



# Gorshenin *Weekly*

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## LAW-ENFORCEMENT ATTACK ON INDEPENDENT MEDIA AHEAD OF ELECTION CAMPAIGN

Despite multiple statements of a prosecutor's office in the mass media that there is no criminal prosecution of the Lb.ua news and analysis website, we learned on 18 July that a criminal case was launched against the website's employees.

A statement issued by the prosecutor's office said that the criminal case had been opened upon the request of an MP of the pro-presidential Party of Regions, **Volodymyr Landik**, under Article 163 and 182 of the Ukrainian Criminal Code, which deal with violating the secrecy of correspondence and other communication of a state official, as well as with the illegal collection, use and distribution of confidential information about an individual, which caused considerable harm to the person's legal rights and freedoms.

We would like to draw your attention to the fact that the statements issued by the prosecutor's office featured different dates on which the MP had submitted his request. Earlier, Landik said in an interview with Radio Svoboda that he had asked the prosecutor's office to open a criminal case against Lb.ua over the publication of his text message exchange back in November 2011.

Pictures of Landik's text message exchange was made by an accredited by parliament journalist of Lb.ua in the parliamentary chamber in November 2011. Later the photos were posted on the Lb.ua website.

After it was revealed that the prosecutor's office was conducting checks of the website, Landik asked it to stop the persecution of the journalists in his case. "I ask you to stop the criminal persecution of the journalists of the Lb.ua website launched following my request as an MP," Landik said in a letter to the prosecutor's office.

During a meeting of the parliamentary committee on the freedom of speech and information held on 17 July 2012, Kiev's prosecutor **Anatoliy Melnyk** said that no criminal case had been launched against the Lb.ua journalists and that a check was under way, whose deadline had been pushed back, and that the decision in the case will be made on 26 July. However, as soon as on 18 July, the prosecutor's office publicly announced about the launch of a criminal case.

Earlier, Lb.ua editor-in-chief **Sonya Koshkina** said that the website was under political pressure from the government and that she was threatened with seven years behind bars. She accused of that a few high-ranking Ukrainian officials, without naming them. Koshkina explained that these individuals were trying to have their revenge for the publication of several exposing articles on the website and that they were attempting to stop the activity of an independent mas media outlet.

The Lb.ua editor-in-chief addressed Ukrainian President **Viktor Yanukovych** and Prosecutor-General **Viktor Pshonka** with a request to interfere in the case and to stop the actions of the prosecutor's office, which was trying to trump up criminal charges against the staff members of the independent website. No response was given to her request.

On the evening of 18 July 2012, the Lb.ua information portal suspended its work. The website's home page shows a picture of the head of the presidential administration, **Serhiy Lyovochkin**, the first deputy the prosecutor-general, **Renat Kuzmin**, the first

deputy prime minister, **Valeriy Khoroshkovskyy**, and presidential aide **Andriy Portnov** with the following phrase underneath: "Why don't you ask them where Lb.ua is?" There is another photo featuring a question mark.

This development stirred a wave of indignation among Ukrainian politicians and mass media outlets. Considering that a criminal case was opened earlier against the director-general of the independent TVi channel, **Mykola Knyazhytskyy**, politicians, experts and journalists viewed this as a deliberate attack on the mass media ahead of the electoral campaign.

On 19 July 2012, Ukrainian journalists staged a protest near the building of the Prosecutor-General's Office (PGO), demanding to end the attack on the independent mass media. Many citizens joined the protest, although police attempted to push people away from the PGO office, arguing that a bomb had been detected in the agency's building. An hour later, a bailiff walked outside the PGO office to tell the protesters that a court had ruled to ban demonstrations in Kiev. After the protesters requested a meeting with the PGO leadership, they were told that Prosecutor-General Pshonka was on vacation, while his first deputy Kuzmin was busy.

Politicians, representatives of non-governmental organizations, unions and citizens issued a number of statement to support Lb.ua and independent mass media.

