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In response to the refusal to hold negotiations under scenario proposed by Russia, Gazprom accused Naftohaz Ukrayiny of unsanctioned gas withdrawal, expressed intention to completely stop using Ukraine's gas transport system

Russia has accused Ukraine of unsanctioned withdrawal of gas intended for Europe.

The Ukrainian news and analysis website Lb.ua quoted Gazprom's CEO **Aleksey Miller** as telling Russian President **Dmitriy Medvedev** during a meeting on 22 February 2012 that Ukraine had allegedly withdrawn Gazprom's transit gas intended for Europe during the February cold snap.

In its turn, the Ukrainian state-run oil and gas company Naftohaz Ukrayiny said that since the beginning of the cold snap, the company had not withdrawn a single cubic meter of gas, which was transported by Gazprom to European countries.

Furthermore, the Naftohaz Ukrayiny deputy board chairman, **Vadym Chuprun**, noted that "had Russia asked us, we could help European consumers, as we helped Turkey".

At the same time, Naftohaz Ukrayiny's management stressed that the current contract between the Ukrainian gas company and Gazprom does not specify the daily volume of gas for Ukraine's consumption, but determines quarterly volumes of gas supplies.

Previously, another country, Bulgaria, which transits gas to Turkey, also denied similar accusations by Gazprom.

In early February 2012, the following seven European countries received reduced volumes of Russian gas: Poland, Slovakia, Austria, Hungary, Greece, Romania and Italy.

According to Ukrainian mass media, Europe does not buy into Gazprom's claims that Ukraine withdrew more gas than sanctioned by the contract.

"As far as we know, Gazprom warned European companies beforehand about reducing gas deliveries due to the freezing weather in Russia," the mass media quoted a high-profile European diplomat as saying.

At the same time, on 22 February 2012, Gazprom's official representative **Sergey Kupriyanov** said that Russia intended to completely exclude Ukraine from the transit of Russian gas to Europe. According to him, after Gazprom completes all the planned gas transport projects, "Ukraine's transit value for exporting Russian gas will be equal to zero".

In response to Kupriyanov's statement, Ukrainian Prime Minister **Mykola Azarov** noted that Russia has "a possibility to use our once joint [gas transport] system". "However, if Russia wishes to spend 20bn euros on new transit routes, it is its right," the head of the Ukrainian government said.

In his turn, the head of the pro-presidential Party of Regions parliamentary faction, **Oleksandr Yefemov**, opined that Kupriyanov's statement did not reflect the reality. "There will definitely be an official denial of the given statement," he added.

A representative of the European Commission, **Marlene Holzner**, said on 23 February 2012 that "the Ukrainian gas transport system is one of the major ones for delivering Russian gas to Europe".

The Kommersant Ukrayina newspaper wrote that yet another Ukrainian-Russian gas conflict over reduced deliveries of Russian gas to Europe started after Russian

speaker **Sergey Naryshkin** paid a visit to Ukraine on 20 February 2012. Although Naryshkin never participated in the gas negotiations, he brought a certain document to Ukraine, which he himself called a new draft of the gas contract. The Russian authorities who were involved in the drawing up of the document said off the record that “this is not a contract but merely an invitation for Ukraine to a further dialogue”. For its part, the Ukrainian party explained that the document has “nothing to discuss” since it is “absolutely blank”. Overall, Naryshkin's draft contract boiled down to Russia's previous insistence on a single-handed control over the Ukrainian gas transport system. Additionally, it contained Russia's offer of a 10-percent discount, which is typical for the European market, in exchange for Ukraine's pledge not to cut down gas purchases from 33bn cu.m. to 27bn in 2012, the paper said.

On 24 February 2012 Ukrainian President **Viktor Yanukovych** said that Ukraine will never agree to the current price of Russian gas. A fair Russian gas price for Ukraine is “the European price minus transit on the Russian-Ukrainian border,” he added. “This is around 240-250 dollars per 1,000 cu.m., no higher,” the president said.

At the same time, Yanukovych said that he planned to hold a meeting with the Russian leadership right after the presidential run in Russia is finished. Such a meeting is possible as soon as in March and was discussed with Russian speaker Naryshkin during his visit to Ukraine, he added.

Russia counts on Ukraine's ratification of free trade agreement with CIS. Party of Regions says not ready to adopt document

On 20 February 2012, Russian speaker Naryshkin paid an official visit to Ukraine.

During the visit, he held meetings with high-ranking Ukrainian politicians.

In Ukraine, the Russian speaker discussed current issues of the Ukrainian-Russian partnership in the economic, humanitarian and cultural spheres. Cooperation in the gas sector and the prospects for ratifying a free trade agreement with the Commonwealth of Independent States (CIS) were also on the agenda.

