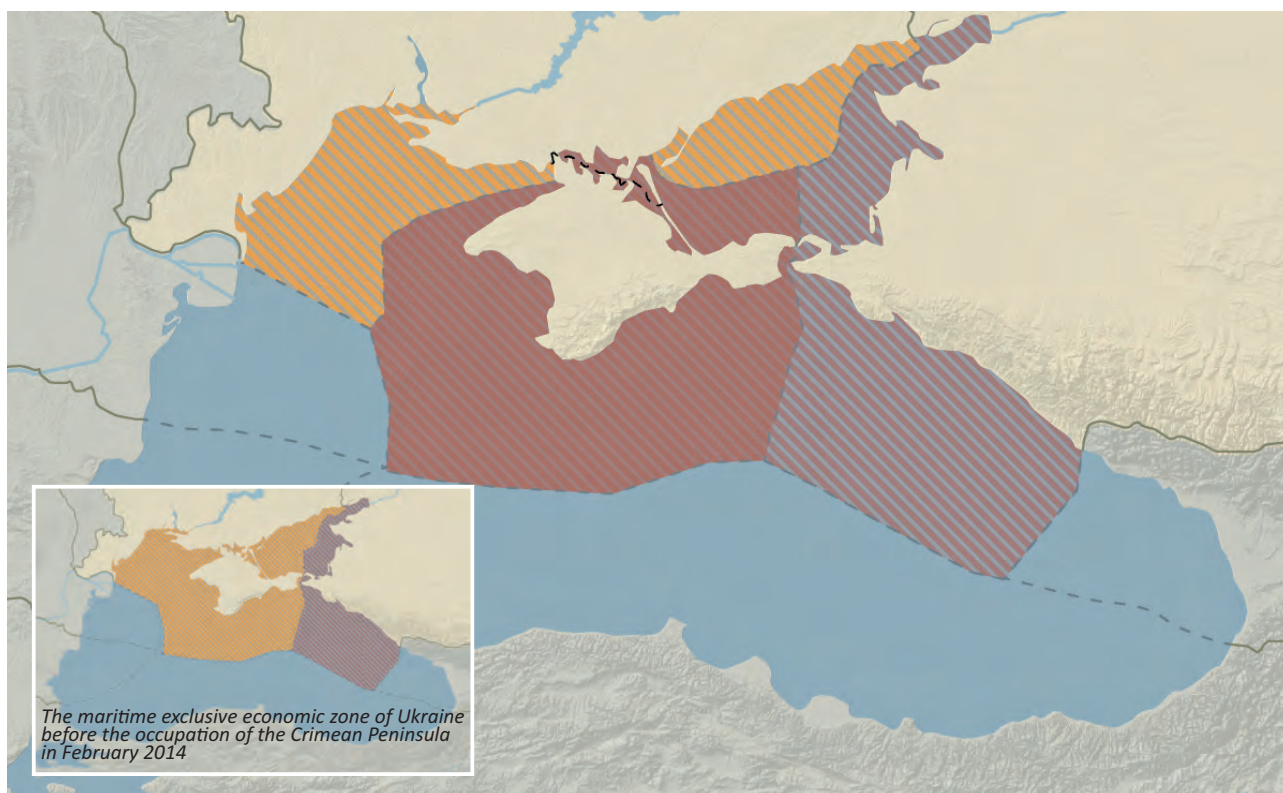


Figure 7. The maritime exclusive economic zone of Ukraine after the occupation of the Crimean Peninsula in February 2014. The occupied area of the maritime EEZ of Ukraine is marked in dark red on the map



A medium-sized Black Sea seiner is the main type of fishing vessel in occupied Crimea

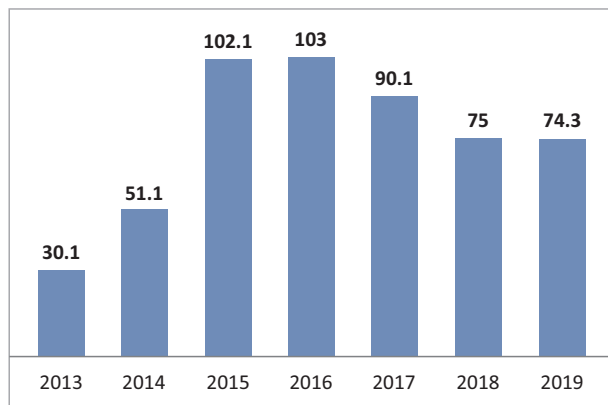


Figure 8. The volume of Russia's fish landings in the Black Sea and the Sea of Azov in 2013–2019, thousand tonnes

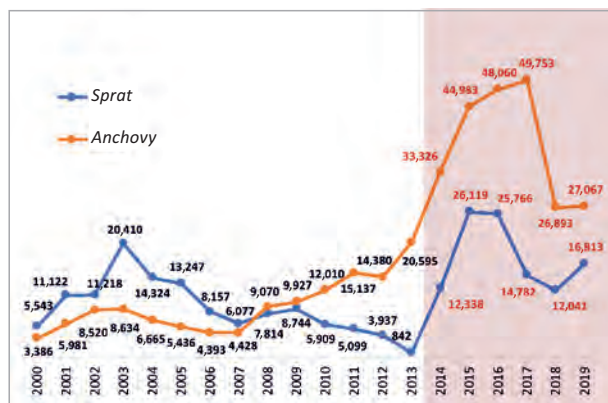


Figure 9. Russia's landings of sprat and anchovy in the Black Sea in 2000–2019, tonnes

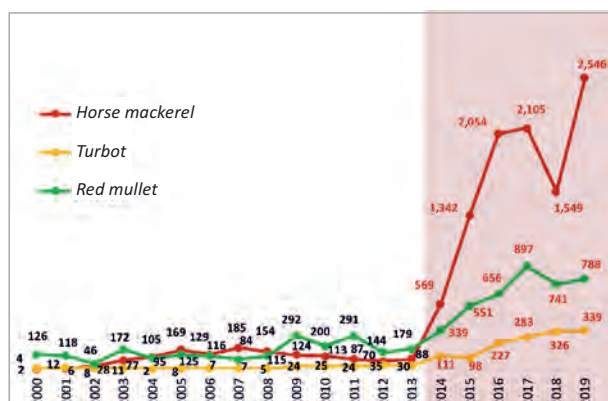


Figure 10. Russia's landings of horse mackerel, turbot, and red mullet in the Black Sea in 2000–2019, tonnes

The "Trophy Economy". The Commercial Exploitation of Marine Biological Resources

Prior to the occupation of Crimea, Russia harvested about 30 thousand tonnes of biological resources in the Black Sea and the Sea of Azov. That was the combined landings volume of the enterprises in Krasnodar Krai, Rostov Oblast, Stavropol Krai, Volgograd Oblast, and the Republic of Adygea.

From 2007 to 2013, the volume of landings remained roughly stable. For several months of 2014, the Crimean fisheries were left without licences and did not go to sea. But even in that first year of the occupation, the total volume of Russia's landings in the Black Sea and the Sea of Azov grew significantly due to the addition of Crimean landings (See Figures 8, 9, 10).

As reported by the Russian Federal Agency for Fisheries, the number of fishing companies harvesting the Crimean aquatic biological resources has more than tripled since "the accession of the peninsula to Russia". The Azov-Black Sea territorial administration of Rosrybolovstvo explained that trend with the "specifics of the tax and licensing policy".

Until March 2014, 89 enterprises and individual entrepreneurs had been engaged in fishing in Crimea. By the end of 2015, their number had increased to 181, and by the end of 2016 — to 267. In 2017, it further grew to 304.

Before the occupation, the Crimean fishing industry used 42 registered fleet vessels.

As of 1 April 2015, 32 fishing vessels had been granted the right to sail under the flag of the Russian Federation and to own Russian-designed vessels.

In August 2016, the occupation authorities reported that the fishing fleet re-registration process had been almost completed: 38 Crimean fishing vessels had been registered under the Russian flag. That is, there had been no increase in the size of the local Crimean fishing fleet.

Thus, the multi-fold rise in the number of fishing enterprises operating in the waters and on the quotas of annexed Crimea has occurred only due to the Russian business entities.

Even a cursory review of the list of those who have obtained the fishing permits shows, for example, that the Simferopol-based OOO Krym-Resurs was founded in January 2015 by OOO Mangust from the Russian city of Kurgan, while the company with the ambitious name OOO Velikiy Krym (The Great Crimea) was founded in July 2015 by two Chechnya residents.

According to the Monitoring Group of the Black Sea Institute of Strategic Studies and the online publication www.blackseanews.net, commercial fishing off the coast of occupied Crimea in the Black Sea and the Sea of Azov is carried out by at least 94 medium-sized industrial vessels.

Moreover, the authors constantly record mass coastal trawling by groups of up to 10 seiners at the same time. These seiners arranged in an echelon formation sail at a distance of several hundred metres from one another. Their predatory fishing practices (demersal trawling with pelagic trawls) adversely affect the Crimean coast from Kerch to Yevpatoriia, starting as close as 100–200 metres from the shore.



The "Trophy Economy". The Sale of Ukrainian Property

Since the first months of the annexation of Crimea, the attitude towards property rights on the occupied peninsula has been defined by the general logic of the territory seized to be used as a military base, or what we refer to as the "trophy economy". The latter is characterized not only by gross violations of the legal norms established in the civilized world but by the complete neglect thereof.

This applies not only to enterprises of the military-industrial complex, resources of the Ukrainian shelf, and marine biological resources discussed in the previous sections. Large-scale expropriation of all state-owned property of Ukraine on the territory of Crimea, which has been cynically called "nationalization", has been carried out.

The list of the expropriated Ukrainian property includes more than 200 health retreats, all ports, airports, water supply and energy facilities, railways, wineries, elevators, agricultural enterprises. The famous Nikitskyi Botanical Garden, Artek International Children's Centre, unique nature reserves have also been expropriated.

The expropriation, however, has not been limited to state-owned Ukrainian property. The facilities belonging to trade unions, community organizations, universities, the Academy of Sciences have also been "nationalized". Moreover, illegal takeovers of private companies are taking place.

Initially, the facilities belonging to Ukraine were considered the "property of the Republic of Crimea". In 2014, the Crimean occupation authorities decided to "nationalize" at least 400 facilities owned by the Ukrainian state in Crimea. The official Ukrainian statistics on the subject have not yet been released because during the occupation the documents of the State Property Fund of Ukraine in the Autonomous Republic of Crimea were lost.

But as early as the end of 2014, all pretence was dropped and the direct transfer of stolen property to various Russian state bodies, such as the Administrative Directorate of the President of the Russian Federation, the Government of the Russian Federation, the FSB, the Ministry of Defence, the United Shipbuilding Corporation, began.



The Foros health retreat was the early sign of selling off the trophy property, purchased in 2016 by the Federation of Trade Unions of Tatarstan. Photo from the BlackSeaNews archive



The Enerhetyk holiday centre, Yalta city centre, Pushkinska st. Sold to OOO Virsaviya, the sole auction bidder, on 13 December 2017

The nature reserves, wineries, vineyards, state residences, and health retreats on the South coast of Crimea have been "transferred" to the Administrative Directorate of the President of the Russian Federation.

Among those were the Crimean Natural Reserve, the Swan Islands Nature Reserve, the historic palaces of Princes Yusupov and Golitsyn, four state residences, and the Masandra winery with its eight branches including wineries and vineyards.

The list of the "transferred" facilities also includes the unique state-owned health retreats such as Alushtynskyi, Hurzufskyi, Zori Ukrainy, Nyzhnia Oreanda, and Pivdennyi; the trade unions' health retreats Kurpaty, Miskhor, and Ai-Petri; the private health retreat and unique botanical garden Aivazovske; the state-owned children's holiday centres Veselka and Rosiia in Bakhchysarai and Yevpatoriia respectively.

All of the above-mentioned facilities are located in unique places, have areas of tens, hundreds, and thousands of hectares, and their market value under normal conditions is in the tens and hundreds of millions of dollars.