Despite the absence of news on the Lb.ua website, the portal remains popular and frequently visited. There is a public discussion on the website about developments in the Ukrainian society.

**The Council of the Fatherland united opposition:**

"We urge the leaders of the European Parliament and the European Commission, all the public activists in the world and diplomatic representative offices to give a harsh and principled assessment to the open aggression of the Ukrainian government against the independent mass media in Ukraine."

**The head of the central electoral headquarters of the Fatherland united opposition, Oleksandr Turchynov:**

"We demand the end to the trumped up cases against opposition members, independent journalists and the mass media."

MPs, members of the parliamentary committee for freedom of speech and information of the Verkhovna Rada of Ukraine, **Yuriy Stets, Oleksandr Abdullin, Olena Kondratyuk** and **Viktor Ukolov:**

"Such actions of the prosecutor's office are motivated by a political order of reprisals against journalists."

**The leader of the UDAR party, Vitaliy Klitschko:**

"The overt pressure on the independent mass media is another blow for Ukraine's international image."

**An MP of the opposition Our Ukraine-People's Self-Defence bloc and a member of the parliamentary committee for European integration, Iryna Herashchenko:**

"The two criminal cases against the well-known and popular mass media outlets amid the electoral campaign are symbolic – they show that the government is no longer concerned with its own reputation neither in the country nor abroad."

**The union of the employees of the Mediafront mass media outlet:**

“The launch of the criminal case against Lb.ua is a shameful criminal persecution of journalists for their legal professional activity.”

**The president of the Association of Media Lawyers and the secretary of the National Union of Journalists of Ukraine, Tetyana Kotyuzhynska:**

“The opening of the criminal case against Lb.ua over the fact of committing a crime is illegal because the specified articles envision punishment for illegal pre-meditated actions. Since the Lb.ua journalists were carrying out their professional duty by promptly informing the society about the developments representing the public interest, they were legally using the rights and guarantees granted to them by the legislation.”

**The director of the Media Rights Institute, Taras Shevchenko:**

“Any criminal cases launched over the distribution of information are persecution of journalists. And the fact that this is done before the election shows that the polls will not be held in democratic conditions.”

**The Independent Media Union of Ukraine and the National Journalists Union of Ukraine:**

“The European Court of Human Rights has pointed out in its rulings on multiple occasions and regarding Ukraine, in particular, that public officials should expect a lower degree of protection of their private life because 'granting public officials the possibility to censure the press and public discussion under the guise if their personal rights would be fatal for the freedom of expression in the domain of politics'.”

**Lawyer Vera Krat:**

“The launch of the criminal case over the fact of collecting and distributing information about a public official – an MP – by the Lb.ua journalists represents a dangerous precedent of violating the rights of journalists. Representatives of all the mass media accredited in the Verkhovna Rada constantly publicize their photos made in the parliamentary building. They are all potentially under a threat. The articles of the Criminal Code under which the Lb.ua staff members face criminal charges qualify such actions of journalists in parliament as a serious crime, the commitment of which envisions a long-term imprisonment.”

**A member of the European Parliament and the head of the European Parliament's delegation to the Committee for the Ukrainian-EU Parliamentary Cooperation, Pawel Kowal:**

“I would like to express my deep concern over the recent events in Ukraine regarding the TVi television station and the Lb.ua website. The actions taken by the authorities can be considered as an unjustified pressure. This situation, in particular in the context of the forthcoming parliamentary election and ongoing problems with the judicial system in Ukraine, causes reasonable worries of the international community. As a result, Ukraine's international image is suffering. It is particularly due to such events, that Ukrainian citizens cannot benefit from signing of the Association Agreement.”

**The head of the Berlin office of the Reporters Without Borders, Christian Mir:**

“We believe that journalists are particularly intimidated ahead of an election so they do not critically report on the government of [Ukrainian President Viktor] Yanukovich and the parties supporting him.”