After a meeting with Ukrainian parliamentary speaker **Volodymyr Lytvyn**, Naryshkin said that the parties agreed to a synchronic ratification of the free trade agreement by the respective parliaments.

In his turn, Ukrainian Prime Minister **Azarov** said that the documents which are to be ratified will be submitted to parliament shortly.

At the same time, the head of the pro-presidential Party of Regions parliamentary faction, **Yefemov**, said that parliament was not ready for a synchronic ratification at the moment. At present, Ukrainian MPs and their Russian counterparts are still working on the document, he added. “When we bring it to a condition which we understand, we will be able to move to the implementation on any day. However, such work has not been completed for now,” he said.

According to the Gorshenin Institute expert **Volodymyr Zastava**, it is possible to say that the relations between the Russian government and Ukraine remain non-transparent. “This is particularly applicable to the gas issues. In this respect, Naryshkin's visit to Kiev was nothing special,” Zastava said. “If we put together little scraps of information about the Russian Duma speaker's visit and his talks with Ukrainian officials, we have the following picture: Russia offered Ukraine a 10%

discount on the price of supplied gas in exchange for a simultaneous ratification of the free trade agreement with CIS countries. It is possible to assume that setting up the free trade zone is an element of Vladimir Putin's election campaign. The Ukrainian party "heard" the proposal by its Russian colleagues and responded with a refusal. This response was voiced by the Party of Regions' parliamentary faction leader Yefremov."

Party of Regions intends to hold extraordinary parliamentary session - unofficial information

The opposition has said that the pro-presidential Party of Regions intends to hold an extraordinary parliamentary session on 1 March 2012.

"This is very important for them because a law on reforming the oil and gas sector has to be adopted before the presidential election in Russia," an MP of the opposition Yuliya Tymoshenko Bloc (YTB), **Serhiy Mishchenko**, said.

For his part, the deputy head of the Party of Regions parliamentary faction, **Mykhaylo Chechetov**, denied this information.

As reported earlier, this draft law was prepared for parliament's consideration on 24 February 2012. However, since the opposition blocked the parliamentary rostrum, parliament could not work on that day.

On 27 February 2012, a tender to select an appraiser for the Ukrainian gas transport system is to take place.

Russia voices conditions for letting Ukrainian cheeses into market

A Ukrainian-Russian cheese war continues.

On 21 February 2012, the head of the Russian Federal Service for Consumer Rights Protection, **Gennadiy Onishchenko**, listed the conditions under which Ukrainian producers will be allowed to sell cheese in the Russian market.

"We published an entire list of documents and gave a list of requirements to producers. Please, bring [cheese], we will take a look at it. If we are satisfied, then we will go to take a look at the entire production," he said. At the same time, Onishchenko added that Ukraine did not try too hard to solve the cheese problem and admitted that a list of the Ukrainian companies banned from exporting cheese to Russia will be expanded.

On 24 February 2012, former Russian deputy prime minister and finance minister **Aleksey Kudrin** said that cheese and other "wars" should be considered in the context of Russia's aspiration to strengthen its influence in the post-Soviet space.

On 24 February 2012, the Ukrainian parliament adopted a draft law which outlines a mechanism for introducing reciprocal discrimination measures towards especially sensitive kinds of import from the countries which conduct unfriendly trade policy towards Ukrainian products.

Ukrainian president appoints new first deputy prime minister. New finance, economy ministers might be appointed soon. Current prime minister preserves his post

The Ukrainian president has proceeded with governmental reshuffles.

On 22 February 2012, President **Yanukovych** dismissed **Valeriy Khoroshkovskyy** from the post of finance minister and appointed him as first deputy prime minister.

Andriy Klyuyev, who previously served as Ukraine's first deputy prime minister, has recently been appointed the secretary of the National Security and Defence Council of Ukraine (NSDC).

On 23 February 2012, introducing the newly appointed first deputy prime minister to the cabinet, Prime Minister **Azarov** said that on his new post Khoroshkovskyy

will be responsible for Ukraine's European integration and will also be in charge of all the questions pertaining to economy and finances.

The Gorshenin Institute experts predicted the appointment of Khoroshkovskyy to this post immediately after Klyuyev was dismissed.

On 24 February 2012, President Yanukovich said that decisions regarding the appointment of Ukraine's finance and economy ministers will be taken in the nearest future.

The Ukrainian president also said that Prime Minister Azarov proposed the candidacy of **Petro Poroshenko** for the post of economy minister.