According to the laws of the Russian Federation, nationalization stipulates the payment of compensation. However, in 2014, the "strategic importance of an enterprise" or claims that "an enterprise did not conduct business" were used in occupied Crimea as a reason for nationalization without compensation. In 2015, another excuse for the nationalization became common, namely that the deadline set by the occupation authorities for re-registering the enterprises under the Russian legislation expired on 1 March 2015.

The next stage involved selling off part of the property expropriated in Crimea. We give just the most striking and typical examples below.



The Ai-Petri health retreat owned by the Trade Unions of Ukraine, Yalta, 5.7 hectares of park, 1 hectare of beach, sold for 416.4 million roubles in 2018. Photo from the BlackSeaNews archive

In 2016, the Foros health retreat from the "list of the Ukrainian businessman Kolomoisky" was acquired by the Federation of Trade Unions of the Republic of Tatarstan, which, according to Russian sources, could not have possibly had the 1.4 billion roubles needed to buy the facility.

Later, the Chairman of the Federation of Independent Trade Unions of Russia Mikhail Shmakov admitted that the trade unions had acted as an intermediary in the deal, having received funds from large regional companies, most likely, KAMAZ, Tatneft, and petrochemical enterprises that didn't want to be put on sanctions lists.

In 2017, among the stolen property, three well-known health retreats on the South coast of Crimea, Diulber owned by the Administrative Directorate of the Verkhovna Rada of Ukraine and two health retreats of the Ukrainian trade unions, Miskhor and Ai-Petri, were put up for sale, as well as 5 other health retreats and children's camps.

At first, only two holiday centres found their buyers, Enerhetyk in the urban-type settlement of Mykolaivka and Gornyi in Yalta, both owned by Ukrainian state enterprises.

The Miskhor, Ai-Petri, and Diulber health retreats were bought at the second attempt by the firm of the former Commander of the Missile Troops and Artillery of the RF Colonel-General Vladimir Zaritsky.

The Miskhor health retreat with a park area of 3 hectares cost the company 380 million roubles, Ai-Petri (5.7 hectares and 1 hectare of beach) – 416.4 million roubles, Diulber (the area is 22.34 hectares, the former palace of the Grand Duke and a member of the imperial family) – 702.7 million roubles.

The famous Novyi Svit Champagne Winery sold in December 2017 became the first major deal in the "privatization" of Ukraine's state property in Crimea.

The actual buyer of the plant was Yuri Kovalchuk, a businessman under sanctions and the main owner of the Rossiya bank (also under sanctions), who is very close to Putin. It was the Rossiya bank's subsidiary that bought the stolen winery for 1.5 billion roubles. Note that it was not an isolated instance but rather a marker for a future trend.

In October 2020, the occupation government of Crimea decided to auction off the seized National Production and Agrarian Association Masandra (the Masandra Winery) owned by the state of Ukraine, which includes 8 large producers of grapes and wine on the Crimean coast from Yalta to Sudak and 12 wineries.



Novyi Svit Champagne Winery, Sudak, Novyi Svit. Sold on 20 December 2017 to the subsidiary of the Rossiya Bank for 1.5 billion roubles. Photo from the BlackSeaNews archive

Masandra's wine collection (about 1 million bottles) is one of the largest in the world and was listed in The Guinness Book of Records in 1998.

Masandra is one of the largest enterprises in Europe specializing in growing grapes and producing high-quality vintage wines.

At the same time, the failure to sell many of the expropriated Ukrainian health retreats has resulted in the practice of transferring these facilities into the ownership or management of the republics of the RF, such as Tatarstan, Chechnya, Ingushetia, Bashkortostan, free of charge.

In 2017, the children's camp Krymkoozspilka in Alushta was transferred to the government of Chechnya, and the children's cardiologic health retreat Yuvileinyi in Yevpatoriia – to Bashkortostan.

In 2018, the children's health retreat Pioneer near Yevpatoriia with a park of 12 hectares and a beach of 1.4 hectares was transferred to Ingushetia.

The occupation authorities of Crimea certainly understand the toxicity of the re-sold stolen property to the new buyers. Therefore, to cover the tracks of the re-sold booty, in addition to the "privatization" organized by the occupation "Ministry of the Property and Land Resources", Russia is actively using the tactics of property "alienation".

That is the business of the specially created "Property Disposal Directorate of the Republic of Crimea", which is in charge of 47 facilities offered for sale. The "know-how" of the directorate is combining separate property parts belonging to different Ukrainian owners into one object for sale.

In November 2018, it was that directorate that sold the buildings of the Livadia health retreat in Yalta owned by the Trade Unions of Ukraine, including several buildings of the Livadia Palace, where the famous Yalta Conference, a meeting of the Big Three, was held in 1945. The buildings were sold to the Russian businessman Konstantin Malofeev for 509.6 million roubles.

In 2019, the same directorate sold the presidential state residence No1 Hlitsyniia famous as the favourite vacation spot of the leaders of the USSR. The property is owned by Ukraine and was managed by the State Management of Affairs of the President of Ukraine. The cost was 1.2 billion roubles; the buyer has not been disclosed. After the occupation of Crimea, it was handed over to the Federal Security Service of the Russian Federation.

Besides, as mentioned above, intermediary buyers are being used.

The government of the Russian Federation will increasingly put pressure on the Crimean occupation authorities to sell off the Ukrainian property as soon as possible to at least somewhat reduce the Russian burden of maintaining the peninsula.

But at the same time, the Russian business understands that booty property of Ukraine and its residents in Crimea is a toxic asset.

Therefore, the forecast that the Ukrainian property in Crimea will be purchased by those Russian individuals and entities that are already on the "Crimean" and other U.S. sanctions lists still holds true.



The Occupied Tourism

As of early 2014, the Crimean tourism sector was on the rise and was undoubtedly a leading industry on the peninsula.

Starting with 2010, the tourist flow reached a stable level of 5-6 million visitors per year, including 1-1.2 million people staying at health retreats and holiday centres (with the average length of stay of 12 days), which corresponded to the actual competitiveness of Crimean resorts in the regional Black Sea/ Mediterranean market.

In 2010, for the first time, tourism was officially identified as a top priority in the peninsula's development strategy. In 2010-2013, with the support from the EU, Crimea implemented a policy of diversifying its tourist flows attempting to increase the proportion of EU and Asian tourists in the total flow.

An important success marker was the fact that Crimea had become a major centre for the international cruise tourism in the Black Sea: in 2013, 187 foreign cruise liners carrying a total of about 105 thousand passengers called at the ports of the Crimean Peninsula. These were the record figures not only for the period of Ukrainian independence but also for the entire Crimean history. The anticipated growth for 2014 was 70-80%.

As a result, as of early 2014, the tourism sector of Crimea together with the related service industries generated no less than 25% of the consolidated budget revenues of the Autonomous Republic of Crimea, i.e. of the total amount of tax revenues collected in Crimea.

At the same time, the three main regions with resort mono-economies, which received over 75% of all tourists, namely Yalta (38%), Alushta (19%), and Yevpatoriia (19%), accounted for more than 20% of the Crimean consolidated budget revenues.

After the occupation and ensuing militarization of the peninsula, tourism ceased to be a priority industry of the Crimean economy in terms of budget and investment.

Under sanctions, Crimea has become a resort for Russian tourists only. However, the qualitative composition of the tourist flow from Russia has undergone significant changes.

Before the occupation, most Russian tourists vacationing in Crimea, whose proportion reached up to 22% of the total flow, or 1.2-1.5 million holidaymakers a year, were middle- and high-income people. They mostly stayed in expensive hotels and mini-hotels and used high-end tourist services.

By contrast, in 2014-2019, mostly low-income tourists from Russia, who couldn't afford higher-end tourist services, used state-subsidized vouchers for staying at inexpensive health retreats in occupied Crimea. In addition to those, the personnel of numerous Russian military and security services were sent to vacation at the Crimean health retreats (owned by the Ukrainian Ministry of Defence, the SBU, the State Border Service of Ukraine, the State Fiscal Service of Ukraine, the State Management of Affairs of the President of Ukraine, the Verkhovna Rada of Ukraine) that had become military trophies of the respective agencies of the occupying power.

As a result of the occupation, the tourist logistics has radically changed.

- Before the occupation, in the 2000s, Crimea for a long time had the consistent distribution of tourist transport flows: 67% of tourists arrived by rail, 20% – by car, and 13% – by air.
- According to the puppet government of Crimea, in 2015-2017, 45% of the total number of visitors arrived by air, 41% – by ferry crossings, and 14% – by car.
- On 15 May 2018, the motorway part of the Kerch bridge became operational, on 25 December 2019 – the railway part for passenger transport, and on 30 June 2020 – the one for freight traffic.
- This has led to further changes in logistics. In 2020, 70% of visitors came to occupied Crimea by road, 25% – by air, and 5% – by rail.

In 2020, due to the coronavirus quarantine restrictions, the summer holiday season started in earnest only on 1 July after an almost three-month ban on receiving guests at hotels and health retreats.

It should be kept in mind, however, that the official estimates of the current number of tourists in Crimea provided by the occupation government are merely a propaganda tool and are overstated by a factor of 2 or 3. The figures published by the occupation authorities over the last 2 years (6-8 million tourists a year) are in reality the figures for passenger traffic. They include all people entering the peninsula, including the unregistered population of 0.8-1.0 million people who have de facto moved to Crimea from the RF and can travel to Russia and back several times a year (see The Replacement of the Population of Crimea section). The number of nights spent in tourist facilities is not published. Moreover, as it has been mentioned above, a large-scale sale of trophy Ukrainian health retreats and holiday centres is ongoing in Crimea, children's camps are being liquidated, and the number of holiday centres and hotels receiving tourists has decreased from 2,500 in 2013 to 826 in 2020.

It should also be noted that in 2015-2020, both Crimean and municipal authorities demonstrated shocking incompetence in managing public utilities and services during a tourist season. Prior to the occupation, Crimea had not encountered such enormous problems with garbage collection and dumping raw sewage into the sea during the summer season for many years.

Combined with these issues, the fresh water shortage is increasingly becoming an insurmountable problem (see the Water in Occupied Crimea: A 50-Year Step Backwards section). Thus, the prospects for the development of the tourism sector in occupied Crimea appear dubious.



The Diulber health retreat owned by the Administrative Directorate of the Verkhovna Rada of Ukraine, Yalta, the area is 22.34 hectares, the former palace of the Grand Duke. Sold for 702.7 million roubles in 2018. Photo from the BlackSeaNews archive

Exports and Imports

In 2013, foreign exports from the Crimean Peninsula amounted to 904.9 million dollars, and foreign imports totalled 1.044 billion dollars; Sevastopol's exports and imports were valued at 99.8 million dollars and 106.9 million dollars respectively.

The Crimean occupation government's statistics have never been a reliable source of information. But even these data reveal some telling results of "international economic activity" (See Figures 11 and 12).

Thus, in 2019, exports from Crimea decreased by 26.9 times in dollar terms compared to 2013, the last pre-war year, and exports from Sevastopol dropped by 15.6 times.

The decline in imports over the same period was by 17.3 times in Crimea and by 16.97 times in Sevastopol.

Let us illustrate some indicators of international economic activity with the authors' own investigations.

In 2014–2020, the exports from the ports of occupied Crimea have been as follows:

- grain to Syria, Northern Cyprus, Lebanon, Libya, Egypt, and Turkey (until 2018) from Sevastopol, Kerch, and Feodosiia;
- scrap metal to Turkey (until 2019), Romania (until 2017), and Albania from Sevastopol and Feodosiia;
- soda ash to Russia, Romania (until 2017), Syria, Lebanon, and Egypt from Sevastopol and Feodosiia;
- liquefied petroleum gas (LPG) from the gas terminal at the Kerch Fishing Sea Port to Bulgaria (until 2017), Turkey (until 2019), Syria and Lebanon (until 2019);
- re-export of Russian fuel from the Feodosiia oil depot to Syria (2020).

