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Russian Prime
Minister Vladimir
Putin visits Ukraine

On 12 April 2011, Russian Prime Minister Vladimir Putin paid an official visit to Ukraine.

During the visit, the Russian premier met with his Ukrainian counterpart Mykola Azarov and Ukrainian President Viktor Yanukovich.

According to experts and the mass media, despite an extended list of discussed issues, no specific agreements were announced after Putin's visit.

During the talks, the Russian prime minister paid most attention to the prospect of Ukraine's entrance in the Customs Union (CU) of Russia, Belarus and Kazakhstan. According to him, Ukraine could reap substantial economic benefits by joining the CU. "We estimated that the direct gain for Ukraine would be from 6.5bn to 9bn dollars a year," Putin explained. At the same time, the Russian prime minister stated once again that if Ukraine sets up a free trade area (FTA) with the European Union (EU), Russia could impose sanctions on the export of Ukrainian products. At the same time, he opined that Ukraine's joining the CU of Russia, Belarus and Kazakhstan would strengthen its position in negotiations with the EU.

However, the Ukrainian mass media noted that neither Azarov nor Yanukovich has directly promised Putin that Ukraine would join the CU of Russia, Belarus and Kazakhstan.

At the same time, the Ukrainian prime minister said during the meeting with Putin that it was necessary to revise the Ukrainian-Russian gas contract. In particular, the issue has to do with the desire of Ukraine to reconsider the formula that was used to calculate the gas price for Ukraine. Later, Azarov said that the Russian premier has agreed to consider the issue of lowering the price of gas for Ukraine. He added that negotiations on revising the gas contract will continue on 19 April 2011 during the visit of Russian Deputy Prime Minister Igor Sechin. However, Putin responded that Russia and Ukraine have not agreed on revising the principles of gas pricing. He emphasized that the contract on gas deliveries to Ukraine remained valid and that Ukraine had to follow it.

During the meeting with Putin, Azarov also made a number of statements. The Ukrainian prime minister said that Ukraine wanted to receive firm guarantees of gas volumes for transportation from Russia to Europe. He also noted that the Ukrainian party fulfilled in full its commitments to gas transit to European countries.

Prime Minister Azarov also invited Russia to take part in the upgrade of the Ukrainian gas transportation system (GTS). At the same time, the head of the Ukrainian cabinet confirmed that Ukraine intended to set up a joint company on the basis of Ukraine's state-run oil and gas trader Naftohaz Ukrayiny and Russian Gazprom. Additionally, Azarov expressed Ukraine's readiness to facilitate the establishment of joint ventures with the participation of Ukrainian and Russian companies to extract hydrocarbons in Ukraine. "We are ready to offer the Black Sea shelf and also the extraction [of gas] from unconventional sources," he said.

Additionally, Azarov proposed to Putin to sign a Russian-Ukrainian intergovernmental agreement on parallel work of the United Energy Systems of Ukraine and the United Energy System of Russia.

As regards cooperation in the aircraft construction sector, the Ukrainian prime minister said that the setting up of a Russian-Ukrainian joint company between the

Ukrainian state-run design bureau Antonov and the Russian United Aviation Corporation had to be completed in the near future.

In the sphere of nuclear energy, Azarov pointed to the necessity to sign as soon as possible a loan agreement with Sberbank Rossii (Russian Savings Bank) on financing the construction of the third and fourth generating units of the Khmelnytsky nuclear power plant.

The Ukrainian prime minister also stated that Ukraine was ready to deliver 1m tonnes of corn to Russia.

For his part, the Russian prime minister invited his Ukrainian counterpart to participate in a meeting of the committee on energy cooperation, which will be held with the participation of Kazakhstan and Belarus in Moscow in June 2011.

Putin's visit, issues raised during talks give rise to intense debate among politicians, officials, experts

An advisor to the Ukrainian president, Hanna Herman, noted that the parties have spoken the language "of exclusive national pragmatism."

However, the chair of the parliamentary subcommittee on cooperation with the CIS states, Oleksiy Lohvynenko, believes that no deal was struck during the negotiations and that the parties have merely exchanged messages. "The problem is that the position of both parties [Russia and Ukraine] is truncated and detached from the reality. We did not manage to hold real talks, which is surprising since Ukraine had expectations to this effect," he said.