**A Ukrainian representative of Reporters Without Borders, Oksana Romanyuk:**  
“This case concerns not only Lb.ua. It can become a precedent for pressurizing the mass media ahead of an election.”

**Gorshenin Institute's President Vadym Omelchenko:**  
“The given fact cannot be considered anything else but the use of law-enforcement agencies for pressuring the independent website Lb.ua and also the analytical center Gorshenin Institute, which launched the website as its project. The Lb.ua website is a legal part of the Gorshenin Group's structure. Under the information at our disposal, the law-enforcement bodies will deal with the Gorshenin Institute in the nearest future.”

**The Lb.ua editor-in-chief, Sonya Koshkina:**  
“We consider it to be the revenge of the government members for a number of exposing publications on the website. We have no doubts about the outcome of the case. The given case will be heard by the [Kiev] Pechersky court, which, as it is well-known, handed down a number of politically motivated verdicts to the leaders of the opposition. A criminal case was launched against the director-general of the independent Ukrainian TV channel TVi, Mykola Knyazhytskyy, within the same period of time. In this context, the actions of a prosecutor's office should be regarded as organized pressure on Ukraine's independent mass media ahead of an electoral campaign. Such actions of the government are a signal to all the Ukrainian mass media, experts and the civil society that from now on, anyone who proselytizes the principles of the freedom of speech and democracy can become subject to criminal persecution over any trumped up charges.”

**The director-general of the TVi channel, Mykola Knyazhytskyy:**  
“The tragedy is that the authorities can initiate the illegal launch of criminal cases using law-enforcement bodies in order to settle personal scores with their opponents and among themselves, turning the Ukrainian population into hostages of their lawlessness.”

On 17 July 2012, Knyazhytskyy said that he might be arrested.

“Before I found out about the launch of a criminal case, I received a phone call from the local clinic where I am registered. They told me that tax inspectors came to them with a demand to give them my medical record book. As a rule, this is done before they want to imprison someone so that person does not call for medical care since there are allegedly no grounds for that,” Knyazhytskyy explained.

Lb.ua reported about multiple attempts over the past 24 hours (20 July) to hack the website servers. At the same time, cable operators suspended the broadcast of TVi in all the key Ukrainian regions.

On 19 July 2012, the press service of Ukrainian President **Viktor Yanukovich** publicized a statement that the head of state was concerned with the recent developments around the Ukrainian mass media and that he had tasked the prosecutor-general [Viktor Pshonka] and the head of the Tax Service to check the legality of the criminal cases launched against Lb.ua and TVi. “It is critically important for a democratic state to protect the freedom of speech and to prevent pressure on the mass media,” the presidential statement stressed.

However, only a few hours after, Kiev's prosecutor disavowed Yanukovich's statement by saying that the opened criminal cases were not politically motivated and that they would be investigated in full.

## **INTERNATIONAL POLITICAL**

### **UKRAINE-EU**

#### **EU leaders believe signing of association agreement with Ukraine impossible**

It is impossible to sign and ratify agreements on the association and a free trade area with Ukraine due to the deterioration of its human rights record after 2010, President of the EU Commission **Jose Manuel Barroso** and the EU high representative for foreign affairs and security policy, **Catherine Ashton**, said in an interview with the Razumkov Center on 20 July 2012.

At the same time, the politicians stressed that the primary task for the Ukrainian authorities is putting the end to selective justice and politically motivated persecution. "The key to progress in our relations is in Kiev, not in Brussels," Barroso and Ashton said.

#### **Ukraine concludes work on technical part of association agreement with EU**

Ukraine and the EU have initialed an agreement on the setting up of a free trade area (FTA), Ukraine's Economics Minister **Petro Poroshenko** said on 19 July 2012. "A master copy of the agreement in English was signed," he added.

The political part of the association agreement was initialed back on 30 March 2012.