Imports to Crimean ports have been as follows:

- building materials (cement, clinker bricks, gypsum, construction mixtures, crushed stone) from Turkey; crushed stone from Abkhazia (until 2019);
- the chemical raw material ilmenite from Norway (2017) and Turkey (re-export).

The main export commodity of occupied Crimea is grain (See Figure 13). A significant part of grain exports is carried out through transshipment in the Kerch Strait,

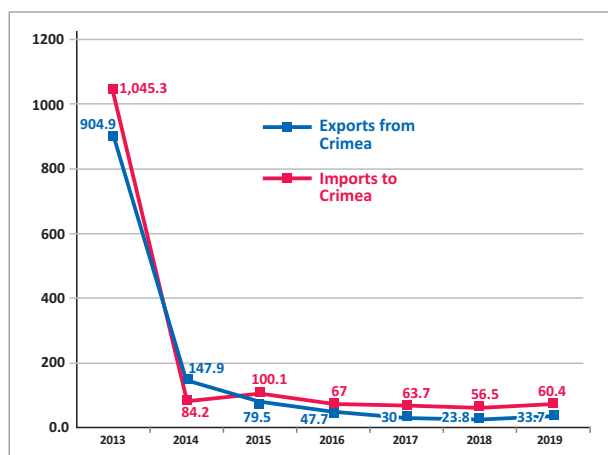


Figure 11. Crimean exports and imports in 2013–2019, according to official data, million U.S. dollars

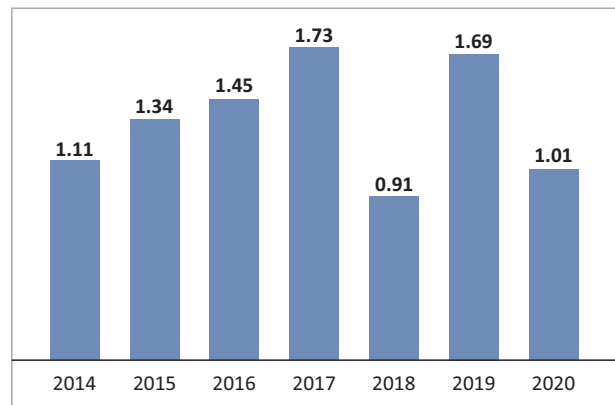


Figure 13. Grain yields in occupied Crimea in 2014–2020, million tonnes

at Port Kavkaz Anchorage No. 451 in Taman. This allows mixing Crimean grain with grain from the regions of the Russian Federation to disguise the fact that it originates from the occupied territory. This grain is then shipped to countries that adhere to international sanctions.

The maximum volume of grain exports was recorded in 2017 when it reached 588 thousand tonnes, it decreased to 422 thousand tonnes in 2018, and to 300 thousand tonnes in 2019 (See Tables 1 and 2).

The main imports to Crimea are ilmenite (the chemical raw material for the production of titanium dioxide at the Crimean Titan plant in Armiansk, northern Crimea) and construction materials. Part of the ilmenite is also imported through transshipment in order to circumvent sanctions (See Table 2).

| Table 1. Exports from Crimea in 2018–2019, tonnes | | |
|---|---------|---------|
| | 2018 | 2019 |
| Grain | 422,000 | 300,000 |
| Scrap metal | 70,000 | 21,000 |
| Soda ash | 25,000 | 18,000 |

| Table 2. Imports to Crimea in 2018–2019, tonnes | | |
|---|---------|---------|
| | 2018 | 2019 |
| Ilmenite | 200,000 | 162,900 |
| Crushed stone | 33,300 | 29,900 |
| Construction materials | 66,800 | 13,300 |

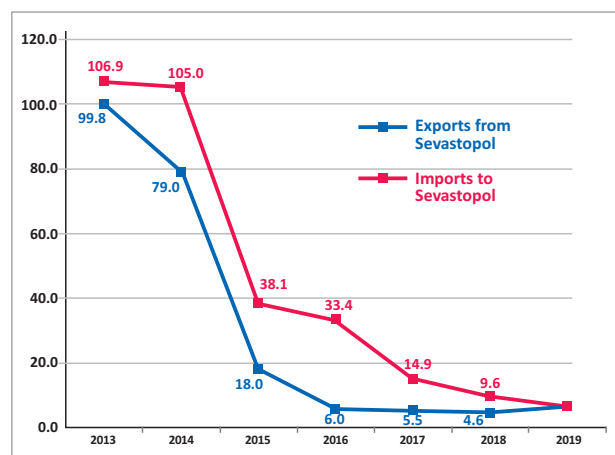


Figure 12. Sevastopol's exports and imports in 2013–2019, according to official data, million U.S. dollars



The "Grey Zone" Banking

Before the occupation, Crimea and the city of Sevastopol had an extensive network of branches of commercial banks. The total of 67 banking institutions registered in mainland Ukraine had their branches on the peninsula as well as 2 Crimean banks, the Chornomorskyi Bank Rozvytku i Rekonstruktsii and the Sevastopolskyi Morskyi Bank.

The occupying power planned to use Ukrainian financial institutions to mitigate its problems of the "transition period". However, none of the Ukrainian banks with independent branches in Crimea consented to continue working in the occupied territory under the Russian legislation, so Russian banks tried to fill the void.

During the occupation, at different times, 34 Russian banks started operations in Crimea. In addition, 2 local banks began operations under the Russian jurisdiction bringing the total to 36.

As of today, 28 banks have had their licences revoked. Out of these, 5 banks have already been liquidated, 23 are currently in bankruptcy proceedings. 2 Russian banks that left Crimea after a brief attempt at work are still operating in Russia. As of 1 September 2020, only 6 Russian banks remained on the peninsula. All of them are now under international sanctions (See Figure 14).

The total net assets of the banks currently operating in Crimea are about USD 19.5 billion. However, 14.8 billion of this amount are the assets of the Aktsionernyy Bank Rossiya (See Figure 15). It is the bank headquartered in St. Petersburg, placed between 10th and 20th in the rankings of Russian banks, and specialized, according to Russian financial analysts, "mainly in providing services to large corporate clients, including enterprises and organizations that are part of the largest Russian strategic companies".

Sanctions prevent it from being an influential financial institution in the international market. Since the development of financial services in Crimea is not appealing to the bank, it mainly looks after the financial interests of its beneficiaries, Yuri Kovalchuk, Gennady Tymchenko, Oleksiy Mordashov, Serhiy Roldugin, and others who have already acquired a large amount of seized Ukrainian property on the occupied peninsula.

Another Russian bank (there are currently only two banks with "non-Crimean residence" in Crimea) does not deserve much attention due to its small size and scale. As a result of sanctions, all the large Russian banks that used to operate in Crimea before the occupation, namely Sberbank, Alfa-Bank, and VTB, have since stopped operations there and do not intend to resume them.

Of the four "Crimean" banks, RNCB is the largest by asset size and the number of branches. It serves as the "main bank" of Crimea, provides settlement and cash services to a large number of legal entities, and is the only bank that processes payments of individuals.

Incidentally, in the near future, we can expect a further reduction in the number of banks in Crimea. According to Russian financial analysts, the Sevastopolskiy Morskoy Bank, which has been managed by the interim administration since January 2020, is planned to be merged with RNCB. In April 2020, by order of the Russian Central Bank, the authorised capital of the Sevastopolskiy Morskoy Bank was reduced to 1 (one) rouble.

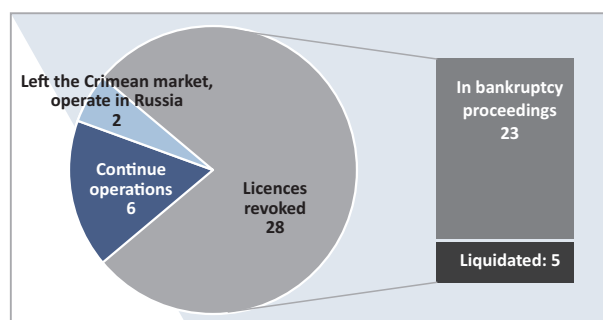


Figure 14. The number of banks operating in occupied Crimea as of 1 September 2020

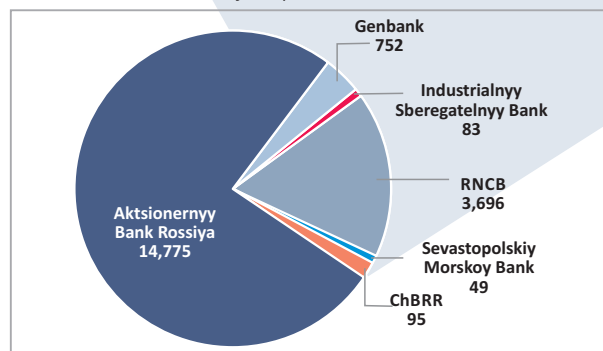


Figure 15. The amount of net assets of the banks continuing to operate in occupied Crimea as of 1 August 2020, million USD

Basic information about banking institutions operating in occupied Crimea as of 1 October 2020

1. PAO Russian National Commercial Bank (RNCB) / headquarters location: Simferopol / presence in Crimean cities: Alushta, Armiansk, Bakhchysarai, Dzhankoi, Yevpatoriia, Kerch, Krasnoperekopsk, Saky, Sevastopol, Simferopol, Sudak, Feodosiia, Yalta / net assets as of 1 August 2020: USD 3,696 million / place in the financial rankings of Russian banks: 31 / sanctions: the USA – since 11 March 2015; the EU – since 30 July 2014; Ukraine – since 16 September 2015.
2. AO Sevastopolskiy Morskoy Bank / headquarters location: Sevastopol / presence in Crimean cities: Alushta, Armiansk, Bakhchysarai, Yevpatoriia, Kerch, Krasnoperekopsk, Saky, Sevastopol, Simferopol, Sudak, Feodosiia, Yalta / net assets as of 1 August 2020: USD 49 million / place in the financial rankings of Russian banks: 259 / sanctions: the USA – since 22 December 2015; Ukraine – since 14 May 2018.
3. AO Chornomorskiy Bank Razvitiya i Rekonstruktsii (ChBRR) / headquarters location: Simferopol / presence in Crimean cities: Alushta, Armiansk, Bakhchysarai, Dzhankoi, Yevpatoriia, Kerch, Krasnoperekopsk, Saky, Sevastopol, Simferopol, Sudak, Feodosiia, Yalta / net assets as of 1 August 2020: USD 95 million / place in the financial rankings of Russian banks: 212 / sanctions: the USA – since 20 June 2017; Ukraine – since 14 May 2018.
4. AO GENBANK / headquarters location: Simferopol / presence in Crimean cities: Alushta, Armiansk, Bakhchysarai, Dzhankoi, Yevpatoriia, Kerch, Krasnoperekopsk, Saky, Sevastopol, Simferopol, Sudak, Feodosiia, Yalta / net assets as of 1 August 2020: USD 752 million / place in the financial rankings of Russian banks: 94 / sanctions: the USA – since 22 December 2015; Ukraine – since 16 September 2015.
5. AO Aktsionernyy Bank Rossiya / headquarters location: St. Petersburg / presence in Crimean cities: Alushta, Dzhankoi, Yevpatoriia, Kerch, Krasnoperekopsk, Saky, Sevastopol, Simferopol, Feodosiia, Yalta / net assets as of 1 August 2020: USD 14,775 million / place in the financial rankings of Russian banks: 14 / sanctions: the USA – since 20 March 2014; Ukraine – since 16 September 2015.
6. AO Commercial Bank Industrialnyy Sberregatelnny Bank / headquarters location: Moscow / presence in Crimean cities: Kerch, Sevastopol, Simferopol, Yalta / net assets as of 1 August 2020: USD 83 million / place in the financial rankings of Russian banks: 221 / sanctions: the USA – since 20 June 2017; Ukraine – since 16 September 2015.

Investment

According to Rosstat, during the years of the occupation, investment in fixed capital in Crimea and Sevastopol has totalled \$8.6 billion and \$1.9 billion respectively. Of this investment, \$6.03 billion (70.2%) in Crimea and \$1.34 billion (71.6%) in Sevastopol was funded from the state budget (see Figure 16).