The Ukrainian Ministry of Foreign Affairs stated that Ukraine could not simultaneously belong to the CU of Russia, Belarus and Kazakhstan and set up an FTA with the EU. Deputy Foreign Minister Pavlo Klymkin also noted that Ukraine's orientation towards the EU was embedded in legislation and could not be questioned. "The orientation of Ukraine towards the integration into the EU is not only political. It is defined by the law on the foundations for domestic and foreign policy. This is precisely a final political goal on which we work," he said. At the same time, Klymkin noted that Ukraine considered a possibility of cooperating with the CU of Russia, Belarus and Kazakhstan by means of agreements that pertain to certain sectors of the economy.

An MP of the progovernment Party of Regions, Inna Bohoslovska, also believes that nothing prevents Ukraine from striking deals with the CU members in certain sectors. "Under the '3 plus 1' formula, we can sign agreements with the members of the CU on certain issues, for example, on grain. Ukraine, Kazakhstan and Russia could gain up to 30 percent of the world grain market," she said.

According to the leader of the opposition Fatherland party and the former Ukrainian prime minister, Yuliya Tymoshenko, Ukraine's entrance to the CU of Russia, Belarus and Kazakhstan will ruin its cooperation with other countries of the world. "Ukraine will lose the ability to compete on the world markets and generally to participate in the world and European markets," she explained.

For his part, Fatherland MP Serhiy Teryokhin is certain that Russia will retain various export preferences for its manufacturers even if Ukraine joins the CU.

The head of the Ukraine-EU public expert council, Oleh Rybachuk, expressed doubt that Ukraine could receive a lower price for Russian gas even if it enters the CU.

According to the editor-in-chief of the Lb.ua news and analysis website, Sonya Koshkina, the more intense the negotiations between Ukraine and the EU are, the stronger is Ukraine's position in the talks with Russia. She added that at the moment, there were unique conditions for setting up an FTA between Ukraine and the EU. Koshkina identified several key aspects of the existing situation. "It is not a secret nowadays that big business has its representatives and lobbyists in the government. The majority of them are oriented towards exports. This is the first aspect. The second one is that Europe is currently interested in signing this agreement [on setting up an FTA] as soon as possible as a result of several domestic reasons and, consequently, is ready to accommodate Ukraine," she explained.

Ex-Premier-Minister
Tymoshenko
suspected of power
abuse during signing
of gas contract in 2009

The Prosecutor-General's Office (PGO) of Ukraine has launched a fresh criminal case against former Ukrainian Prime Minister Tymoshenko. "A criminal case was opened against the former prime minister over abuse of power when the gas contract was signed in 2009," First Deputy Prosecutor-General Renat Kuzmin said. Later, Prosecutor-General Viktor Pshonka stated that the actions of former Prime Minister Tymoshenko during the act of signing the gas contract in 2009 have imperiled the economy of the state.

According to Tymoshenko, the government will use the criminal case against her to justify Ukraine's joining the CU of Russia, Belarus and Kazakhstan.

It is worth noting that several Ukrainian experts believe that the Ukrainian government can use the opening of a criminal case over the presumably unlawful signing of the contract for the delivery of Russian gas as one of the arguments in the negotiations with Russia on a revision of the gas contract.

Representatives of
Ukrainian Orthodox
Church of Moscow
Patriarchate attempt
to dissuade President

A meeting of the community of the Ukrainian Orthodox Church of Moscow's Patriarchate (UOC MP) has been held in Kiev. As a result of the meeting, Orthodox public organizations of the UOC MP urged the government to grant the UOC MP the status of the dominant state church in Ukraine.

The participants of the meeting also stated that they did not understand the actions of President Yanukovich "whom the Orthodox community actively supported during the presidential election" and urged him to stop integrating Ukraine into "a foreign and hostile to our people Western civilization and state structure [of the EU]."

Another decision adopted during the meeting is to address the government with a plea to grant Russian the status of the second state language.

For his part, Emergencies Minister Viktor Baloha said that any interference on the part of any church organizations into the process of carrying out state functions was unconstitutional and could be viewed as pressure on government agencies that perform their duties.

Later, the UOC MP said that the plea of the UOC MP community for the right of the dominant church and for the half of the integration into the EU was not its official position.

US State Department
assesses situation in
Ukraine

The U.S. Department of State has published the 2010 Human Rights Report: Ukraine.