Unlike the political part of the document, the FTA agreement needs to be ratified only by the Ukrainian Verkhovna Rada and the European Parliament without consideration by parliaments of all the EU member states, the Ukrainian newspaper Kommersant Ukraina reported.

In the opinion of the director of the Institute for Economic Research and Political Consulting, **Ihor Burakovskyy**, in addition to optimized customs duties, the FTA agreement means the adaptation of Ukraine's regulatory norms to the EU standards, which will become a significant incentive for attracting investment to the country.

In his turn, a Ukrainian diplomat, former Foreign Minister **Volodymyr Ohryzko**, said that the initialing of the agreement is a technical process, which was not a significant development and will not affect Ukraine's relations with Europe in any way.

### **UKRAINE-USA**

#### **US officials call for sanctions against Ukraine**

A resolution calling to deny US visas to Ukrainian officials, involved in serious human rights abuse, anti-democratic actions like election rigging and corruption, was presented in the US Congress on 17 July 2012.

The author of the resolution is the member of congress from the Republican party, a member of the United States Helsinki Commission, **Christopher Smith**. Smith said



that “under President **Viktor Yanukovych**, Ukraine has seen an alarming decline in its democratic development”.

In the resolution Smith also calls on the Ukrainian authorities to cease selective persecution and release from jail **Yuliya Tymoshenko** and other members of opposition.

The Ukrainian Foreign Ministry's spokesman **Oleh Voloshyn** said on 18 July 2012 that Smith's resolution will not be obligatory for Ukraine to follow. “A resolution is only a declaration of a position, a call. That is why today it is too early, to put it softly, to speak about real sanctions,” Voloshyn said.

Earlier, in May 2012, US senator **James Inhofe**, presented a draft resolution that includes a ban to enter the USA for Ukrainian President Viktor Yanukovych, Prosecutor-General **Viktor Pshonka** and other officials involved in selective persecutions.

## **UKRAINE-NATO**

### **NATO says ties with Ukraine depend on ex-premier's case**

NATO Secretary General **Anders Fogh Rasmussen** in an interview with the Interfax-Ukraine news agency published on 16 July 2012 said that in NATO they hope that the Ukrainian authorities will solve all the issues with former Prime Minister **Yuliya Tymoshenko** and former Interior Minister **Yuriy Lutsenko** as soon as possible to continue cooperation with NATO.

## **DOMESTIC POLITICAL**

### **AUTHORITIES**

#### **Ukrainian pro-presidential party to call extraordinary parliamentary session in July**

The Ukrainian president's representative in parliament, **Yuriy Miroschnyenko**, said on 18 July 2012 that an extraordinary session of the Ukrainian parliament may be called on 31 July.

Miroschnyenko said that the extraordinary session will depend on the cabinet's readiness to submit the required draft laws for parliament's review. However, he refused to specify which laws may be put on the agenda if the extraordinary session takes place.

Earlier, Ukrainian media said that parliament's extraordinary session may be called to consider the resignation of speaker **Volodymyr Lytvyn**.

#### **Pro-presidential party to send language law for signing to Ukrainian president**

MP of the pro-presidential Party of Regions, **Vadym Kolesnichenko**, said on 18 July

2012 that the law “On State Language Policy” will be sent for the president's signature in late July.

Kolesnichenko said that the law is in line with the European principles and received positive comments from European institutions.

On 3 July 2012 Ukrainian parliament approved the law on languages that equals rights of the Russian and Ukrainian languages in number of regions, sparking a series of protests.

Parliament speaker **Volodymyr Lytvyn** refused to sign the law and tendered his resignation.

### **UEFA chief praises Ukrainian president for organizing Euro 2012 tournament**

The press service of Ukrainian President **Viktor Yanukovych** released a statement on 18 July 2012 saying that UEFA President **Michel Platini** has thanked Yanukovych for ensuring successful holding of the final part of the 2012 European football cup.