At the same time, the Lb.ua website quoted its own sources from the presidential administration as saying that Poroshenko has not agreed yet to the appointment since he is more interested in the post of finance minister.

Meanwhile, the Gorshenin Institute learned that Poroshenko is inclined to accept the offer to head the Economy Ministry.

The head of the pro-presidential Party of Regions parliamentary faction, **Yefemov**, said that the deputy head of the National Bank of Ukraine, **Yuriy Kolobov**, had been approved for the post of finance minister. At the same time, President Yanukovich said that in addition to Kolobov, two more candidacies were considered for the given position.

Late on 24 February 2012, President Yanukovich said in an interview with three Ukrainian television channels that current Prime Minister Azarov will retain his post.

Earlier, a number of Ukrainian experts and mass media outlets speculated that the head of the government will be dismissed in the nearest future.

Ukrainian president denies that National Security and Defence Council's secretary to lead electoral HQ of Party of Regions, deputy prime minister, social policy minister to become party's deputy head

The question about the head of electoral HQ for the pro-presidential Party of Regions remains open.

On 24 February 2012, President **Yanukovich** said that a decision on appointing the Party of Regions' electoral HQ's head will be made by the party's political council.

At the same time, the president noted that the Ukrainian National Security and Defence Council's secretary, **Klyuyev**, will not run the HQ.

For a long time, Klyuyev has been in charge of all the questions related to electoral campaigns carried out by the Party of Regions.

President Yanukovich also pointed out that a merger between the Party of Regions and the Strong Ukraine party, which is headed by the deputy prime minister and social policy minister, **Serhiy Tyhytko**, is currently under way. After the merger is completed, Tyhytko will "at the mere least" serve as the deputy head of the Party of Regions, the president added.

Deputy premier: neither government nor president ready to raise gas tariffs for households. Foreign experts pointing at Ukraine's possible default

Ukraine is not ready to meet the demands set by the International Monetary Fund (IMF).

"The IMF's position remains tough as far as the tariffs are concerned... neither the government nor the president is ready to raise the tariffs, and it is a major problem in the negotiations with the IMF," Deputy Prime Minister **Tyhypko** said on 22 February 2012.

He also noted that the government is looking for compensators and alternative proposals in order not to raise the tariffs. In particular, the cabinet is holding talks with the World Bank.

During the meeting of the council of regions held on 21 February 2012, President **Yanukovich** said that it is necessary to bring the utility tariffs to economically feasible levels before the end of the year.

In its analytical note released on 22 February 2012, Bloomberg agency said that Ukraine's efforts to seek cheaper natural gas from Russia rather than comply with the terms of the IMF bailout have alarmed investors and fanned concern over its ability to meet 1.9bn dollars in debt costs this year. "Ukraine's default risk has been rising more than any country Bloomberg tracks except Greece in the last six months," the agency said.

In response, Prime Minister **Azarov** said that Ukraine is not facing any threat of default.

First Deputy Prime Minister **Khoroshkovskyy** said that there is not enough money in the state budget, and the Ministry of Finance has to look for refinancing options in order to obtain funds to repay its existing debt.

"In February and March, we will have to pay 8bn hryvnias (1bn dollars)...And it's impossible to do that just at the expense of budget revenues," he said.

At the same time, Khoroshkovskyy said that Ukraine is having no problem with repaying all of its obligations, and noted that the reports about Ukraine's possible default do not represent the actual situation.

According to the 2012 state budget, this year the government is planning to borrow a total of 12.33bn dollars. At the same time, the total public debt payments from the national budget in 2012 are estimated at 11.96bn dollars.

Ukrainian government planning measures to counter hyperinflation

The Ukrainian government is preparing for a possible hryvnya collapse.

The Finance Ministry has published a resolution dated 25 January 2012 that approves provisions for financial reporting under conditions of hyperinflation. The date of the resolution's entering into force is 1 January 2013.

According to MP **Andriy Parubiy** of the Our Ukraine – People's Self-Defence, this document proves that the Ukrainian economy and hryvnya will collapse after the parliament election.

In turn, MP **Oleksiy Plotnikov** of the Party of Regions explained that there will be no hyperinflation in Ukraine before or after the election. According to him, the published resolution simply introduces another international accounting standard for the event of hyperinflation in Ukraine. At the same time, he explained that the

resolution comes into force in January because it is not customary to introduce new accounting rules in the middle of a year.

In its letter to the Ukrainian government dated 31 January 2012 (the document has been available to the media only recently), the IMF notes that the stability of the Ukrainian financial system has faced a threat. Among the factors that constitute this threat, the fund named the suspension of external financing, deterioration of the business climate, as well as the continuing policy of supporting the exchange rate of hryvnya at the expense of the National Bank's foreign currency reserves.

