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Ukraine's ruling Party of Regions criticizes negative reaction of international community to ex-premier's conviction

On 11 October 2011, a Kiev district court sentenced the leader of the opposition Fatherland party, former Prime Minister Yuliya Tymoshenko to seven years in jail.

Tymoshenko was declared guilty under Part 3, Article 365 of the Criminal Code of Ukraine, which deals with abuse of power. Additionally, she was stripped of the right to hold public office for three years.

The court ruled that on 19 January 2009, Tymoshenko had signed government directives for the management of the Ukrainian state-run oil and gas trader Naftohaz Ukrayiny to sign gas contracts with Russia for 2009-19. The court decided that this action constituted abuse of power since such directives should be collectively approved by the Cabinet of Ministers of Ukraine. Additionally, the judge ruled in favor of Naftohaz Ukrayiny, obliging Tymoshenko to reimburse the company 1.5bn hryvnyas (188m dollars) for its losses. The former prime minister should also recoup for expenditures on forensic tests.

It is expected that the lawyers of the former prime minister will challenge the verdict in an appeals court in the near future.

We would like to note that Tymoshenko's conviction triggered a harsh reaction from the international community.

The European Union said that the verdict was a case of selective justice and politically motivated persecution of opposition leaders and members of the previous government. European leaders also voiced the idea that Tymoshenko's conviction and the situation with other opposition leaders might have a negative impact on Ukraine's bid for the EU and on its prospects for signing an association agreement, in particular.

The USA also expressed concern and disappointment with the conviction of the former prime minister in the politically motivated criminal case and urged the Ukrainian government to release Tymoshenko and other political leaders.

For its part, Russia declared that the 2009 gas contracts were legal and pointed to "an obvious anti-Russian subtext of this entire story."

In response, Ukrainian authorities expressed their stance on Tymoshenko's verdict.

Ukrainian President **Viktor Yanukovich**:

"If such a situation took place in any other country of the world, even in the most democratic one, no one would even say a single word... We are currently in the position when everyone is looking at us, as one would put it, under a microscope. Does this please us or not? It does not."

"We will adopt modern legislation. An appeals trial will definitely take place. If corresponding laws are adopted by the time an appeals trial is held, then an appeals court will follow them during its deliberation. There is no doubt that Tymoshenko's case is a landmark that will attract close attention. However, a court will debate it following the laws which are enacted at that point."

The head of the Ukrainian Foreign Ministry's information policy department, **Oleh Voloshyn**:

“Diplomats do not attend other trials for some reason. In other words, they created a certain 'sacred cow' here: there is a person who cannot be held legally responsible.”

“Do you know what annoys the most? They say that they do not like the verdict. If you do not like how court proceedings are held, if you distrust the judicial system, then say: regardless of the verdict, even if Tymoshenko is declared innocent, we do not believe you because your court is bad. It hence turns out that if Tymoshenko were acquitted, everyone would be applauding and everyone would say: you have a cool court, you have no need to launch reforms and Ukraine is generally a perfect country when it comes to the legal sphere.”

The speaker of the Supreme Council of Ukraine, **Volodymyr Lytvyn**:

“Ukraine can disregard European assessments. No one wants us to become a mandated territory. The pressure put by European leaders with the goal of forcing Ukraine to change the decision on Tymoshenko's conviction leads to the ability of Europe to hold sway in the future over other issues of the Ukrainian domestic politics. This is unacceptable to Ukraine.”

If the EU insists on suspending the negotiations on an association agreement with Ukraine, Kiev may prefer the Customs Union of Russia, Belarus and Kazakhstan to Europe, Lytvyn also pointed out.

Head of the ruling Party of Regions parliamentary faction **Oleksandr Yefremov**:

“Criminal proceedings are launched against the Icelandic prime minister. [Francois] Mitterrand is standing trial in France but no one is putting pressure on [French President Nicolas] Sarkozy. A former Serbian prime minister is taken to court. He has been recently detained in Austria. There is no way ours is the only case. However, those states have the right to do so because they are in Europe and they have a different system of relations. We do not have the right of voice in the EU so they can blackmail us.”