“On behalf of the UEFA Executive Committee and myself, I would like to express my sincere gratitude for the great efforts that the Ukrainian authorities applied for the perfect hosting of Euro 2012,” the Ukrainian president's press service quotes Platini's letter as saying.

### **Crimean authorities urge broader powers to Ukraine's autonomy**

The prime minister of the Crimean Autonomous Republic, **Anatoliy Mohylyov**, said on 19 July 2012 that a dedicated working group would be set up in Crimea to develop proposals for amendments to the Ukrainian Constitution regarding expending powers of local authorities in Crimea. “The key issue is achieving economic self-sustaining,” Mohylyov said.

Member of the Regions of Crimea faction of the Crimean parliament, **Yefim Fiks**, has said that the work group will develop proposals for equaling rights of the Crimean constitution with the Ukrainian constitution to make “provisions of any legislation approved in Ukraine consistent with the Crimean constitution regarding the powers of the Crimean autonomy”.

The director of the National Institute of Strategic Studies, **Andriy Yermolayev**, said that the initiative of Crimean authorities can not lead to separatism and separation of Crimea. “First, they are planning the development of regional self-governance, second, this is setting up a new system of relations between the central government and the regions,” Yermolayev said.

### **Ukraine's pro-presidential party dominates on TV news with 75 percent of air**

MP of the Yuliya Tymoshenko Bloc, **Andriy Shevchenko**, said on 16 July 2012 that in June 74 percent of the air time featuring Ukrainian politicians on TV was given to representatives of the pro-presidential Party of Regions.

"We monitored Ukrainian media in June. As many as 74 percent of the actualities were those of the representatives of the authorities and only 16 percent of the opposition. Out of 74 percent, 34 percent were actualities of President **Viktor Yanukovych** and Prime Minister **Mykola Azarov**," Shevchenko said.

## **Ukrainian president boosts financing of special services**

President **Viktor Yanukovych** on 17 July 2012 signed the law improving financing of the Ukrainian foreign intelligence service.

The law suggests rising the financing of the foreign intelligence service by 5,88m dollars to ensure its reorganization and recruitment of additional staff.

MP and deputy speaker of the Yuliya Tymoshenko Bloc, **Mykola Tomenko**, said that the allocated funds may be used to set up a special division inside the foreign intelligence service which "will look after the opposition during the election campaign".

## **Ukraine capital's municipal council asks parliament to schedule mayoral election**

The secretary of the Kiev municipal council, **Halyna Hereha**, on 19 July 2012 asked the Ukrainian parliament to schedule the early election of the mayor of Kiev.

The incumbent mayor, **Leonid Chernovetsky**, tendered his resignation on 1 June. Hereha will be the acting mayor until the new election.

The Ukrainian parliament shall appoint the date of the new mayoral election. Earlier, members of the Party of Regions said they plan to hold the election of the Kiev mayor in 2013.

## **Ukrainian court convicts former customs service head to four years suspended sentence**

A Ukrainian court on 19 July 2012 convicted the former head of the Ukrainian State Customs Service, **Anatoliy Makarenko**, to four years of suspended sentence for abuse of power. Makarenko was charged with illegal customs clearance of 11bn. cu.m. of gas belonging to RosUkrEnergo in 2009.

Two other individuals involved in the case – former head of the Energy regional customs **Oleksandr Konyev** and his former first deputy **Taras Shepytko** – were also convicted to four years of suspended sentence.

The criminal case regarding customs clearance of the natural gas belonging to RosUkrEnergo was launched by the State Security Service of Ukraine in early June 2010 after the Stockholm arbitration court's ruling obliging [Ukrainian state gas company] Naftohaz Ukrayiny to return the gas to RosUkrEnergo.

Makarenko and other persons involved in the case have been staying in the Lukyanivske remand centre for over a year – from June 2010 to July 2011.