Viktor Yanukovich promises to pardon Yuliya Tymoshenko if she asks for clemency

President Yanukovich says he is ready to consider the issue of pardoning former Prime Minister Yuliya Tymoshenko, if she pleas for clemency.

According to him, if courts of all levels leave Tymoshenko's sentence in force, there will be the last procedure available – pardoning.

“And this procedure is also foreseen by the legislation. And I should tell you that if they decide to use this procedure, it will start with a convict filing a plea with the president. The president has a special commission for reviewing the issue of pardoning, and I'm confident that we are obliged by the constitution to consider this issue and make a decision,” Yanukovich said.

Amendments to new Criminal Procedure Code to reduce powers of Security Service of Ukraine, presidential aide says. Party of Regions expecting document adoption in March 2012

Head of the parliamentary faction of the Party of Regions Yefremov said that the new Criminal Procedure Code will be adopted already in March 2012.

“There will be no plenary session in the next two weeks, so I think the document will be adopted in the following two plenary weeks,” he said on 24 February 2012.

In an interview with the Dzerkalo Tyzhnya (Mirror of the Week) weekly, presidential aide **Andriy Portnov** said that the new Criminal Procedure Code suggests cancellation of an alternative jurisdiction. Following the adoption of this regulation, economic crimes and crime committed by officials will be beyond jurisdiction of the Security Service of Ukraine, Portnov said.

“The Security Service will be dealing only with cases involving crimes against the state, espionage, terrorism, smuggling of drugs, radioactive materials and weapons, war crimes and other similar crimes. Following the second reading, the parliament should also liquidate the military prosecutor's office in Ukraine,” he said.

Dmytro Firtash resumes natural gas supplies to Ukrainian chemical companies

Ukrainian chemical enterprises have resumed purchasing natural gas from Dmytro Firtash's company.

On 20 February 2012, the web portal “Public Procurement in Ukraine” published information that one of the largest chemical enterprises in Ukraine – Odessa Port Plant – has signed an agreement on supply of 186m cu.m. of natural gas from Ostchem (a company controlled by Firtash). The agreement should be executed before 30 April 2012. The contract value is estimated at 79.98m dollars, the price of gas is 430 dollars per 1,000 cu.m..

That on 5 January 2012, Odessa Port Plant signed a contract with Naftohaz Ukrainy on supplying 1.3bn cu.m. of natural gas in 2012. The price of gas was 490 dollars per 1,000 cu.m.. According to experts, Odessa Port Plant's dismissal of the contract with Naftohaz Ukrainy will negatively affect revenues of the Ukrainian gas monopoly. However, the mass media say that the question of changing the supplier

was agreed at the government level.

As reported earlier, this year Ostchem plans to supply 8bn cu.m. of natural gas for the needs of Ukraine's chemical industry. According to media reports, the company buys fuel from the German subsidiary of Gazprom – Gazprom Germania – which supplies gas from Central Asia and Russia to Europe.

Ostchem also supplies gas to the companies controlled by Firtash, in particular, Stirol Concern, Rivneazot, Cherkasy Azot and Severodonetsk Azot.

Earlier, the media reported that the debt of Firtash's chemical companies to Naftohaz Ukrayiny amounts to 330m dollars.

Dmytro Firtash heads the Federation of Employers of Ukraine.

Kyiv mayor may be elected before parliamentary election

Leader of the Party of Regions' parliamentary faction Yefremov says that the Kyiv mayor election may be held before the parliamentary election of 2012.

“According to the previous legislation, the parliament members were elected for five years, the mayor was elected for four years. So, this year the term of the mayor's powers expires, and this year parliament will have to consider the issue of holding a mayoral election in Kyiv,” the MP said.

According to him, there are two standpoints regarding the date of holding a mayoral election in the capital. The first point of view suggests that the mayoral election should be combined with the parliamentary election. The second viewpoint projects holding the parliamentary and mayoral elections on different dates. “Most likely, the second point of view will be prevalent,” Yefremov said.

Party of Regions wants to cancel some provisions of new anti-corruption law

The Party of Regions is planning to introduce through the Constitutional Court of Ukraine amendments to the law on combating corruption.

The Internet portal Ukrayinska Pravda got hold of appeal from 53 parliament members of the Party of Regions to the Constitutional Court, in which MPs request an expedited repeal of two regulations of the law “On foundations of prevention and counteraction to corruption” which has already come into force.

In particular, the MPs suggest abolishing the regulation which demands that officials and their family members record their expenses incurred after 1 July 2011 in the current tax declarations.