This was mainly the investment in the facilities under the so-called Federal Target Programme "The Socio-Economic Development of the Republic of Crimea and Sevastopol until 2020" (the FTP).

The correlation between the level of financing capital investment under the Federal Target Programme and the amount of investment according to official statistics is shown in Figure 17.

In addition to 70% of budget investment in fixed capital, in Figures 16 and 17, we can see investment "from other sources".

The "other sources" of investment in Crimea and Sevastopol are as follows:

- investment in the construction of road and energy infrastructure, other facilities under the FTP, the funds for which were allocated not directly from the budget of the Russian Federation, but through Russian state and quasi-private corporations or bank loans;
- investment from enterprises of the military-industrial complex of the RF in military production at Ukrainian plants seized as a result of the occupation;
- private investment in housing construction for customers from the RF is almost the only type of demand-oriented investment projects. The customers, in turn, represent a specific group of Russian military and government officials transferred to the peninsula. Also, private investment in trade and warehouse infrastructure of wholesale and retail businesses from the regions of the RF is made.

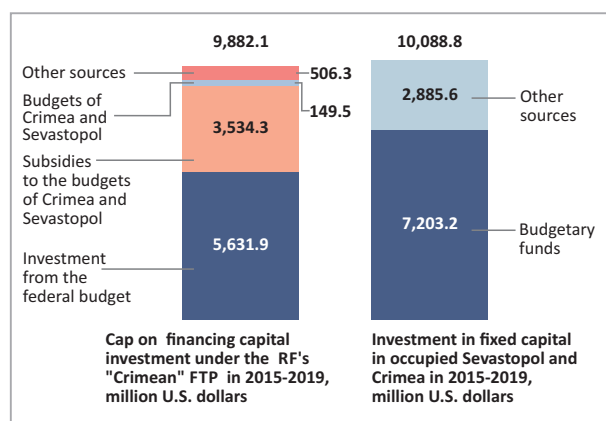


Figure 17. The comparison of the total amount of funding for the Russian Federal Target Programme "The Socio-Economic Development of the Republic of Crimea and the City of Sevastopol until 2020" and the amount of investment in fixed capital on the occupied peninsula in 2015-2019

What the "Crimean" Federal Target Programme Finances

The Russian Federal Target Programme "The Socio-Economic Development of the Republic of Crimea and the City of Sevastopol until 2020" was adopted in August 2014, adjusted several times, and finally extended until 2024.

The planned amount of funding for the programme as of 27 July 2020 was 1,257.3 billion roubles, including 1,190.1 billion roubles from the federal budget, 36 billion roubles from the budgets of the "constituent entities of the Russian Federation", and 311.2 billion roubles from extrabudgetary funds.

Capital investment under the programme amounts to 1,121.9 billion roubles, the remaining 135.4 billion roubles have been allocated for "other needs", such as urban planning documentation, the Era-Glonass system, the creation of communication channels "for the benefit of the Ministry of Defence of the Russian Federation, federal executive bodies, other bodies and organizations, communications operators to ensure national security and defence and law enforcement".

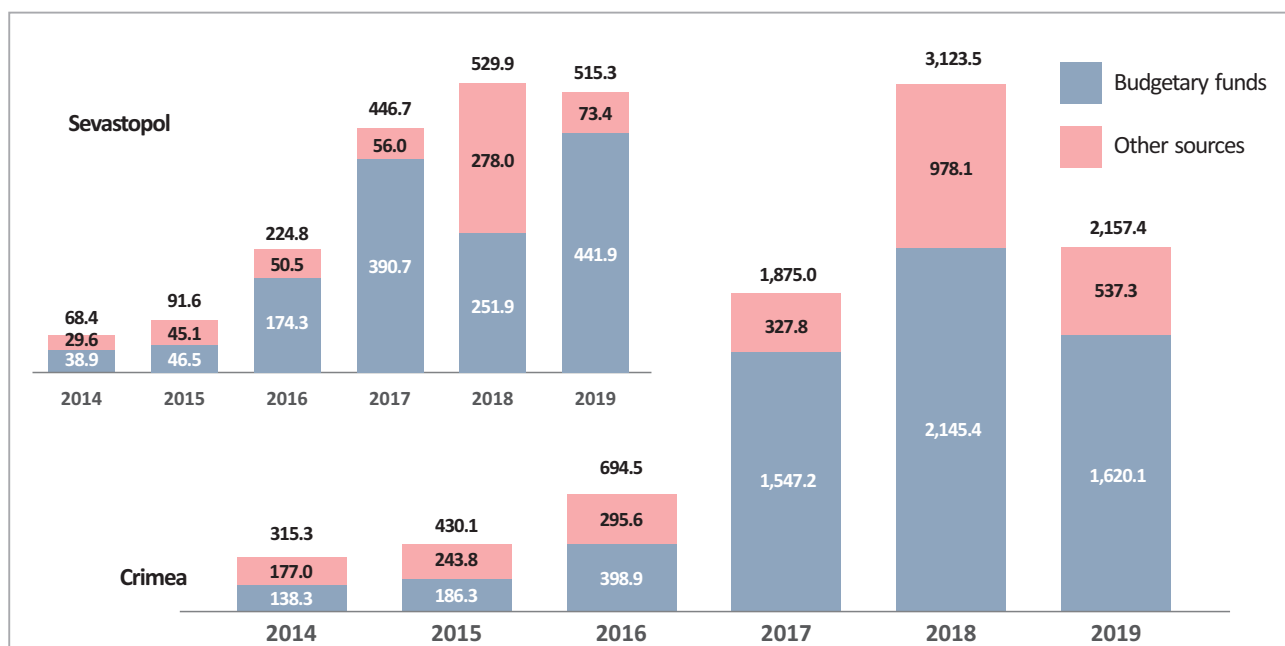


Figure 16. Investment in fixed capital in occupied Sevastopol and Crimea funded from the budget of the RF and other sources, according to Rosstat, 2014-2019, million U.S. dollars

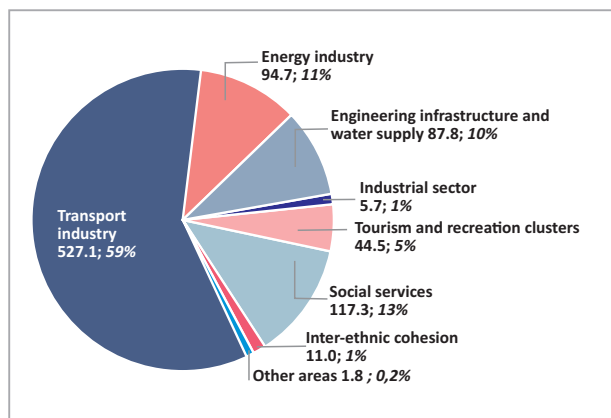


Figure 18. The breakdown of funding under the RF's "Crimean" Federal Target Programme by area of funding as of January 2020, billion roubles (%)

As for the goals of the Federal Target Programme and the specific projects that have been funded, the main objective of the programme is to remove the infrastructure constraints that have arisen as a result of the occupation of Crimea. They are:

- the removal of transport infrastructure constraints: the construction of the bridge across the Kerch Strait, the reconstruction of Simferopol airport, the construction of roads to increase transport accessibility of the Crimean Peninsula, and reformatting the existing transport corridors for passenger and freight traffic with the focus on Russia, the arrangement of checkpoints (about 60% of the funds);
- the removal of energy supply constraints: the removal of network constraints, own energy generation (at least 11% of the funds);
- the removal of engineering infrastructure constraints: the creation of a water supply system (at least 10% of the funds).

Other areas of funding have big names, however, far less funds have been allocated for them:

- the formation of an industrial complex, i.e. the creation of the infrastructure for industrial parks (5.7%);
- the formation of tourist and recreational clusters (5%);

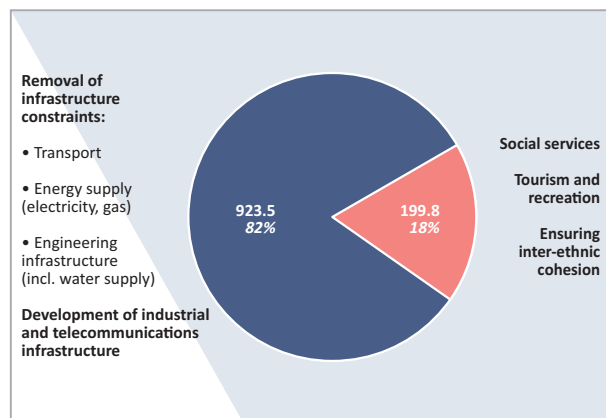


Figure 19. The breakdown of funding under the RF's "Crimean" Federal Target Programme by area of funding as of August 2020, billion roubles (%)

- social services (13%);
- ensuring inter-ethnic cohesion (1%);
- the protection of the population and territories from emergencies and other areas of funding account for only 0.2% of the amount of capital investment.

The latest funds added to the amount of funding for the programme in July 2020 were not allocated for specific purposes, so the structure of funding for the Federal Target Programme today looks as shown in Figure 19. It is clear that the priorities have not changed: megaprojects to overcome infrastructure constraints and measures to create telecommunications and industrial infrastructure account for more than 80% of the funds. The main source of funding for the target programme has been and will remain the federal budget of Russia (see Figure 20). Funds from extrabudgetary sources of the FTP are defined in the programme as "credit, various types of loans, as well as own funds of investor companies".

Thus, the state of the banking system of Crimea and the real nature of investment in the occupied territory indicate that under international sanctions Crimea by definition cannot become attractive for investors. It has been and will remain a financial burden for the budget of the occupying power.

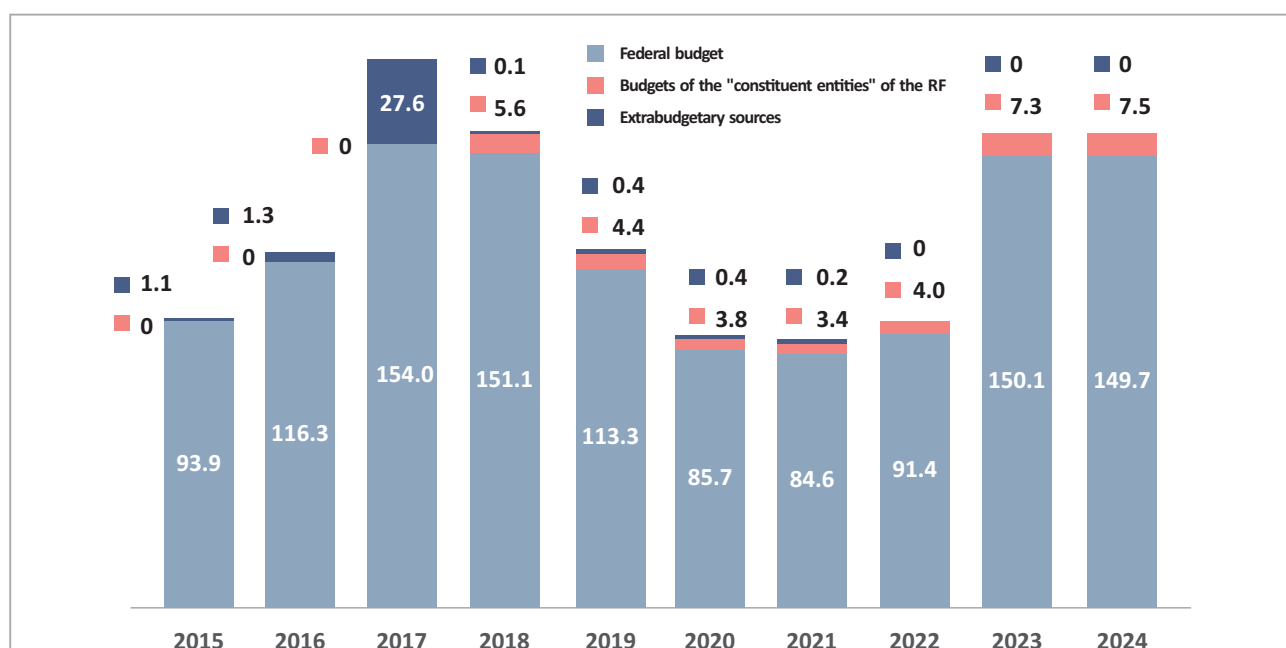


Figure 20. The breakdown of funds to finance capital investment under the "Crimean" Federal Target Programme of the Russian Federation by year and source, billion roubles.