## UKRAINIAN OPPOSITION

### **Ukrainian Health Ministry concerned over protracted medical treatment of jailed ex-premier**

On 20 July 2012, the Ukrainian Health Ministry expressed concern with the fact that the rehabilitation of former Prime Minister **Yuliya Tymoshenko** has been going for a rather long period of time, which is not typical for the treatment and prevention of the patient's diagnosed medical problems.

The Ukrainian doctors believe that there are not only medical but also political factors in the current situation. In particular, they point to the behavior of the patient, who continues to complain on the absence of medical treatment, and of German doctors, who refuse for unknown reasons to draw conclusions about the condition of the former prime minister, a statement issued by the Health Ministry said.

### **Lawyer says 50 percent of Ukrainian jailed ex-premier's skin affected by unknown condition**

An unidentified disease has affected 50 percent of ex-premier **Yuliya Tymoshenko's** skin, her lawyer **Serhiy Vlasenko** said on 19 July.

Vlasenko specified that the initial symptoms of the disease started to show nearly two weeks ago. "Kharkiv's doctors could not accurately diagnose this disease and applied standard treatment, including hormonal therapy," he said.

Tymoshenko's doctor **Iryna Fursa**, who has been in charge of the former prime minister's treatment while German doctors are gone, declined to comment on whether it is true that 50 percent of Tymoshenko's skin is affected by a disease.

At the same time, she said that Tymoshenko's medical treatment is carried out following the plan drawn up by German neurologist **Luts Harms**.

### **Jailed Ukrainian ex-premier refuses to appear in court for sixth time**

On 20 July 2012, jailed ex-premier **Yuliya Tymoshenko** refused to attend a court hearing of the case opened against the activity of the corporation United Energy Systems of Ukraine, which is scheduled for 23 July.

Tymoshenko explained that she would like to consult with German doctors.

The State Penitentiary Service of Ukraine stressed that this is the sixth time in a row the former prime minister has refused to participate in court hearings.

### **Ukrainian prosecutor's office changes charges pressed against ex-interior minister**

The Prosecutor-General's Office of Ukraine (PGO) has changed the charges against former Interior Minister **Yuriy Lutsenko** in the case launched over the surveillance of the driver of the former deputy head of the Security Service of Ukraine (SBU), a representative of the state prosecution, **Dmytro Loban**, said during a court hearing on 20 July 2012.

Now Lutsenko is accused of professional negligence. The article of the Criminal Code under which he is accused envisions two years behind bars. Earlier, Lutsenko was accused of abuse of office, which could result in 10 years of prison.

After Loban's statement, a judge ruled to postpone a trial until 25 July in order to allow Lutsenko to read the new charges.

His lawyer **Oleksiy Bahanets** said that after the prosecutor's office changed the article under which Lutsenko faces criminal charges, the expiration date for this case is on 6 August. In the lawyer's opinion, this is the best method devised by the PGO to resolve the situation.

In his turn, a representative of the state prosecution, **Viktor Klymenko**, said that the deadline for pressing criminal charges is different since the procedure was interrupted by another crime committed by Lutsenko.

### **Italian prosecutor's office opposes extradition of Ukrainian ex-governor**

On 19 July 2012, the former governor and the head of the Kharkiv regional organization of the opposition Fatherland party, **Arsen Avakov**, publicized a document of the Prosecutor-General's Office of Italy (PGO), which said that the Italian prosecutor-general saw no grounds for extraditing the former Ukrainian official.

"In this document, the Italian PGO does not only refuse to back the charges pressed against me, but also stresses the political motivation of the criminal case as an element of the system of selective justice in Ukraine, as part of a number of politically motivated accusations, starting from the case against **Yuliya Tymoshenko**," Avakov explained.

Avakov is currently in Italy. The Ukrainian government has asked the Italian authorities to extradite him to Ukraine due to the launch of a criminal case against him over abuse of office when he served as Kharkiv Region's governor.