As reported earlier, the new tax declaration requires that officials report on purchase of real estate and vehicles, as well as any other items worth over 18,800 dollars. For the first time, such declarations must be filed before 1 April 2012. In addition, the law contains a direct requirement to disclose such declarations by top-level officials.

Also, members of the Party of Regions want to cancel the regulation that prohibits officials from “being members of a management body or supervisory board of a company or organization that aims at making profit”. This regulation applies to all of the country's top-level officials, including the president, prime minister, cabinet members, MPs, chief of the security service, prosecutor

general, head of the national bank, judges, police, tax administration, security service, and customs chiefs.

Thus, the law has banned all officials from holding shares in companies.

Under the new law, starting from 1 July 2011, all government employees who own equity interest rights are breaking the law and should be dismissed.

It should be noted that according to results of a survey conducted by the Gorshenin Institute in June 2011, the majority of the population (72.1%) do not believe that the new anticorruption law will help overcome corruption in Ukraine.

**Council of Europe
blasts Ukraine's
judiciary, Ukrainian
government dismisses
criticism**

On 22 February 2012, the Council of Europe's commissioner for human rights, Thomas Hammarberg publicized a report on the situation in Ukraine.

The document devoted to problems in the judiciary and cases of violence against detainees stirred much criticism of the Ukrainian government.

In particular, the report points to the government's illegal influence on the operation of the Ukrainian judiciary and on the work of the Constitutional Court of Ukraine. According to the report, Ukrainian judges are not protected from the government pressure, including politically motivated.

A separate section of the report is devoted to problems with the work of the Supreme Justice Council (SJC). The commissioner is especially concerned with the strong influence which the Prosecutor-General's Office and the cabinet are able to exert on judges via their SJC representatives.

The report also pays attention to the unfair treatment of detainees which, according to the commissioner, can be explained by the "sense of impunity" enjoyed by police officers.

Ukrainian ombudsman **Nina Karpachova** said that she agreed with the majority of points raised in Hammarberg's report. "I share the commissioner's concern over systemic problems with the respect of human rights in Ukraine," she said. At the same time, Karpachova added that she would not like to comment on the points regarding the government influence on the judiciary since these provisions of the report are guided by a subjective "perception of Hammarberg of the situation in the country".

The government envoy to the European Court of Human Rights, **Valeriya Lutkovska**, said that the statements about the strong influence of the Prosecutor-General's Office on the SJC were ungrounded.

According to the mass media, Lutkovska is the main candidate for the ombudsman's post. Karpachova's term in office expired on 7 February 2012.

On 27 February 2012 the Kiev's Pechersky District Court has sentenced Former Ukrainian Interior Minister Yuriy Lutsenko to four years in prison. Lutsenko was accused of abuse of power and exceeding authorities.

In response to the pronounced verdict Lutsenko said he intends to continue seeking recognition of his guiltlessness.

**Ukrainian court announces
verdict to former interior
minister in near future.
European Court of Human
Rights to consider case in
April 2012**

At the same time, the Danish Helsinki Committee for Human Rights said that no matter what verdict the court will hand down, it will not be the result of a fair trial.

On 17 April 2012, the European Court of Human Rights intends to hold a public hearing of Lutsenko's appeal against his illegal detention and arrest.

Lutsenko also filed a lawsuit with a federal court of the US district of Columbia in which he accused several members of the Prosecutor-General's Office of Ukraine, including Prosecutor-General **Viktor Pshonka**, of violating his right to physical integrity by means of an illegal arrest and unjustified long-term detention. However, the mass media reported that the given US court dismissed Lutsenko's case due to the fact that he failed to comply with court's orders without presenting a valid explanation.

Later, the Lb.ua website reported that Lutsenko's defence appealed to the court on resuming the case. His lawyers said they were ready to submit all the required documents.

Constitutional Court of Ukraine might strike down election law provisions

The Constitutional Court of Ukraine (CCU) will check if the recently adopted Ukrainian law on parliamentary election is in line with the constitution.

On 23 February 2012, the Ukrainian envoy to the European Committee for Human Rights, **Vadym Halchenko**, said that he submitted a request to the CCU to consider whether the provision of the law "On electing members of parliament", which allows candidates to simultaneously run for a parliamentary seat as a candidate on a party list and in a single-constituency electoral district violates the constitution.

In Halchenko's opinion, this provision violates the Ukrainian constitution and international standards in the human rights area.

At the same time, Halchenko asked the CCU to consider his request immediately since an electoral campaign will be soon launched in Ukraine.

On 24 February 2012, MPs submitted the same request to the CCU.