The Replacement of the Population of Crimea

"Migration weapons" and the socio-cultural transformation of a population in the process of colonizing new territories by the Russian Empire and the Soviet Union have a long history. Throughout this history, Russia has accumulated considerable experience and built a strong scientific and historical foundation.

The demographic history of Crimea since the peninsula fell into the sphere of Russia's geopolitical interests in the 18th century has consisted of several periods following the same patterns: they always began with the socio-cultural destruction of Crimea and ended with its transformation according to the standards established by the occupiers.

At all historical stages, the Russian Empire and the USSR made extensive use of "migration weapons" in Crimea. Their goal was always to displace (by stimulating emigration or deportation) the indigenous Crimean Tatar population and populate Crimea with newcomers from Russian regions (or even foreign colonists with the necessary competencies).

That is why after the occupation and the attempt to annex the peninsula in 2014 non-recognized by the civilized world, we expected a new demographic policy of the Russian Federation towards Crimea. Note that in Russian history, the managed migration of the Russian population to newly occupied territories has always been part of the redevelopment of the "trophy" area for new purposes aimed at changing the functional specialization of the territory dramatically.

During the occupation, the authors have been conducting monitoring of the official and other relevant information, bearing in mind that Russian statistics in general and the statistics of the occupation administration of Crimea and Sevastopol in particular are not a tool of analysis but largely a means of disinformation.

An array of information in various areas, which has been accumulated since February 2014, makes it possible to draw rather firm conclusions. Unfortunately, the specifics of the situation where the sources of the information live under conditions of total control by the Russian special services and the "iron curtain" do not allow for the traditional references for security reasons. Therefore, the reader will have to take some of the authors' theses on faith.

* * *

It has already become well known that the main goal of the special operation to seize the Crimean Peninsula in February 2014 was to restore the function of the "unsinkable aircraft carrier of the empire" in the middle of the Black Sea. Therefore, when studying migration, it was natural to divide the demographics of Sevastopol as the main military focus of Crimea and the rest of the Crimean Peninsula. But, as stated at the beginning of the book, the latest case of another attempt at Russian colonization of Crimea from the beginning was not only about a giant military base but also about a "new international showcase for Russia", a tourist and innovative one like Olympic Sochi. The analysis of the demographic trends on the peninsula for almost seven years of the occupation will allow us to understand whether those intentions have been realized and in what way.

The size of the resident population of Crimea (excluding Sevastopol) in 2014-2019

| Date | Number of people | Source |
|------------|------------------|--|
| 01.01.2014 | 1,967,200 | The State Statistics Service of Ukraine |
| 14.10.2014 | 1,889,400 | Russian census |
| 01.01.2015 | 1,895,915 | The Federal State Statistics Service (Rosstat) |
| 01.01.2016 | 1,907,106 | Rosstat |
| 01.01.2017 | 1,912,168 | Rosstat |
| 01.01.2018 | 1,913,731 | Rosstat |
| 01.01.2019 | 1,911,818 | Rosstat |
| 01.01.2020 | 1,912,622 | Rosstat |

According to the latest pre-war Ukrainian statistics, as of 1 January 2014, i.e. two months before the occupation, the resident population of the Autonomous Republic of Crimea (excluding Sevastopol) was 1,967,200 people.

One of the first measures the Russian Federation took after the occupation was conducting a census. It was taken on 14 October 2014. According to its results, the population of Crimea excluding Sevastopol was 1,889,400 people.

That is, the comparison of the official Ukrainian statistics and the census conducted by the occupiers shows a decrease in the population of occupied Crimea by 77,800 people over the nine months of 2014. This, in turn, gives an understanding of how many people left Crimea immediately after the occupation. The authors estimate that up to 80-90% of these people, i.e. 60-70 thousand persons, left for mainland Ukraine for fear of persecution.

This migration flow consisted mainly of active participants in the resistance to the occupation, journalists of independent media, civil activists of pro-Ukrainian organizations, including Crimean Tatar ones, and other people who could not imagine life under occupation due to their beliefs.

Further statistics show that during the occupation the total size of the resident population of Crimea, i.e. the number of people with officially registered permanent place of residence in Crimea (by the Migration Service of the Ministry of Internal Affairs of the RF), has not increased and remained virtually unchanged (see Figure 21).

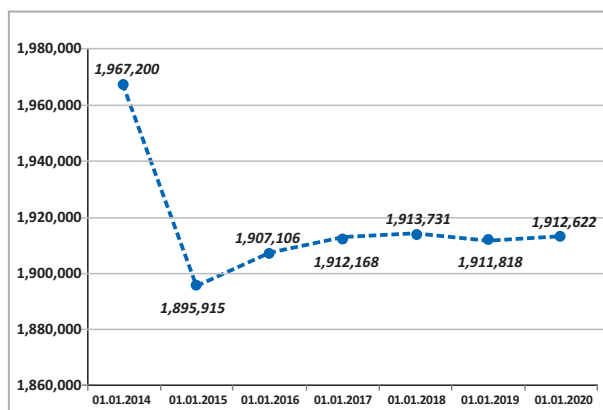


Figure 21. Trends in the size of the resident population of Crimea (excluding Sevastopol) during the occupation period as of 1 January 2020, persons



The size of the resident population of Sevastopol in 2014-2019

Table 4. The resident population of Sevastopol in 2014-2019, persons

| Date | Number of people | Source |
|------------|------------------|----------------|
| 01.01.2014 | 383,304 | Ukrstat |
| 14.10.2014 | 393,304 | Russian census |
| 01.01.2015 | 398,973 | Rosstat |
| 01.01.2016 | 416,263 | Rosstat |
| 01.01.2017 | 428,753 | Rosstat |
| 01.01.2018 | 436,670 | Rosstat |
| 01.01.2019 | 443,212 | Rosstat |
| 01.01.2020 | 449,138 | Rosstat |

During the years of the occupation, the size of the resident population of occupied Sevastopol has shown fundamentally different trends from occupied Crimea.

According to the latest pre-war Ukrainian statistics, as of 1 January 2014, i.e. two months before the occupation, the resident population of Sevastopol was 383,304 people. The Russian census conducted eight months after the beginning of the occupation showed an increase in population by 10 thousand people. And then an unprecedentedly rapid growth due to migration began, which has continued to the present day (see Figure 22).

Overall, during the years of the occupation, the absolute size of the resident population of Sevastopol has increased from 383,304 to 449,138 people, i.e. by 65,834 people, or by an unprecedented 17.2%.

The resident population of Sevastopol and external migration in 2014-2019

Table 5. External migration to Sevastopol over the years of the occupation

| Year | Total number of people | From Russia | From "the CIS states" (i.e. from the temporarily occupied areas of the Donetsk and Luhansk regions) |
|--------------|------------------------|------------------------|---|
| 2014 | 14,182 | 11,380 | 2,802 |
| 2015 | 24,766 | 16,889 | 7,877 |
| 2016 | 18,759 | 13,417 | 5,342 |
| 2017 | 16,091 | 12,439 | 3,652 |
| 2018 | 16,413 | 12,827 | 3,586 |
| 2019 | 16,858 | 12,036 | 4,822 |
| Total | 107,069 (100%) | 78,988 (73.77%) | 28,081 (26.23%) |

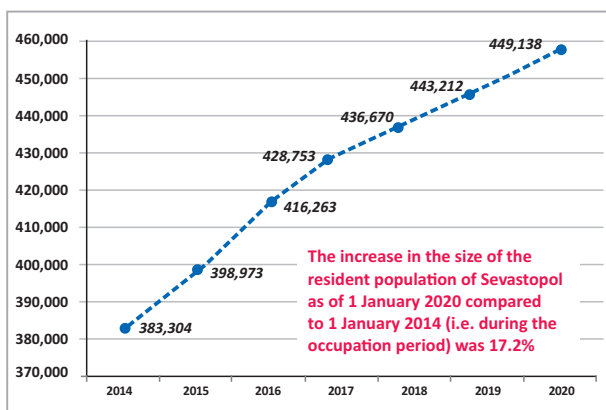


Figure 22. Trends in the size of the resident population of Sevastopol during the occupation period of 2014-2019 as of 1 January 2020, persons

Reference: Until 5 April 2016, the Federal Migration Service (FMS) of Russia, the federal executive body, was responsible for permanent residence registration and migration issues. On 5 April 2016, this agency was dissolved by a decree of the President of the RF, and its functions and powers were returned to the Main Directorate for Migration of the Ministry of Internal Affairs of the Russian Federation.

Thus, during the years of the occupation of the Crimean Peninsula (as of 1 January 2020), 107,069 people have moved to Sevastopol:

- 73.77% of them, or 78,988 people, had previously resided permanently in the regions of the Russian Federation;
- 26.23% of them, or 28,081 people, had lived permanently in the Donetsk and Luhansk regions of Ukraine.

In order to adequately assess the scale of the phenomenon, note that the number of external migrants has already amounted to 27.93% of the size of the resident population of Sevastopol before the occupation. That is, the migration gain has compensated for all the negative demographic processes in the city and provided an enormous increase in the size of the resident population.

It is worth mentioning that the migration gain as a result of the migration from the regions of the Russian Federation to Sevastopol has been constant and steady at the level of 12,000-13,000 people a year. This is the direct evidence of the systematic increase in the Russian military contingent in the main base of the Russian Black Sea Fleet. This main migration flow to Sevastopol consists of the Russian military and members of their families.

The prime motive for their official permanent residence registration in Sevastopol is the opportunity to take out preferential military mortgages to buy their own dwellings.

Another component of the migration flow that has been increasing the size of the resident population of Sevastopol is Russian retired people from remote areas of northern Russia and Siberia.

As to migrants from the Donbas, who are shown in Russian official statistics as "migrants from the CIS countries", the real situation is different. The bulk of the migrants from the Donetsk and Luhansk regions moved to the Crimean Peninsula immediately after the beginning of hostilities in the Donbas caused by Russian aggression.

As early as the end of November 2014, the FMS of the Russian Federation spread the message that there were approximately 200,000 people in Crimea who had left the Donbas as a result of hostilities.

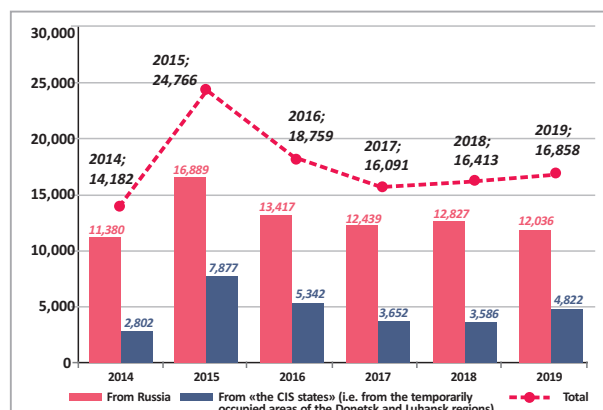


Figure 23. Trends in the number of people who moved to Sevastopol during the occupation period as of 1 January 2020, persons

Note that before the occupation, there were a lot of recreational housing construction projects in Crimea. Those second homes by the sea were in great demand among people in eastern Ukraine. Therefore, many residents of the Donbas escaped the war by moving to their Crimean flats.

In addition, since the early days of the war in the Donbas, there has been close cooperation between the occupying authorities of Crimea and the puppet regimes of the so-called "people's republics" in the Donbas.

This was manifested both in the training of militant units in Crimea and the treatment of the wounded, which have also become a factor in the "Donetsk migration" to occupied Crimea.