## **HUMAN RIGHTS**

### **Ombudsman says rights of jailed Ukrainian oppositionists not violated**

The Ukrainian parliament commissioner for human rights, **Valeriya Lutkovska**, said on 19 July 2012 that the rights of the jailed ex-premier **Yuliya Tymoshenko** are not being violated.

"As far as Tymoshenko's case is concerned, regarding observance of her rights – as of today I cannot understand why questions like this appear," Lutkovska said adding: "Speaking about the former Interior Minister **Yuriy Lutsenko**'s case, there is full control of observing his rights, I believe".

"Speaking of whether there is political background here – this is another issue which is not related to human rights. Political aspects are beyond this office," Lutkovska said.

## **Death rate among Ukrainian prisoners growing**

On 18 July 2012, chairman of the parliamentary committee on law enforcement issues, MP **Viktor Shvets** of the Yuliya Tymoshenko Bloc reported that the number of deaths and suicides in places of confinement continues to grow.

“Throughout the year of 2010, 808 prisoners died in jails and pretrial detention facilities. And in the first half of 2012, there were already 537 fatalities,” Shvets said. As he noted, according to official data, 44 people committed suicide in 2010, comparing to 35 people in the first half of 2012.

According to the parliamentary committee, 152,000 people are kept in prisons in Ukraine, and 44,000 people remain in detention facilities.

## **Ombudswoman refuses to comment on alleged breach of presumption of innocence by president**

In an interview with news and analysis website Glavkom dated 18 July 2012, ombudsman **Valeriya Lutkovska** was asked whether President **Viktor Yanukovych** violated the presumption of innocence in his comments to the Bloomberg agency when he said that ex-Prime Minister **Yuliya Tymoshenko** was involved in the murder of politician and businessman **Yevhen Shcherban** and that she had motives for committing the crime.

The ombudsman answered that “before making a decision whether an official violated the second part of Article 6 of the European Convention on Human Rights, which guarantees the presumption of innocence, the European Court very carefully examines how the official's statement could influence the court's ruling. We have to look at a specific quote and analyze it.”

Lutkovska also refused to comment on Yanukovych's statement about the arrest of the persons who organized the bombings in Dnipropetrovsk in the spring of 2012. “I haven't read or seen that president's statement. We must carefully analyze it,” she said.

## **SOCIETY**

### **Number of active Internet users in Ukraine reaches 12.2 million**

According to a study conducted by the Internet Association of Ukraine (IAU), 17.6m citizens of Ukraine over 15 years old were regularly using the Internet (going online at least once a month) at the beginning of the second half of 2012, which represents 45 percent of the country's adult population. At the same time, 12.2m Ukrainians, not counting children, were using the Internet every day.

According to IAU chairman for Internet advertising **Mykhaylo Komisaruk**, every second resident of Ukraine over 15 years old will be using the Internet by the end of this year.

Most of the growth of the Internet audience is currently happening thanks to the residents of rural areas.

According to the survey “Youth of Ukraine”, which was conducted by the Gorshenin Institute and the Komentari weekly in March 2012, 41.7 percent of young people in Ukraine spend their free time playing computer games and browsing the Internet.

## **ECONOMICS**

### **Ukraine draws 2bn dollars in external borrowing**

On 17 July 2012, the Ukrainian government placed five-year sovereign eurobonds in the amount of 2bn dollars (originally Ukraine planned to borrow 1bn dollars).

The securities' yield is 9.25 percent per annum. The term to maturity is 5 years (until 24 July 2017). The first interest payment on the eurobonds will be made on 24 January 2013 (interest on the bonds will be paid every six months). This issue of eurobonds has become the largest in the history of Ukraine.

Fitch Ratings, an international rating agency, assigned its rating of «B» to the Ukrainian eurobonds.

On 20 July 2012, Economics Minister **Petro Poroshenko** said that the raised funds will be used to replenish the foreign currency reserves.