It is noteworthy that the pro-presidential Party of Regions backs the annulment of this provision. "It seems to me that this [ability to simultaneously run as a party list candidate and as a candidate in a single-constituency district] is at the very least dishonest in regards to voters and in the grand scheme of things, it is incorrect from the legal perspective. If someone appeals to the CCU regarding this issue, I do not rule out that the CCU will point out that the given law provision is not in line with the constitution," the head of the Party of Regions parliamentary faction, **Yefemov**, said on 22 February.

In an article for the Ukrayinska Pravda website, journalist **Mustafa Nayem** said that the CCU's ban on the possibility to simultaneously run as a party list candidate and as a candidate in a single-constituency district will be exploited by the Party of Regions as a reason to push through further amendments to the law on parliamentary election.

In Nayem's opinion, the Party of Regions intends to simplify the procedure for cancelling a candidate's registration, to amend the procedures for setting up district electoral commissions and for registering and distributing single-constituency districts. The electoral threshold might also be lowered, while a ban on the participation of blocs of political parties might be revoked, the journalist wrote.

During a roundtable organized by Gorshenin Institute on 23 February 2012, Party of Regions MP **Vadym Kolesnichenko** said that his parliamentary faction did not intend to amend the electoral legislation. You can find more details on page 15.

President Viktor Yanukovich: Ukraine's non-aligned status required to get five-year-long pause for military reform

President Yanukovich names main reasons for Ukraine's choice for a status of a military non-aligned country.

"This position (a status of a military non-aligned country – editor's note) is caused by the necessity to ease tension in the military and political sphere in the region and to receive a strategic pause for the next 4-5 years to implement a military reform," Yanukovich said on 23 February 2012 speaking on the occasion of Defenders of the Fatherland Day.

According to Yanukovich, upon completion of the reform, the Ukrainian armed forces shall be trained for local operations.

Media reports point out that in his speech Yanukovich never mentioned transition to a contract-based army service, which he promised to start in 2011 in his presidential election manifesto.

A number of politicians and experts believe that the president's hints at a temporary status of a military non-alignment country may imply Ukraine's future return to the policy of rapprochement with NATO.

The Centre for Army Conversion and Disarmament Studies expert, **Serhiy Zhurets**, recalled that by the end of March 2012 President Yanukovich would have to approve the new national security doctrine, the national security strategy, the concept for reforming of the armed forces and the concept for development of arms. "The content of the military doctrine was agreed last year, it is re-approved every seven years and its provisions cannot be changed. I doubt that the status of a military non-alignment country can be changed," Zhurets said.

Newly appointed Ukraine's defence minister forecasts boosting military hardware contracts in next few years

The Ukrainian Defence Ministry expects increased supplies of arms at international markets.

Defence Minister **Dmytro Salamatin** said on 20 February 2012 that in the next three-five years the volume of orders of the state-owned arms trader Ukrspetseksport and its subsidiaries will be about 5bn dollars.

Salamatin recalled that two large deals for the supply of military hardware were struck in 2011: one to supply 200 tanks to Ethiopia with the contract price exceeding 100m dollars and another one to supply 121 armoured personnel carriers to Thailand with the contract price 142.5m dollars.

The Ukrainian Agency for Development of Stock Market Infrastructure assessed Ukrspetseksport's net income in 2011 at 4.17m dollars.

On 22 February 2012 media reported that the Kharkiv Tank Factory developed a new heavy armoured personnel carrier that in its key technical characteristics is similar to the T-64 tank.

Ukrainian media: tax police launch probe into Party of Regions MP Yuriy Ivanyushchenko's shadow business

The tax police investigate into operations of the South Customs Office.

The Dzerkalo Tyzhnya weekly, citing a source in the law-enforcement authorities has said that the Main Investigations Directorate of the State Tax Service of Ukraine set up a task force of investigators to look into the operations of the Customs Service and tax evasion by a number of commercial companies.

Also, from a resolution approved by the Kiev's Shevchenkivskyy District Court on 30 January 2012 it becomes clear that the tax police have already cleaned up a large corruption mechanism monopolizing import of a large group of commodities by one commercial company in liaison with customs officials, namely with a general of the State Customs Service who used to chair Ukraine's biggest South Customs Office in February-December 2011.

The weekly also said that the suspected officials are linked to the business of the Party of Regions MP **Yuriy Ivanyushchenko**.

The paper said the very fact that the investigation is performed by the State Customs Service whose sphere of responsibility typically does not include direct control of the customs offices is a demonstration of the fact that President **Yanukovych**'s team represented by his son **Oleksandr Yanukovych** and Ukrainian National Bank Chairman **Serhiy Arbuzov** intends to control those financial flows that Ivanyushchenko has been hiding in shadow for two years.