The report includes several critical comments regarding the situation in Ukraine. In particular, the document says that after a few years of improvement, the situation with human rights in Ukraine became worse in 2010. It lists examples of pressure on the mass media and the persecution of leaders of opposition parties. Also, the report documents violations during the local elections. The authors of the report point out that the fight against corruption in Ukraine remains ineffective and is punished very seldom. Additionally, the report analyzes the political motivations behind the selective persecution for corruption, as well as graft in Ukrainian law-enforcement agencies.

The Ukrainian Foreign Ministry believes that the report issued by the US Department of State gives a positive evaluation of the situation in Ukraine. "The report for 2010 includes, on balance, a positive assessment of Ukraine during the first year of President Yanukovich in power," the director of the Foreign Ministry's department of information policy, Oleh Voloshyn, said. At the same time, he noted that those systemic problems which were mentioned by the authors of the report have been inherited from recent times. He also emphasized that the Foreign Ministry did not see any political reason behind the report of the U.S. Department of State.

According to presidential advisor Herman, "2010 Human Rights Report: Ukraine, which was prepared by the U.S. Department of State, is hopelessly outdated in the part on fighting corruption. The situation in Ukraine is changing rapidly and the picture that was seen a year ago, when the president just came to power and started combating corruption, looks absolutely different at present," she said.

The deputy head of the parliamentary faction Party of Regions, Vadym Kolesnichenko, believes that the conclusions drawn by the US Department of State on violations of human rights in Ukraine are ungrounded. "I do not understand what principles were used to compile this report and who gave information for such crazy conclusions. I can only shrug my shoulders and say that this document is absolutely untruthful," he said.

Ukrainian government
has no desire to
combat corruption –
Main Control and
Oversight Directorate

The head of the Main Control and Oversight Directorate of Ukraine, Petro Andreyev, has said that the government has no desire to combat corruption. "Unfortunately, there are only a few people in the government who really want to change something. The fight against corruption is hampered not by organized crime but by the state apparatus in general, including ministers, lawmakers of the Supreme Council [Parliament] and officials who do not want to part ways with their privileges," he said. At the same time, Andreyev added that the major development problem and the problem of business operation and the social sphere in Ukraine is the fact that officials are generally occupied by creating the grounds for extorting money from citizens.

Just to remind you, on 7 April 2011, the Ukrainian Parliament adopted in its final reading the presidential draft law "On the foundations for preventing and combating corruption in Ukraine."

Ukrainian government
intends to toughen
parliamentary
elections

New electoral legislation envisions a higher electoral threshold for parties, Ukrainian Justice Minister Oleksandr Lavrynovych has said. According to him, a working group for the preparation of amendments for the electoral legislation has added to the new draft of the law "On electing MPs" a

provision on raising the threshold for parties from 3 percent to 5 percent. At the same time, Lavrynovych noted that President Yanukovich supported this legislative initiative.

The leader of the parliamentary faction Communist Party of Ukraine, Petro Symonenko, said that the raising of the electoral threshold for elections of MPs, which was proposed by the government, will violate the right of citizens to free expression. "Everything speaks about the fact that we are moving towards the establishment of authoritarian power with all its consequences," he said.

According to the former first deputy justice minister and the leader of the Social-Democratic Party of Ukraine, which is represented in Parliament, Yevhen Korniyshuk, a higher threshold for parties during parliamentary elections is political discrimination since "such a situation can only be acceptable to two-three political parties that currently enjoy a rating of over 5 percent."

At the same time, Parliamentary Assembly of the Council of Europe co-rapporteur for Ukraine, Marietta de Pourbaix-Lundin, said after her visit to Ukraine that the Ukrainian government was unwilling to discuss a draft Electoral Code with all political forces. "It does not seem like the government treats a dialogue with all the political forces on a draft of a new Electoral Code. Rather, it seems to wish to discuss details of the code, which was written privately," she said. The PACE co-rapporteur also expressed disappointment with the fact that the government is ready to discuss only those parts of the new Electoral Code that pertained to parliamentary elections and not the entire code, which can be applied to all the elections, as recommended by the Venice Commission.

Just to remind you, the National Democratic Institute (US) said recently that it was no longer part of the working group on improving Ukrainian electoral legislation.