Therefore, Figure 23 on Sevastopol and Figure 24 on the Autonomous Republic of Crimea show not the annual trends in migration from the Donbas to Crimea, which has long been absent, but the trends in the process of obtaining Russian passports and permanent residence registration in Sevastopol and Crimea by the Donbas residents who arrived in Crimea in 2014.

The resident population of occupied Crimea (excluding Sevastopol) and external migration in 2014-2019

According to the official statistics of the occupying authorities, during the years of the occupation of Crimea as of 1 January 2020, 159,389 people have moved to Crimea (excluding Sevastopol):

- 60.45% of them, or 96,351 people, had previously resided permanently in the Russian Federation;
- 39.55% of them, or 63,038 people, had lived permanently in the Donetsk and Luhansk regions of Ukraine.

In order to assess the scale of the phenomenon, note that the number of external migrants has amounted to 8.1% of the size of the resident population of Crimea before the occupation.

That is, in contrast to Sevastopol, where that figure reached 27.93%, the migration gain in occupied Crimea has only compensated for the natural population decline but has not increased the size of the resident population.

It is worth noting that the migration gain of the resident population (let's emphasize the word "resident") from the regions of the Russian Federation to occupied Crimea has been growing steadily during the years of the occupation.

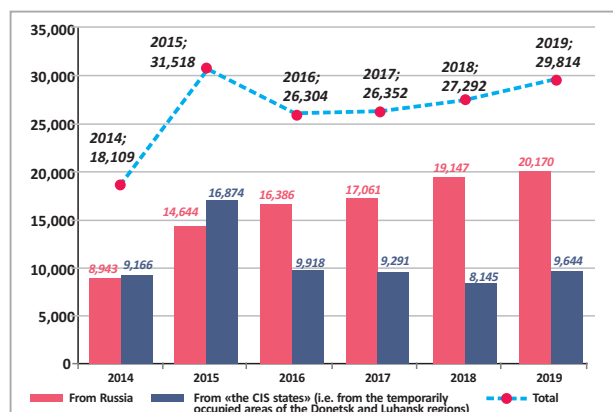


Figure 24. Trends in the number of people who moved to Crimea (excluding Sevastopol) during the occupation period as of 1 January 2020, persons

| Year | Total number of people | From Russia | From "the CIS states" (i.e. from the temporarily occupied areas of the Donetsk and Luhansk regions) |
|--------------|------------------------|---------------|---|
| 2014 | 18,109 | 8,943 | 9,166 |
| 2015 | 31,518 | 14,644 | 16,874 |
| 2016 | 26,304 | 16,386 | 9,918 |
| 2017 | 26,352 | 17,061 | 9,291 |
| 2018 | 27,292 | 19,147 | 8,145 |
| 2019 | 29,814 | 20,170 | 9,644 |
| Total | 159,389 | 96,351 | 63,038 |

However, the nature of this growth is more complex than in Sevastopol:

- firstly, similarly to Sevastopol, it is the flow of migrants from the Russian military and members of their families, who have settled mainly in Yevpatoriia, Feodosiia, and Kerch;
- secondly, similarly to Sevastopol, these are also Russian retired people from remote areas of northern Russia and Siberia, who buy apartments mainly in Simferopol or Yalta and other coastal cities;
- thirdly, these are representatives of the Russian middle class, who change their permanent place of residence mainly for reasons of environmental and climatic conditions;
- fourthly, it is part of Russian officials, mostly security officials, and members of their families, for whom having Schengen visas is not essential (which is not possible with permanent residence registration in occupied Crimea).

Characteristics and the ratio of the number of people who moved to Crimea to the number of people who left Crimea in 2015-2019

Let us pay attention to another important aspect of the problem:

while in Sevastopol we mainly observe just an increase in the size of the population due to external migration, in Crimea, the replacement of the population is taking place, i.e. the replacement of those who leave the peninsula by those who move to Crimea.

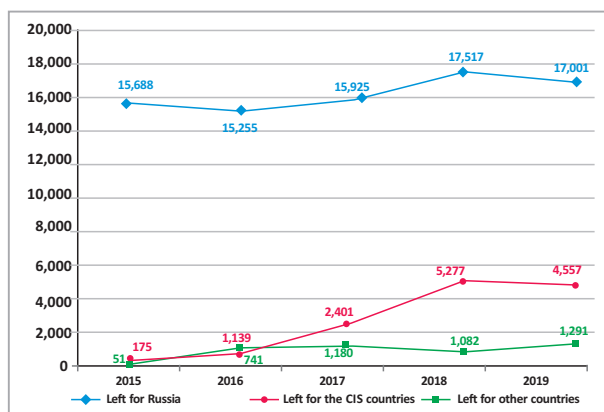


Figure 25. Trends in the number of people who left Crimea (excluding Sevastopol) during the occupation period as of 1 January 2020, persons



From the analysis of the data presented in Figure 25, it is clear that during all the years of the occupation, there has been a very significant number of people leaving Crimea, which is comparable to the number of those moving to Crimea. The basis of this flow is Crimeans moving to the Russian Federation. This flow has been relatively steady, ranging from 15,000 to 17,000 people a year.

It is mainly composed of young people who leave Crimea to go to higher educational institutions. The reason for that is international sanctions for the occupation and attempted illegal annexation of Crimea. One of the effective components of the sanctions regime is the non-recognition of any documents issued by the Russian Federation on the occupied peninsula, including diplomas of education. Those are recognized only in Russia, but even in Russia, companies involved in international projects have long avoided hiring professionals with Crimean diplomas.

Since 2017, the flow of Crimean residents leaving for mainland Ukraine has resumed (this figure is "disguised" in the occupiers' statistics as "leaving for the CIS countries"). The size of this migration flow is about 5,000 people a year.

In 2014, the first year of the occupation, reliable migration statistics on the number of people leaving Crimea were not produced. The comparison of migration flows to and from Crimea (excluding Sevastopol) during the period of the occupation from 2015 to 2019 (see Figure 27) clearly illustrates how the replacement of the population has been carried out.

Instead of 99,280 Crimeans who left the peninsula in 2015-2019, 148,178 new "colonizers" moved to Crimea, i.e. there were 1.5 times more people who moved to Crimea than those who left it.

In addition, about 70,000 Crimean residents who left the peninsula for political reasons in the first year of the occupation and became "internally displaced persons" should be added to this migration balance.

To draw conclusions and make generalizations, it is necessary to estimate another demographic indicator, the de facto population of the peninsula.

The estimate of the de facto population of occupied Crimea and Sevastopol

Russian statistics agencies, as a rule, publish information on the resident population, i.e. the part of the population that has officially registered the place of residence in Sevastopol and Crimea in the local migration agencies of the Russian Ministry of Internal Affairs, regardless of the actual location.

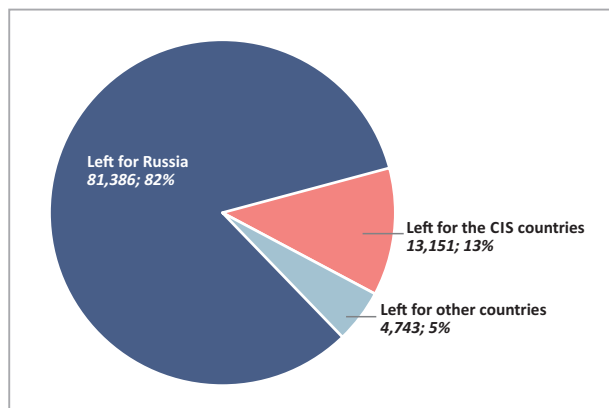


Figure 26. The structure of the migration flow from Crimea (excluding Sevastopol) during the occupation period as of 1 January 2020, persons

There is another important indicator for this study – the de facto population, i.e. the total of all persons living in a geographical area, regardless of their place of residence. Under the legislation of the Russian Federation, temporarily present people have to register at the place of temporary residence if they arrive in a locality for longer than 90 days.

There is no official information in the open sources about the temporarily present population that has registered its long stay on the territory of the Crimean Peninsula.

Meanwhile, estimates expressed by residents on social media sites, journalists, real estate and housing experts, officials of the occupation administrations, show, for example, that the de facto population of Sevastopol is 700 thousand people, while its resident population is 450 thousand people.

On 28 April 2020, Russian media reported that Acting Russian Governor of occupied Sevastopol Mikhail Razvozhayev told Russian President Putin at a meeting on combating the coronavirus:

"According to statistics, it was necessary to have hospital bed capacity at the rate of 450 thousand people, I immediately decided to have twice as many, since it is obvious from the consumption of water and bread that more than 700 thousand people live in Sevastopol".

Similarly, experts estimate the size of the de facto population of Simferopol to be about 600 thousand people, while its resident population is 362 thousand people.

It is not difficult to solve the riddle if we remember the word "sanctions":

having a stamp of permanent residence registration in occupied Crimea in a Russian internal passport makes it impossible for its holder to obtain visas to the EU, the USA, the UK, and other states that do not recognize the occupation and attempted annexation of Crimea, as well as to have access to other services, such as banking, in the civilized world.

Therefore, it is not surprising that tens of thousands of Russian citizens who live and work in occupied Crimea are in no hurry to change their Moscow or Saratov permanent residence registration to the Crimean one.

First of all, we are talking about thousands and thousands of employees of occupation executive branch agencies and members of their families:

- about 30 local agencies of federal law enforcement, judicial, and military agencies (the Ministry of Internal Affairs, the FSB, the Investigative Committee, the Customs Service, prosecutor's offices, the Border Service, etc.);

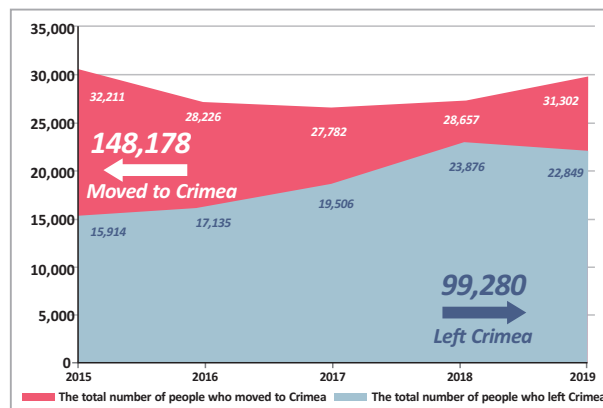


Figure 27. The comparison of migration flows to and from Crimea (excluding Sevastopol) during the period of the occupation as of 1 January 2020, persons

- about 40 local agencies of the federal government agencies of the Russian Federation (the Tax Service, the Treasury, the Pension Fund, various types of supervision, etc.);

- 35 executive agencies of Crimean subordination: 19 ministries, 8 state committees, 8 services and inspectorates. They have 445 subordinate enterprises and organizations, including factories, agricultural enterprises, health retreats, nature reserves, etc.

Since the first days and during all the years of the occupation, Russia has been methodically creating its repressive and administrative apparatus in Crimea and Sevastopol by relocating there personnel from Moscow and other regions: law enforcement agencies, supervisory agencies, "supervisors" in the republican and municipal agencies of the occupied territory.

According to estimates based on the analysis of both public and insider information, the proportion of officials relocated from Russia in the departments of Russian federal agencies in Crimea reporting directly to Moscow reaches 70%, in the departments reporting to Simferopol – 50%. These figures are constantly increasing.

Crimean leaders of the collaborationist "Crimean government", government and municipal officials are gradually and systematically being replaced by officials from various regions of Russia, often from depressed regions of the European part of Russia, including the northern ones, and from remote Siberian cities.

Since 2016, the replacement of local personnel by that from Russia has been taking place in areas such as education and health care due to relocation to Crimea of family members of Russian officials and the military, as well as builders of the Crimean bridge and the Tavrida motorway, military plants engineers.

In 2019, another stage of the staff replacement began: the former head of the Bilorichensky district of Krasnodar Krai of the Russian Federation was appointed head of the occupation administration of the resort capital of the peninsula, the city of Yalta. Understanding the general logic of the processes, we can expect that this was the beginning of the stage of replacing the leadership of the Crimean cities and districts with Russian personnel.

However, back to the migration balance.