Ukrainian media and political experts have been describing Ivanyushchenko as a person representing business interests of the president and his family.

Crimean premier suggests transferring land belonging to defence and agriculture ministries to private ownership

Public land in Crimea may be transferred to private investors.

On 22 February 2012, Crimean Prime Minister **Anatoliy Mohylyov** said that the largest part of collective farmlands in the Autonomous Republic of Crimea have been already divided among the public, and only the land in Crimea belonging to collective farms of the Defence Ministry and Agriculture Ministry is owned by the state. According to him, "these rather large parcels of land" cannot be effectively used at the moment.

"Therefore, I have raised this question, and there is an order from the president regarding this issue. He wants these lands to be transferred under the jurisdiction of the Crimean government so that we could offer these large vacant lots of land to investors, and they could build farms or agricultural enterprises, or some kind of processing centers there," the Crimean premier said.

Ukrainian authorities start persecuting representatives of public organizations

The leader of the Afghan War Veterans NGO No-One But Us, Oleksandr Kovalyov, says he is under pressure from authorities.

Kovalyov was the organizer of the Afghan war veterans' rallies in front of the parliament's building in September 2011 and on 15 February 2012 he gave No-One But Us members an about-face order in front of President **Yanukovich** during a wreath-laying ceremony marking the 23rd anniversary of the withdrawal of Soviet troops from Afghanistan.

"A day after the wreath-laying ceremony and our move there, representatives of tax authorities visited the company that I used to co-own until recently. They made five searches there," Kovalyov said, adding that "I was told that there was an order from the very top of the government to shut down all commercial entities linked to the No-One But Us or those that could provide any support to the organization." Kovalyov also said that two other businessmen from Donetsk Region were summoned to the police and "harshly instructed, they received physical threats".

Kovalyov also said that his friends in the Interior Ministry recommended him to leave the country. "They said that the order to attack me was given," Kovalyov said.

According to Kovalyov, the purpose of this pressure is to "squeeze out" the Afghan war veterans' movement in Ukraine.

At the same time, officials at the Ukrainian Interior Ministry and State Tax Service rebuffed Kovalyov's statement as untrue.

Opposition mass media report growing pressure from local authorities in Odessa

Mass media in Odessa say they face pressure from local authorities.

Editors of Odessa regional media outlets **Serhiy Bratchuk** (the Novaya Odessa television company), **Ivan Melnyk** (the Chornomorski Novyny newspaper), **Ihor Stolyarov** (the Vzgl'yad iz Odessy internet newspaper) and **Olha Kolohryeva** (the Yug newspaper) have said that facts demonstrate infringement of the freedom of speech in the region.

"Legal trials, summons to investigators, threats, storming premises, pressure on relatives – these are the instances that employees of mass media not controlled by the local authorities and independent journalists in Odessa Region have to face more and more often," the Odessa journalists' joint statement reads.

Ukraine is world's second largest source of DDoS attacks

Ukraine became one of the world's leading sources of DDoS attacks in 2011.

According to a study published by the Russian computer security company Kaspersky Lab, about 12% of all DDoS attacks (attackers overload a server with multiple requests from numerous computers making it inaccessible to other users) in the world came from computers located in Ukraine.

In the second half of 2011, Ukraine became the world's second largest source of this type of threat while Russia comes first (16% of world's DDoS traffic). Thailand is the third with 7%.

President continues staff changes in power-wielding agencies

President Yanukovich signed a decree on 21 February 2012 sacking Volodymyr Khymey from post of the first deputy head of the Security Service.

Later Petro Shatkovskyy was appointed to fill the vacancy.

On 20 February 2012, President Yanukovich changed the head of the Centre for Special Operations and Combating Terrorism at the Security Service of Ukraine (SBU): former chief **Andriy Suprun** was replaced with **Oleh Prysyazhnyy**.

On 14 February the president dismissed **Leonid Pyata** from the post of the head of the department for protection of national statehood at the Security Service and appointed **Andriy Sedyk** instead. Also, Yanukovich appointed **Oleksandr Konshyn** as the head of the SBU Personnel Management Sector, dismissing **Oleksandr Tarasovskyy** from this position.

Board chairman of one of Ukraine's largest private gas drilling companies kidnapped in Kiev

The board chairman of a large private gas extraction company Naftohazvydobuvannya, Oleh Semynskyy, disappeared.

Semynskyy's wife said on 4 February 2012 that he went missing. Later, representatives of the law-enforcement agencies said Semynskyy was kidnapped. Nevertheless, law enforcers qualified the criminal case as a "murder".