Forbes assesses
fortunes of wealthiest
Ukrainians

The Forbes Ukraine magazine has named 100 wealthiest people in Ukraine. There are eight billionaires in the rating of the richest people in Ukraine. An MP of the Party of Regions, Ukrainian businessman Rinat Akhmetov, tops the rating. His net worth is estimated at 16bn dollars. According to the magazine, it was 5.2bn dollars in 2010.

It is worth nothing that Ukrainian experts believe that Akhmetov belongs to the close entourage of President Yanukovich.

Ukrainian businessman Viktor Pinchuk follows Akhmetov with an estimated net worth of 3.3bn dollars. In 2010, his fortune was believed to be 3.1bn dollars.

The co-owners of the Privat financial group, Hennadiy Boholyubov and Ihor Kolomoyskyy, with 2.5bn dollars each, and the owner of the Finansy i Kredyt (Finances and Credit) financial group, Kostyantyn Zhevaho, whose net worth is estimated at 2.4bn dollars, are next in the rating.

Rating positions number six through eight are occupied by agricultural billionaires such as the owner of the Myronivskyy Khloboprodukt Company, Yuriy Kosyuk (1.5bn dollars), the owner of the Kernel Group, Andriy Verevskyy (1.1bn dollars) and the CEO of the Avangrad agricultural holding, Oleh Bakhmatyuk (1bn dollars).

The net worth of Dmytro Firtash was estimated by the Ukrainian Forbes at 996m dollars. As the deputy editor-in-chief of the Forbes Ukraine magazine, Kateryna

Hlaskova, noted, because Firtash is a Ukrainian oligarch who avoids publicity at all costs, it is difficult to estimate his assets objectively. It is worth mentioning that several Ukrainian and Russian mass media consider Firtash to be a business partner of Semen Mogilevich.

According to the magazine, Ukrainian Deputy Prime Minister and Social Policy Minister Serhiy Tyhypko has over 827m dollars. It is worth mentioning that his income declaration in 2010 stated that he earned 3m dollars, while his family earned 560,000 dollars.

Forbes estimated the net worth of the head of the Security Service of Ukraine (SBU), Valeriy Khoroshkovskyy, at 426m dollars, while the net worth of Deputy Prime Minister Borys Kolesnikov at 230m dollars. At the same time, according to Kolesnikov's declaration, his income was 20.64m dollars in 2010 and that of his family – 450,000 dollars.

The net worth of First Deputy Prime Minister Andriy Klyuyev was estimated by Forbes at 225m dollars, while that of his brother Serhiy Klyuyev at 232m dollars. We would like to note that the income declaration of the deputy prime minister states that he earned 550,000 dollars in 2010, while his family reported 34,000 dollars.

Kyiv Post announces
strike against
censorship

The editorial board of the Ukrainian English-language weekly Kyiv Post has started a strike against the censorship of the publisher.

“Kyiv Post is protesting against the interference in the independent activity of the editorial board. We consider the decision of publisher Mohammad Zahoor to fire editor-in-chief Brian Bonner over the refusal to pull an interview with Agriculture Minister Mykola Prysyzhnyuk,” the statement said.

We would like to note that the Kyiv Post website published an extensive interview with Agriculture Minister Prysyzhnyuk. The biggest part of the interview was devoted to the influence of an MP of the Party of Regions, Yuriy Ivanyushchenko, on the Ukrainian agricultural market. During the interview, Prysyzhnyuk avoided an answer to the question about the links of Ivanyushchenko to the Khib Investbud Company.

It is worth mentioning that the activity of Khib Investbud drew the attention of the public after the company received the largest quota for the export of grain from Ukraine. According to information circulated by the mass media, Khib Investbud is controlled by Russia-based Vneshekonombank, whose supervisory council is headed by Russian Prime Minister Putin, and by business partners of Prysyzhnyuk.

Just to remind you, Prysyzhnyuk said earlier that the state owns a 61 percent stake in Khib Investbud.

Ukrainian foreign
minister criticizes
Czech Republic

Ukrainian Foreign Minister Kostyantyn Hryshchenko has said that Europe applies international law selectively. According to him, the granting of political asylum to former Economics Minister Bohdan Danylyshyn is an example of a selective application of international legal norms. In particular, the minister drew attention to the fact that political asylum has been granted to a person against whom Ukraine had launched a criminal case with a significant amount of evidence and who intentionally obstructed justice by

claiming that he was politically persecuted in Ukraine. Hryshchenko also noted that one can easily be granted political asylum in the Czech Republic and did not rule out that other officials who have committed unlawful actions would want to use it to their advantage since the precedent had been already set.