According to **Olena Belan**, analyst of Dragon Capital investment company, Ukraine's placement of the eurobonds was a success. “In fact, the government has solved the issue of drawing foreign loans until the end of the year,” she said, noting that the rate of placement was quite high.

Executive Director of the Bleyzer Foundation **Oleh Ustenko** shares the same opinion. “Few countries can afford to borrow at such rates. Although this step for Ukraine was justified, the question of fiscal austerity is becoming even more urgent than ever before.”

According to the Ministry of Finance, as of 30 June 2012, the public and publicly guaranteed debt of Ukraine totaled 60.23bn dollars.

### **World Bank lowers forecast of Ukraine's GDP growth**

On 19 July 2012, Senior Economist of the World Bank's Representative Office in Ukraine **Ruslan Piontkovskyy** said that the institution lowered its outlook of Ukraine's GDP growth for 2012 by 0.5 p.p. from 2.5 percent to 2 percent.

The World Bank predicts that GDP will grow by 3.5 percent in 2013 and by 4 percent in 2014.

The national budget of Ukraine for 2012 is based on the GDP growth forecast of 3.9 percent. Over January-June 2012, according to Prime Minister **Mykola Azarov**, GDP grew by 2.5 percent.



**Government to lower inflation forecast for 2012**

On 20 July 2012, Economics Minister **Petro Poroshenko** said the government is planning to lower its forecast of consumer price inflation for 2012. According to him, the new inflation forecast will be announced after approval by the Cabinet of Ministers.

The national budget of Ukraine for 2012 is based on the government's inflation forecast of 7.9 percent.

According to the International Monetary Fund, inflation in Ukraine in 2012 will amount to 7 percent.

**Government starts privatization of chemical enterprises**

As was reported on 11 July 2012, the government by its decision of 11 July instructed the State Property Fund of Ukraine to sell the government's stakes in companies Krymskyy Tytan and SumyKhimProm.

Krymskyy Tytan is the largest manufacturer of titanium dioxide in Central and Eastern Europe. The enterprise belongs to Group DF of **Dmytro Firtash**. Group DF owns 50 percent minus one share in the company. The other 50 percent plus one share belongs to national joint-stock company (NJSK) Tytan.

SumyKhimProm is a power and chemical complex with an industrial site covering 226 hectares. 100 percent in the company belongs to NJSK Tytan.

During the first half of 2012, the State Property Fund received 637m dollars from the privatization.

**ENERGY MARKET****Government steps up preparations for development of oil and gas deposits**

On 17 June 2012, the Environment Ministry reported that a tender for signing a production sharing agreement from the Slobozhanska oil and gas field will take place in September 2012, which is three months earlier than it was previously planned.

The Slobozhanska field is located in Kharkiv Region. The Environment Ministry estimates its recoverable reserves at 50-70bn cubic meters of gas and 2m tonnes of gas condensate.

According to the director of the Institute of Energy Research, **Dmytro Marunych**, Ukraine should have stable tax legislation for oil and gas production in order to promptly begin development of new oil and gas fields.

In May 2012, Shell and Chevron were named winners in the tender for extraction of shale gas at the Yuzovka and Olesko fields respectively, and in June parliament adopted the law introducing amendments to the Tax Code with



regards to improvement of some tax measures, increasing the total tax for producers of oil and gas by 2.6 times.

## **China to help Ukraine substitute natural gas with coal**

On 16 July 2012, the Energy Ministry of Ukraine reported that it signed with the State Development Bank of China a protocol on cooperation for the substitution of natural gas with coal for industrial purposes.

According to the protocol, China may open a special credit line for Ukraine worth 3.656bn dollars. China will also involve its technologies to finance projects of the programme for substitution of natural gas with Ukrainian coal.

On 17 July 2012, Ukrainian Foreign Minister **Kostyantyn Hryshchenko** started his official visit to China.

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