Summarizing the statistics, calculations, and estimates outlined above, we can conclude that:

during the years of the occupation, the population of the peninsula including Sevastopol has increased by at least 800 thousand-1 million people due to external migration. This estimate is comprised of the following components:

- as of 1 January 2020, 107,069 people moved to Sevastopol;
- as of 1 January 2020, 159,389 people moved to occupied Crimea;
- the de facto population of Sevastopol and Simferopol is estimated to be at least 300 thousand people larger in each city than the resident population;
- the de facto population of Yalta, Alushta, Yevpatoriia, Feodosiia is estimated to be at least 10-20 thousand people larger in each city than the resident population.

Thus, as of 1 January 2020, the estimate of the de facto population of the occupied Crimean Peninsula is as follows.

- As of 1 January 2020, the resident population of Crimea excluding Sevastopol = 1,912,622 persons.
- As of 1 January 2020, the resident population of Sevastopol = 449,138 persons.
- The total resident population = 1,912,622 + 449,138 = 2,361,760 persons.
- The minimum estimated size of the unregistered temporary population = 300,000 (Sevastopol) + 300,000 (Simferopol) + 50,000 (other cities) = 650,000 persons.
- As of 1 January 2020, the minimum estimated size of the de facto population of the Crimean Peninsula = 3,011,760 people.

Thus, the de facto population of the Crimean Peninsula is at least 3 million people compared with 2.35 million people before the occupation.

Of course, the international sanctions regime and the lack of the Dnieper water supply to the peninsula through the North Crimean Canal act as an effective deterrent – without those, the number of Russian colonizers on the occupied peninsula would be much larger.



New apartment blocks for the military personnel of the Russian Black Sea Fleet and Russian officials in occupied Sevastopol. Photo from the BlackSeaNews archive



Water in Occupied Crimea: A 50-Year Step Backwards

Since the spring of 2020, the information space has been stirred by the situation with water supply to the occupied Crimean Peninsula.

For this reason, we will remind our readers of some basic facts.

1. The fact that most of the Crimean Peninsula is the steppes characterized by long, dry, and very hot summers and snowless winters is not news. The island configuration exacerbates this situation (it can be seen on precipitation maps very clearly). Climate change in the 21st century will continue to make the Crimean climate harsher.

2. It is also well known that since 1971, when the North Crimean Canal reached Kerch, the Dnieper water had provided 85% of water consumption in Crimea. They were well aware of this fact in Russia when they decided to occupy the peninsula in 2014.

3. Cutting off the water supply to the occupied peninsula in April 2014, or the so-called "water blockade", is a type of economic sanctions imposed in response to the occupation and illegal annexation not recognized by the whole world. Or, to be more precise, the "water blockade of Crimea" is one of the main elements of Ukraine's economic war against Russia.

The sanctions regime as a whole and the water blockade as one of its most effective components aim to increase the price paid by Russia for its aggressive actions, and in the long run, along with other sanctions, to force Russia to end the occupation.

4. It so happened that the years of the occupation until 2020 in Crimea were marked by an unusually high level of precipitation. But it could not last forever.

There are 22 large reservoirs in Crimea with a total volume of 399.4 million cubic metres. Depending on the recharge source, they are divided into:

- natural flow reservoirs – there are 14 of them in Crimea and 1, the Chornorichenske reservoir, in Sevastopol. Their volume is $188.85 + 64.2 = 252.7$ million cubic metres. They are recharged during the autumn-winter period, spring floods, and sometimes in the summer during showers;
- off-stream reservoirs of the North Crimean Canal. There are 8 of them and their volume is 146.35 million cubic metres.

According to the Representative Office of the President of Ukraine in the Autonomous Republic of Crimea and the State Agency of Water Resources of Ukraine, in the decade until 2014, the North Crimean Canal annually supplied more than 1 billion cubic metres of the Dnieper water to the Crimean Peninsula, which accounted for up to 85% of total water consumption in the Autonomous Republic of Crimea.

In 2013, 1.134 billion cubic metres of water was supplied to the Autonomous Republic of Crimea via the North Crimean Canal, including for the needs of:

- irrigation – 952 million cubic metres (83.95% of the water supply to Crimea);
- household needs of the population (filling the reservoirs) – 103 million cubic metres (9.08%);
- fisheries – 19 million cubic metres (1.68%);
- other needs – 60 million cubic metres (5.29%).

That is, the needs of the agro-industrial and industrial sectors of the Autonomous Republic of Crimea accounted for the largest share of water from the North Crimean Canal.

The local water resources of Crimea are on average approximately 915 million cubic metres per year, decreasing in particularly dry years to 430 million cubic metres. This figure consists of groundwater reserves of 445.5 million cubic metres per year, 14 natural flow reservoirs and 1994 man-made ponds with a total usable storage of 470.7 million cubic metres per year.

According to the data of the state records of water use, about 101-105 million cubic metres of water was used annually for drinking and household needs in the Autonomous Republic of Crimea, which is approximately 9 times less than the total local flow and projected groundwater reserves and 4 times less than those in dry years. Before the occupation, when the population of the peninsula was 1,967,200 people, the average per capita consumption of water in Crimea was 53.4 cubic metres per year.

Let us take a look at some unrealistically inflated figures. According to Russian building codes, the standard water consumption per person in apartment blocks more than 12 floors high with a centralized hot water supply and increased requirements for providing amenities is 400 litres per day (146 cubic metres per year). If we imagine that all the 3 million people, which constitute the peninsula's de facto population, live in flats in high-rise buildings, the standard volume of water consumption is $3 \text{ million people} \times 400 \text{ litres} \times 365 \text{ days} = 438 \text{ million cubic metres}$. Even such volumes are covered by Crimea's own water resources available in dry years (430 million cubic metres).

That is, the shortage of water for the population of Crimea has been caused not only by an increase in the de facto population during the occupation years by 0.8-1.0 million people and large-scale housing construction for the "new population" but, above all, by a significant increase in water consumption by military units and military plants and clearly insufficient maintenance of water supply networks (in the hope that it will be possible to force Ukraine to reopen the North Crimean Canal).

According to our information, as early as April 2020, the Ministry of Natural Resources and Ecology of the Russian Federation sent an instruction to the so-called "Minister of Ecology and Natural Resources of the Republic of Crimea" to report on the current level of water storage, rates of water withdrawal, and prospects for the replenishment of water resources during the summer of 2020.

Increased attention of the federal centre to the problem of water supply to Crimea was caused by a number of enquiries of the State Duma of the Russian Federation deputies on existing mechanisms to address the problem of water shortage on the peninsula, which led to a sharp decrease in sown area and falling yields in 2019.

According to the report by the leadership of the so-called "Crimean State Committee on Water Management and Land Reclamation", which was prepared in May 2020,

- "...water storage in natural flow reservoirs had not been replenished since the end of March 2020 due to the prolonged drought."
- The total water storage in the Crimean reservoirs as of 30 April was 90 million cubic metres (13 million less than at the beginning of April). It is worth reminding that the total volume of the reservoirs is 399.4 million cubic metres.

- The Simferopolske reservoir was 20% full, in April only 600 thousand cubic metres of water was received ... The available volume allowed for providing for the needs of the capital of Crimea for no more than 4 days.
- The Aianske Reservoir, which provides Simferopol and the settlements of the Salhyr valley with water, was filled to 60% of its capacity (due to melting snow in the mountains) and remained the main source of water supply to Simferopol. Available storage would suffice for 2-3 months, the recharge rate was declining due to the end of the snow-melt season and the absence of precipitation.
- The Bilohirske and Taihanske reservoirs, which were previously used to provide water for agriculture in the eastern Crimea, were at that time only supplying water for the needs of the population of the north-eastern Crimea. They were not more than 30% full; with the withdrawal rate existing at that time, the storage would suffice for 2 months.
- The Partyzanske reservoir (provides for the needs of Simferopol, its western suburbs, and rural settlements of the district) was filled only to 30% of its capacity, its recharge rate did not exceed 10% of the average annual rate. The storage would suffice for 3-4 weeks.
- In May 2020, the situation with water supply looked the least threatening in the reservoirs that provided water for the settlements of Greater Yalta and the city of Alushta. The Zahirskie and Shchaslyvenske reservoirs were 60% full, Izobilnenske (Alushta) was 70% full..."

According to Crimean officials, solving the problem of water supply in Crimea relying on local forces is not possible.

They mean that there is no funding, expert opinions, and completed design work for numerous desalination projects and using deep aquifers, as a result of which even the funds allocated for these purposes by the government of the Russian Federation within the Federal Target Programme have not been used.

Local collaborators consider "a solution to the problem in the political sphere, at the level of the leadership of Russia and Ukraine" to be the only possible way to ensure adequate water supply to the population and economy of Crimea.

Based on these data, as early as late May 2020, the authors predicted that in the summer of 2020, the situation would be similar to the one that existed in Crimea until 1971, where running water, except for Yalta and Alushta, would be available for only a few hours a day, and in summer – maybe not every day. No catastrophe – just a 50-year step backwards.

That's what has actually happened. Overall, the occupation authorities' underestimation of the urgent annual needs for the maintenance and reconstruction of water supply networks in the climatic conditions of Crimea has led to the situation where the water problem has become one of the most important factors hindering further population replacement, industrial development, tourism, and investment.

| No | Name of a reservoir | Location | Source of replenishment | Total volume, m ³ |
|---|---------------------|--|-------------------------|------------------------------|
| Table 7. The natural flow reservoirs | | | | |
| 1 | Alminske | Poshtove village, Bakhchysarai Raion | the Alma river | 6.2 |
| 2 | Aianske | Zarichne village, Simferopol Raion | the Aian river | 3.9 |
| 3 | Balanovske | Balanove village, Bilohirsk Raion | the Zuia river | 5.00 |
| 4 | Bakhchysaraiske | the town of Bakhchysarai | the Kacha river | 6.89 |
| 5 | Bilohirske | the town of Bilohirsk | the Biiuk-Karasu river | 23.3 |
| 6 | Zahirskie | Synapne village, Bakhchysarai Raion | the Kacha river | 27.85 |
| 7 | Izobilnenske | Izobilne village, the city of Alushta | the Ulu-Uzen river | 13.25 |
| 8 | Kutuzovske | Nyzhnia Kutuzovka village, the city of Alushta | the Demerdzhy river | 1.11 |
| 9 | Lhovske | Dolynne village, Kirovskiy Raion | the Zmiina gulch | 2.2 |
| 10 | Partyzanske | Partyzanske village, Simferopol Raion | the Alma river | 34.4 |
| 11 | Simferopolske | the city of Simferopol | the Salhyr river | 36.0 |
| 12 | Starokrymske | the town of Staryi Krym | the Chorokh-Su river | 3.15 |
| 13 | Shchaslyve – II | Shchaslyve village, Bakhchysarai Raion | the Manahotra river | 11.8 |
| 14 | Taihanske | the town of Bilohirsk | the Dzhevaihanska gulch | 13.8 |
| Table 8. The reservoirs of the North Crimean Canal | | | | |
| 1 | Zelenoiarske | Zelenyi Yar village, Leninskyi raion | the North Crimean Canal | 3.02 |
| 2 | Leninske | Leninske village, Leninskyi raion | the North Crimean Canal | 7.7 |
| 3 | Mizhirne | Skvortsove village, Simferopol Raion | the North Crimean Canal | 50.0 |
| 4 | Samarlinske | Vynohradne village, Leninskyi raion | the North Crimean Canal | 8.09 |
| 5 | Sokilske | Sokilske village, Leninskyi raion | the North Crimean Canal | 2.26 |
| 6 | Stantsiine | Stantsiine village, Leninskyi raion | the North Crimean Canal | 24.0 |
| 7 | Feodosiiske | Novopokrovka village, Kirovskiy raion | the North Crimean Canal | 15.37 |
| 8 | Frontove | Frontove village, Leninskyi raion | the North Crimean Canal | 35.0 |



The Crimean Budget

After 2015, it became clear that the regime of international sanctions and the blockade of the occupied peninsula by mainland Ukraine made not only the economic development but also financial self-sufficiency of Crimea and Sevastopol impossible. Since then, the analysis of the budgets of Sevastopol and "the Republic of Crimea" has lost its economic sense.