Just to remind you, in January 2010, the government of the Czech Republic granted political asylum to Danylyshyn. In Ukraine, the former economics minister is suspected of power abuse, which inflicted substantial losses to the state budget.

IMF makes concession
on pension reform to
Ukraine – Finance
Ministry

The International Monetary Fund (IMF) has agreed to soften its requirements of the pension reform implementation in Ukraine, the director of the Ukrainian Finance Ministry's department for state debt and international cooperation, Serhiy Makatsariya, said.

In particular, he noted that Ukraine should have made all the decisions regarding pension reform by 15 April 2011, but such a requirement was no longer on the table.

Earlier, Makatsariya said that an IMF delegation will visit Ukraine on 10-20 April 2011 to hold talks on the program of cooperation between Ukraine and the IMF.

Ukraine reaches
amicable settlement
with Vanco
Prykerchenska

Ukraine's government has approved an amicable settlement with the Vanco Prykerchenska company, Justice Minister Oleksandr Lavrynovych said. He noted that the amicable settlement should also be approved by the Stockholm Arbitration Court (Sweden) of the Chamber of Commerce, although he mentioned that the government has not yet sent the settlement to the court.

Earlier, First Deputy Prime Minister and Economic Development and Trade Minister Klyuyev said that the government intended to reach an amicable settlement with the Vanco Prykerchenska Company in February 2011. However, the Ukrainian mass media reported that reaching an amicable agreement could be delayed due to disagreements between Ukrainian Energy and Coal Industry Minister Yuriy Boyko and Klyuyev.

A reminder that the Vanco Prykerchenska company received a license to extract oil and gas from the Black Sea shelf of the oil and gas area near Kerch in October 2007. Later, in April 2008, the Environment Ministry, which was headed by Heorhiy Filipchuk, rescinded the license that was granted to Vanco Prykerchenska.

We would like to note that a Ukrainian businessman, Party of Regions MP Akhmetov, co-owns Vanco Prykerchenska. A criminal case is launched against former Environment Minister Filipchuk, who is suspected of abusing power.

Naftohaz Ukrayiny
returns 1.1bn cu.m of
gas to RosUkrEnergo –
mass media

Naftohaz Ukrayiny returned nearly 1.1bn cu.m of gas to RosUkrEnergo in December 2010 – February 2011, the Ukrainian mass media have reported. According to the mass media, the remaining 1.1bn cu.m of gas will be handed over to RosUkrEnergo from Ukraine's underground storage facilities in April 2011.

Earlier, a co-owner of RosUkrEnergo, Firtash, said that the gas received from Naftohaz Ukrayiny would be sold to Gazprom Eksport, which is a subsidiary of Gazprom, for 338,000-358,000 dollars per 1,000 cu.m of gas. Gazprom Eksport transports the mentioned gas to European countries.

Just to remind you, on 8 June 2010, the Stockholm Arbitration Court of the Chamber of Commerce ruled that Naftohaz Ukrayiny had to return 1.1bn cu.m of gas to

RosUkrEnergo as a fine for violating the terms of the contract.

We would like to note that the Kiev Pecherskyy district court scheduled a court hearing of the criminal cases opened against the former head of the Ukrainian State Customs Service, Anatoliy Makarenko, and the former first deputy board chairman of the Naftohaz Ukrayiny Company, Ihor Didenko. They are accused of abusing power and inflicting substantial loss to the state as a result of the seizure of 11 bn cu.m of gas from the RosUkrEnergo Company in 2009.

Ukraine's new military doctrine reaffirms non-aligned status, extends list of military threats

The Ukrainian government has adopted a new military doctrine of the state. The doctrine is defensive in nature and views the provision of security through the lens of Ukraine's non-aligned status. "Ukraine adheres to a policy of non-alignment and considers it to be an important factor of easing the tensions in the military and political environment of the region," the document stated.