However, some media quote a police source as saying that Semynskyy's kidnapping could be staged.

Also, media report that Naftohazvydobuvannya is controlled by the deputy secretary of the National Security and Defence Council, **Nestor Shufrych**.

Strong protest mood will form background for the upcoming parliamentary election campaign – experts

Member of the Front for Change party's political council ANDRIY PYSHNYI has said that the opposition will have to protect the results of the parliamentary election. He said that the opposition will need not only tens of millions of voters to cast their ballots in its support, but also millions of those who will protect the election results. "We clearly understand how the election process will go: this will be a scenario developed by the Party of Regions and we will have to struggle to protect the results," Pyshnyy said. He also said that his assumption is based on local election campaigns that have taken place in Ukrainian regions recently. According to Pyshnyy, opposition candidates won the local elections where the opposition managed to promote a single candidate and protected the election results. "We will have to fight for the results. They will not hand over the power," Pyshnyy said adding that the authorities deliberately increased financing of the law-enforcement agencies as they are preparing to rig the election. Pyshnyy said that the election campaign will be very tough and will proceed on the background of strong protest moods among Ukrainians. According to Pyshnyy, 55% of Ukrainians are ready to take part in protests. "Protest is the language of those who are not heard. Ukraine is split not into the areas and regions but into authorities and common people. This is what last surveys demonstrate. For the first time in Ukrainian history the protest mood reached 55%. This has never been that high, neither in 1994 when we had hyperinflation, nor in 2004 at the time of the Orange revolution," Pyshnyy said.

Pyshnyy said that the incumbent authorities understand that the only chance for them to retain power is to apply strong administrative tools during the election. Pyshnyy said this is a good reason for the opposition to act together and if stronger consolidation is needed, the Front for Change party is ready to negotiate.

Party of Regions MP VADYM KOLESNICHENKO has said that members of the opposition will quarrel soon after the start of the election campaign. "The Committee to Resist Dictatorship [alliance of opposition forces] will fall apart as soon as the campaign starts," Kolesnichenko said. He said that the authorities do not intend to rig the election, as the two last elections demonstrated that this is not possible.

He also said that the Party of Regions does not plan to amend the law on parliamentary election. He said that the meeting of the party's council took place earlier today where rumours were discussed that the Party of Regions allegedly plans changing the election law. "So, I am pleased to tell you that we have neither desire nor need to change the law. There are no ideal laws, so the authorities do not intend to change the existing law," Kolesnichenko said. He also said that the legal requirement banning individuals with criminal record from taking part in the election will remain unchanged. "There is nothing surprising of having this provision in the law. This is an international practice and it fits well into the requirements of the current legislation," Kolesnichenko said adding that for the Party of Regions there were three important issues: the five-per-cent threshold to make it to parliament, a mixed election system and a ban for blocs of political parties to take part in the election. "All other requirements, we left them for the opposition. We even did not interfere in the development of the second and the third parts of the law. We are satisfied with it for one simple reason: we know for sure that mantras about election rigging are the mantras for schoolchildren, as two last election campaigns demonstrated that the results of the voting can not be

substantially changed through rigging an election, and this (election rigging – editor's note) is only used to accuse somebody of you loosing the election,” Kolesnichenko said.

People's Party of Ukraine MP OLEH ZARUBINSKY confirmed that there were no plans to change the election law.

He said that all discussions among members of the opposition that the authorities plan changes to the election law are nothing but a technology which is used to explain why the opposition voted to approve this law. Zarubinsky also said that the Ukrainian opposition has a chance in the upcoming election as Ukrainians never like any kind of government, whatever it is. “This is our people's way of thinking: they never like those politicians who form an incumbent government, so anyone who criticizes the authorities has political future,” Zarubinsky said. He added that now the Ukrainian opposition splits the society into two parts. “They describe everything what the government does as black and everything what the opposition does as white. This is a political technology. To be able to talk about white things politicians have to be white themselves while the incumbent opposition is not, as all current members of the opposition two years ago occupied senior positions in the government and shall be responsible for their actions,” Zarubinsky said.

Member of the All-Ukrainian Freedom Association's political council ANDRIY ILLYENKO has said that President **Viktor Yanukovich** follows the path of **Kim Jong-il** when he can not rely on support from both the political party and individual business groupings and he bets on the family.

Illyenko said that the Ukrainian president now patterns himself after political leaders like Kim Jong-il, **Muammar Gaddafi** and **Hosni Mubarak**. “All these people actually could not rely on their allies, but only on family relations and personal close ties. The only goal that was common to all these politicians was to retain power,” Illyenko said.

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