The basis and, at the same time, the main intrigue of the annual budgeting in Crimea are the same – the size of the subsidies from the Russian Federation.

Due to the sanctions, Russia has had to use the only possible "economic model" for occupied Crimea, the main features of which are as follows:

- "the island of Crimea" is isolated from the civilized world and connected only with the Russian Federation by the bridge across the Kerch Strait, the underwater gas pipeline and power cable, and by air;
- almost 70% of the "island's" expenses are covered by the subsidies from the Russian Federation's budget; some income comes from the sale of "trophy" Ukrainian property, the buyers of which are Russian companies and individuals under international sanctions;
- the civilian, military, industrial, logistical, and service infrastructure of the "island" has been created mainly on the basis of "trophy" Ukrainian property; its development and maintenance are funded by the Russian government – be it budget financing or the funds of state-owned and quasi-private companies. This work is carried out mainly by Russian companies put on sanctions lists.

In terms of the level of subsidies, occupied Crimea is in the same group as the most heavily subsidized regions of the Russian Federation: the republics of the North Caucasus (Chechnya, Ingushetia, Karachay-Cherkessia, Dagestan) and such remote areas as Altai, Tyva, and Chukotka.

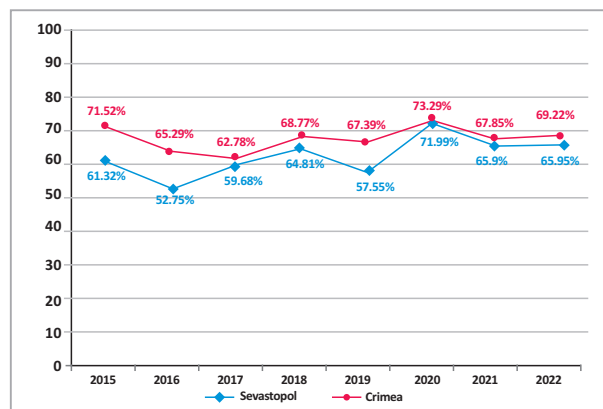


Figure 29. The proportion of funding from the RF's federal budget in the budgets of "the Republic of Crimea" and Sevastopol; in 2015-2019 – actual, from 2020 – projected, according to the "Ministry of Finance of the RC", billion roubles

A certain increase in revenues in 2019 was artificial as registered offices of some companies involved in the construction of the bridge across the Kerch Strait were moved to Crimea in order to pay taxes to the Crimean budget. Due to the completion of the megaprojects, such revenues are no longer projected (see Figure 29).

The slightly lower level of Sevastopol's dependence on subsidies is explained only by the fact that, as a result of the militarization during the occupation, many members of the Russian armed forces and their families, who have quite high incomes and pay taxes to the local budget, have moved to the city. According to the authors' estimates, during the occupation, the population of Sevastopol has increased by at least 17%.

At year-end 2019, the occupied Ukrainian regions were among the ten most heavily subsidized regions of the Russian Federation: (74) the Republic of North Ossetia – 56.4%; (75) Sevastopol – 57.6%; (76) Kaliningrad Oblast – 57.6%; (77) the Kabardino-Balkarian Republic – 59.0%; (78) Chukotka Autonomous Okrug – 62.7%; (79) "the Republic of Crimea" – 67.4%; (80) the Republic of Dagestan – 67.5%; (81) the Altai Republic – 70.3%; (82) the Karachay-Cherkess Republic – 71.5%; (83) the Tyva Republic – 75.9%; (84) the Chechen Republic – 80.6%; (85) the Republic of Ingushetia – 88.2%.

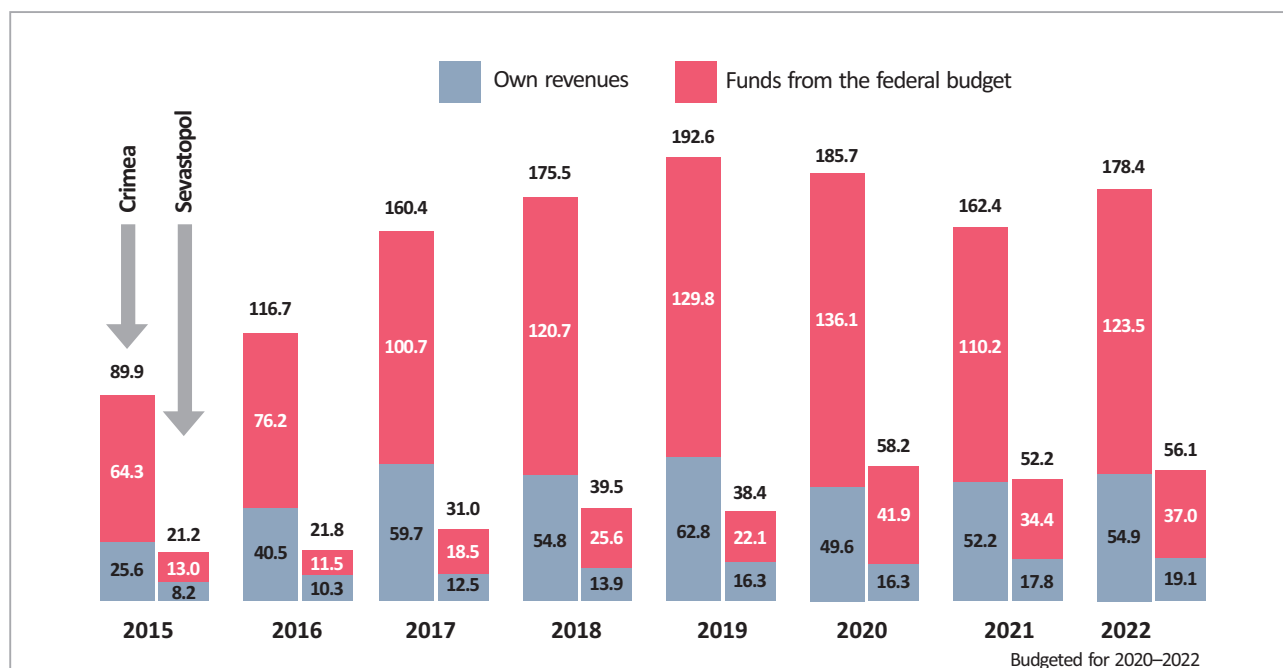


Figure 28. Own budget revenues of the "Republic of Crimea" and Sevastopol and funds from the federal budget of the Russian Federation, 2015-2019 – actual, from 2020 – projected, according to the "Ministry of Finance of the RC", billion roubles

Small and Medium-Sized Business

Since 2014, the Crimean small and medium-sized business has been in decline and the process of its replacement with the entrepreneurs from the Russian Federation has been taking place. Crimea has also seen the expansion of the Russian business into the profitable segments of the peninsula's economy (see The Trophy Economy. The Commercial Exploitation of Marine Biological Resources section). All this in the absence of reliable statistics makes traditional statistical analysis impossible.

Experienced Crimean entrepreneurs state that small business in Crimea has faced a significant increase in the number of reports required, a huge number of auditors, and a harsh system of heavy fines, even for the smallest violations.

After the occupation, the category of tourists arriving in Crimea from Russia has changed from high-income visitors to low-income ones, which, in turn, has led to a drastic reduction in the number of small businesses in the tourism industry. Before the occupation, about 21% of the adult population of Crimea, or over 350 thousand people, including 9% in rural areas, 16% in industrial areas, and 32% in the resort regions, were engaged in providing tourist services as seasonal work. Nowadays this main industry of the Crimean small business has no prospects.

According to forecasts made by the authors of this report, the decline of small business in Crimea will continue. The experience of the years of the occupation shows that entrepreneurial activity, critical thinking, and independent decision-making are antagonistic to the social model of contemporary Russia.

Salaries and Pensions

One of the main slogans used before the Crimean "referendum" on 18 March 2014 was the argument about significantly higher levels of salary, pensions, and social welfare spending in the Russian Federation.

The Crimean residents imagined that the consumer spending power of an average Russian citizen is close to that in Moscow, St. Petersburg, and other big and successful Russian cities, as well as that of the Russian Black Sea Fleet servicemen in Sevastopol, who had received special foreign service remuneration.

During the initial stage of the occupation, the occupying power actually fulfilled those promises. In March 2014, salaries in state organizations and institutions started to be paid in Russian roubles. Whereas the hryvnia – rouble exchange ratio for commercial organizations was 3.0, which corresponded to the market value at that time, for public sector workers and retirees, this ratio was increased to 3.8. That is, these categories of the population received a "treason bonus".

As in 2014 Ukrainian foodstuffs, generally of much better quality and less expensive than Russian ones, still dominated Crimean store shelves, in the first year of the occupation, the retirees, officials, teachers, and doctors could claim an increase in their spending power.

However, since 2015, the real Russian remuneration and pension systems have been applied on the occupied peninsula. In the meantime, Ukrainian goods in Crimea were gradually replaced with more expensive Russian equivalents. At the end of 2015, all supplies from mainland Ukraine were terminated.

In 2016, it became clear that Russian salaries and pensions proved to be far lower than the advertised 2014 model. Combined with higher Russian prices for consumer goods, the devaluation of the rouble as a result of aggression against Ukraine, sanctions, and the falling oil price, that led to the complete disappearance of the "2014 effect". The reduction in the number of jobs available to the Crimeans caused by the migration from Russia of up to 1 million people has put an additional strain on the income level of the local population (See The Replacement of the Population of Crimea section). For example, the majority of spouses of the Russian military and security services personnel transferred to Crimea are educators.

Since the official statistics of the Russian Federation on Crimea are often not really statistics but rather propaganda, while preparing this report, we analysed Crimean online discussions on the levels of compensation on the occupied peninsula.

The analysis has shown that in 2015-2020, the average salary in Crimea varied from 10,000 to 15,000 Russian roubles. According to official statistics, it was 22,000-31,000 roubles. A significant number of public sector workers received salaries of 10,000-12,000 roubles. Among the exceptions have been occupation government officials, security services personnel, servicemen and civilian employees of the military, prosecutors, court officials, certain categories of public sector workers, and the staff of the military-industrial enterprises. The salary level of these segments of society exceeds the Crimean average by 5-10 times.

In 2016-2017, the average pension in Crimea was 11,000-12,000 roubles. However, the absolute majority of retirees received pensions of up to 10,000 roubles.

In 2020, Crimea was included in the list of the 10 "Russian regions" where people have the lowest income levels. One of the leading rating agencies of the Russian Federation ranked Crimea 76th out of 85 regions in terms of the income level of the population. That means that only the populations of the Jewish Autonomous Oblast, the Mari El Republic, Kurgan Oblast, the Karachay-Cherkess Republic, Ingushetia, Kalmykia, Altai, and the Tyva Republic have lower income levels than people in Crimea.

In 2020, Crimea ranked 78th out of 85 in the ranking of the "Russian regions" in terms of consumer demand. From January to July 2020, the consumer demand in Crimea decreased by 11.3% year on year.

In September 2020, experts of the Accounts Chamber of the Russian Federation concluded that the Federal Target Programme "The Socio-Economic Development of the Republic of Crimea and Sevastopol" would not bring the standard of living of the peninsula's population to the Russian national average and eliminate disparities in regional development, as the projected values of certain indicators were insufficient. Thus, according to the agency, by 2022, the average salary in Crimea and Sevastopol should reach 38,300 roubles a month. However, in the Russian Federation, that indicator was 43,400 roubles at year-end 2018.

In 2020, Crimea and Sevastopol ranked in the bottom 5 "Russian regions" for mortgage affordability. Crimea ranked 82nd out of 85, Sevastopol – 81st. Fewer mortgages were taken out only in Dagestan, Chechnya, and Ingushetia. Overall, occupied Crimea has turned into an ordinary "Russian backwater" with the low standard of living and quality of life. No significant changes are expected.



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