The doctrine also expanded the list of domestic threats to homeland security. The previous draft identified the unsatisfactory condition of the Armed Forces and the activity of extremist and separatist organizations as the major domestic threats. Now, the interference into domestic affairs of the state by means of "the influence on information, economic pressure, financial and moral support of certain political forces and non-governmental organizations" is also recognized as a threat.

According to the secretary of the parliamentary committee on homeland security and defense, Yuriy Samoylenko, who represents the Party of Regions, the document was adopted as a foundation for the development of a strategy for reforming the Armed Forces.

We would like to note, that the doctrine will come into force after President Yanukovich signs it.

Party of Regions believes in foreign sponsorship of protests in Ukraine – mass media

The Party of Regions believes that George Soros and Boris Berezovskiy could be the sponsors of protests in Ukraine, the Ukrainian mass media have reported.

In particular, as the Ukrainian mass media found out, the Party of Regions said that Soros and Berezovskiy could have sponsored the organization of the protests that were held by Ukrainian businessmen against the recently adopted Tax Code.

Earlier, the leader of the Party of Regions parliamentary faction, Oleksandr Yefremov, said that a "foreign investor" has allocated funds for training people for the implementation of projects "similar to those in North Africa" in Ukraine. "At present, there is a lot of information in the world and one can invalidate any information with the help of the Internet. I even have information at my disposal that Soros has allocated certain funds for training a certain group of young people in Ukraine, who could launch any existing projects, like it was in North Africa. This is taking place and it is in the works," he said.

Berezovskiy and the International Renaissance Foundation sponsored by Soros denied such information.

It is worth mentioning that the leader of the protests against the Tax Code in Kiev, Oleksandr Danylyuk, said that preparations for Wrath Day in Kiev on 14 May 2011 were under way.

Several Ukrainian
electricity companies
will be privatized in
2011

The Ukrainian government has approved a list of electricity companies to be sold in 2011. The list included the energy generating companies Dniprenerho and Zakhidenerho, as well as nine regional power-grid companies. The implementation of the plans announced by the government will result in the completion of the transfer of regional power-grid companies into private ownership and the significant increase in the private capital in energy generating companies.

According to the Ukrainian mass media and experts, Ukrainian businessman Akhmetov will be the major buyer of the electrical companies. It is worth mentioning that the DTEK Company, which he owns, has already expressed its intention to participate in the privatization of these assets.

Russia tries to revive the Russian Empire by means of the Customs Union – experts

Prior to this week's visit of Russian Prime Minister Vladimir Putin to Ukraine, the Gorshenin Institute asked experts to answer the following question: “What is more beneficial to Ukraine – setting up a free trade area with the EU or joining the Customs Union with Russia?”

The deputy director-general of the Razumkov Center, Valeriy Chalyy, believes that the discussion about the Customs Union (CU) is dictated exclusively by the national interests of Russia. “The offers to enter the CU are voiced quite persistently only because it is in Russian national interests. Russian economists analyzed the situation a long time ago and came to the following conclusion: it is necessary to expand the market in order to actively develop the domestic market within the CU. Ukraine has made its choice towards European integration and backed it up by legislation. Even the integration of some of its sectors into the CU could create substantial problems in the European direction. Therefore, the proposed '3+1' formula is meaningless. This is a mere desire to simply gain some time and try to sit on 'two chairs.' I think that the visit of Russian Prime Minister Vladimir Putin, who is a future candidate for the Russian presidency, will somewhat adjust an optimistic outlook of Ukrainian leaders as regards Russia's readiness to understand an extended prospect of discussing the format of interaction with the CU,” the expert concluded.

A Ukrainian MP, Stepan Kurpil, thinks that Ukraine should move in the European direction. “There is no doubt that a free trade area with the EU and the status of an EU associate member are more beneficial to Ukraine. Russia is not satisfied with this and its leadership has been recently taking measures to prevent this. However, all the arguments of the Russian party have to do only with one thing, which is the desire to retain Ukraine in the sphere of its influence and, to a certain degree, revive the Russian Empire by means of the CU,” the parliamentarian believes. However, according to him, an unequivocal ambiguous answer to the question about a more realistic direction for Ukraine does not exist. “It is hard to say what exactly the Ukrainian government really thinks about it. The other day, the president essentially confirmed for the first time that Ukraine was conducting talks on the CU. However, representatives of the EU emphasized on multiple occasions that Ukraine could not be part of the CU with Russia and simultaneously have a free trade area with the EU. Besides, we have commitments under the WTO. Therefore, it is difficult to say what the president's statement implies. It might be a game with the EU in order to negotiate more beneficial conditions for Ukraine or the president might really lean towards Russia,” the lawmaker said.

The president of the Open Politics analytical center, Ihor Zhanov, believes that the EU market is a defining one for Ukrainian economic development. “They have large volumes of trade which are estimated at thousands of billions of dollars. There is a certain group of high-tech products there. We are interested in exporting to them the products of our food industry and agricultural produce. The major problem is to defend our interests in the economic sphere, so it is not a one-way street that only benefits the EU. It should also take into account the interests of Ukrainian producers. Yet, we understand that Russia will exert serious pressure on us, which will only intensify as a result of their preparations for the electoral campaign,” the expert noted. He is positive that the option on which Ukraine is staking is more realistic for the country. “As far as I am aware, 90 percent of documents pertaining to a free trade area with the EU have been already agreed. Russia is proposing a different path of

development to us, the CU. Did anyone actually see what rules they have there or analyze what it is and what it will bring for the economy? Also, we have World Trade Organization rules, which are currently enforced in Ukraine. If one does not follow the rules of the WTO, which one agreed to follow, their violation will bring serious fines and punitive sanctions,” Zhdanov opined.

According to a Ukrainian MP, Volodymyr Vecherko, Ukraine could benefit from both formats of cooperation. “If one reasons correctly, then both the CU and a free trade area are advantageous. However, the rules should be set at the very beginning. A free trade area should not have the unilateral rules which Europe wants. The rules in the CU should not be those that Russia wants. It is necessary to advance our interests and then both a free trade area and the CU will be beneficial,” the parliamentarian concluded.

Ukraine's European integration does not confront country's Euroasian Pace - experts.

The Gorshenin Institute has conducted a round table discussion called “Setting up Free Trade Zone with Europe or Joining Customs Union with Russia: what Brings Ukraine more Benefit?” The attending experts said that the Customs Union consisting of Russia, Belarus and Kazakhstan may impose restrictions on import of Ukrainian goods if Ukraine signs a Free Trade Deal with the European Union. However, sectoral agreements with the Customs Union's members may become a plausible alternative to full membership.

A MP of the Party of Regions, Inna Bohoslovka, said that nothing is preventing Ukraine from making sectoral agreements with members of the Customs Union in those sectors of the economy interesting to both parties. “As long as Ukraine's full membership in the Customs Union makes it impossible to set up the Free Trade Zone with the EU, in the framework of the '3+1 formula', we can make agreements with the Customs Union's members in specific sectors of economy, for instance, grain trade. What prevents us from setting up the grain trade union as part of development of relations with the Customs Union? Ukraine, Kazakhstan and Russia together can cover 30 per cent of the world's grain market. Remember, how the European Union was set up? At the beginning it was the Coal and Steel Community,” Bohoslovka said.

Head of Russian Embassy in Ukraine Economic Sector, Advisor Aleksey Urin, said that sectoral agreement do not meet the needs of the majority of Ukrainian manufacturers. “within the framework of the Customs Union we offer a comprehensive approach, total opening of the borders, while you are talking about preferences for specific sectors of the economy only. This is not fair. So, if someone takes tomatoes through the border, he will be forced to pass the phytosanitary control and pay for all these required procedures, but if you carry, let us say, an engine - no problems, go on! Why should a tomato seller be discriminated?” Urin asked. According to Urin, experts preliminary assess Ukraine's economic benefit from joining the Customs Union at four to nine billion dollars a year. “Speaking about losses from not joining the Customs Union, there are scientifically substantiated assessments here as well, which state that the losses would amount to one and a half – two billion dollars. There are also some preliminary considerations regarding restrictions that Russia as a member of the Customs Union would have to impose after opening the Ukrainian market to goods from the EU. However, I think right now no one knows what positions precisely will pose risks to the Customs Union and will be restricted fully or partially. This threat exists, and if after Ukraine joins the Free Trade Zone, excessive pressure will affect the Russian market, or, to put it more precisely, the market of the Customs Union, restrictions will have to be imposed on these positions. Nevertheless, it is not worth speculating who will lose what unless Ukraine's deal on the Free Trade Zone is in place”.

The consultant to the Secretariat of the Commission of the Customs Union, Sergei Tkachuk, said that Ukraine's rocket launchers and airspace goods and services and, possibly, chemical goods, may become the subject of an export ban. “In the discussions regarding Ukraine's joining the Customs Union one could hear quite often that this step will terminate prevailing the export of raw materials over the export of machinery products, but I believe it will be vice versa. The very purpose of setting up a customs unions is to protect hi-tech markets”, Tkachuk said. He added that

Ukraine will lose up to 1.4 million dollars if it does not join the Customs Union.

Razumkov Centre Deputy Director General, Valeriy Chalyy, said that Ukraine's losses from not joining the Customs Union are not evident. “They say that the Ukraine airspace branch will suffer, but I am convinced quite on the contrary: everything will be fine between us and Russia in the airspace branch as there is no alternative to our cooperation in the sector,” Chalyy said. He also suggested that Ukraine's joining the Customs Union does not guarantee the resolving of trade conflicts with Russia, Belarus and Kazakhstan. “We should not expect automatic resolving of all conflict issues. From the strategic standpoint, the Customs Union freezes Ukraine in the sector of low wages and will keep us a raw materials supplier but does not guarantee us a positive balance in foreign trade with the Customs Union's members,” the expert said. Chalyy also said that the membership of the customs union may pose a number of economic and political risks. He recalled the stories of the South American customs unions: the Andean Pact and Mercosur. “The members of the Andean Pact united to protect themselves against monopolies but finally they froze their economic development. The Mercosur agreement united more prosperous countries but did not protect its members from economically highly developed countries imposing protectionist customs duties at the crisis time,” Chalyy said. Speaking about political risks, Chalyy suggested that unions like this help to set up negative political regimes.

A MP of the Communist Party, Serhiy Hmyrya, said that Ukraine's European integration does not contradict the country's Euroasian integration. Hmyrya also said he is very sceptical about benefits from joining the Free Economic Zone with the EU and the Customs Union.

A MP of the Yuliya Tymoshenko Bloc, Serhiy Teryokhin, for his part recalled that there is a valid agreement on scientific-research and industrial cooperation between Ukraine and Russia. “However, this agreement has not worked for the last three years for different reasons,” Teryokhin said. He also said that even if Ukraine joins the Customs Union, Russia will still maintain different export preferences for its producers.

The defence lawyer, assistant professor of the International Relations Institute of Kyiv National Shevchenko University, Serhiy Kozyakov, said that quick formation of the Customs Union between Russia, Belarus and Kazakhstan will cause a number of legal disputes between the members of the Union. He recalled that today the Customs Union does not have unification of technical regulations and standards, there is no single certificate of quality of goods, no agreed anti-monopoly policy. All these aspects may result in miscellaneous legal disputes between members of the Customs Union. “According to the information of the Russian State Border Service, 43 per cent of smuggled goods were detained at the border with Kazakhstan. The phytosanitary restrictions at the border between Russia and Kazakhstan will be lifted on 1 July 2011, but Russian experts say Kazakhstan represents a major threat to Russia in the area of phytosanitary control,” – Kozyakov said. He also said that Russia decided to preserve the quoting vehicle even within the framework of the Customs Union. “This means that if the Russian authorities see that movements of goods towards Russia are not in line with the country's economic interests, they will impose quotas. However, now it is not clear how all these aspects will be addressed and work after removal of the customs borders,” Kozyakov said. Speaking about the possibility of Ukraine joining the Customs Union, Kozyakov said that within the framework of the

Customs Union export duties will be collected at the outer borders of the Union. “As a result, Russia will receive 88 per cent of the collected duties, Kazakhstan – 7.2 per cent, Belarus – 4.7 per cent. It is also important to note that in Ukraine customs duties make up to 20 per cent of income to the state budget. Gigantic customs duties like this – it is not normal: in developed countries of the world customs duties make three to five per cent of the state budget at most. Whatever happens, I would like to say that joining the Customs Union will result in serious consequences for Ukraine's budget,” Kozyakov said. In the conclusion Kozyakov said that the customs union in the framework of the European Economic Community was set up 10 years after the establishing of the European Union itself. “It is important to note that by the time of setting up the customs union, there were practically no export duties in the EU,” Kozyakov said.

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