“If European politicians sing the texts written by the Ukrainian opposition, while the latter knows in advance which order the former will issue to the government of our state, then this makes me very wary.”

Party of Regions MP **Vladyslav Lukyanov**:

“The key issue is not a decision or reaction of any international organization or a state agency. The main thing is whether Tymoshenko is guilty or innocent. If her actions constituted a crime, then it does not matter what position any other state takes because it is a direct interference into Ukraine's domestic politics and pressure on our state.”

When asked about his attitude towards the official criticism of the West, the MP responded: “[It] is one of their mistakes.”

“If Europe does not respect us as a sovereign and free state, then we do not need a yoke.”

Party of Regions MP **Olena Bondarenko**:

“Unfortunately, Europe cannot be unbiased because it is interested in a price here. It is interested in private money.”

“Europe also benefits from this gas contract which established a very, very low cost of gas transit through the Ukrainian territory. In fact, it has ensured for itself in advance that the cost of gas transit through Ukrainian territory will not be raised for years.”

“They also have an absolute financial interest in the preservation of this contract and such a status.”

In his turn, the head of the Yuliya Tymoshenko Bloc (YTB) parliamentary faction, **Serhiy Sobolyev**, said that Tymoshenko's case and political repression in Ukraine united direct opponents in Europe, Russia and the USA, who “make joint statements condemning the dictatorial habits of [Ukrainian President] Yanukovych.”

“This attests to what the entire world understands: Yanukovych's dictatorial regime and his methods of political repression against the opposition are unacceptable to the civilized world.”

**Fresh criminal case
launched against
Yuliya Tymoshenko**

Former Ukrainian Prime Minister Yuliya Tymoshenko faces fresh accusations.

On 13 October 2011, the head of the Security Service of Ukraine's (SSU) Main Investigation Directorate, **Ivan Derevyanko**, said that Tymoshenko faced charges under Article 191 of the Ukrainian Criminal Code which deals with “Embezzling and misusing assets or appropriating them by means of exceeding authority.” The article envisions up to 12 years behind bars.

In particular, the prosecution accused Tymoshenko of conspiring with former Ukrainian Prime Minister **Pavlo Lazarenko** to transfer from the Ukrainian state budget a 405.5m-dollar debt owed by the Yedyni Enerhetychni Systemy Ukrayiny (Single Energy Systems of Ukraine) (YESU) company, which she headed and owned at the time, to the Russian Defense Ministry.

It is well known that Tymoshenko was the head of the YESU company in 1995-97. From September 1995 to March 1996, Lazarenko served as the first deputy prime minister of Ukraine. He was Ukrainian prime minister from May 1996 to July 1997.

The SSU explained that the key reason for opening a fresh criminal case against Tymoshenko is a letter from Russian Defence Minister **Anatoliy Serdukov**, which he sent to Ukrainian Prime Minister **Mykola Azarov** in June 2011 with a request to clear a 405.5m-dollar debt owed by the YESU corporation.

At the same time, the SSU reported that the date for launching the new criminal case against Tymoshenko did not expire. “As we know, Tymoshenko committed a crime [the gas case] in January 2009. Under the law, starting from that moment, the term for bringing someone to criminal responsibility is suspended and a new countdown is set up,” Derevyanko explained.

It is noteworthy that Ukrainian Prime Minister **Mykola Azarov** believes that the launch of the new criminal case against Tymoshenko can be justified. “If the corresponding agencies opened such a case, then they had grounds to launch it,” he said.

In his turn, the first deputy head of the Fatherland party, **Oleksandr Turchynov**, said that fresh accusations against the former prime minister were absurd. According to him, similar cases were launched against Tymoshenko when **Leonid Kuchma** was president of Ukraine but Ukrainian courts rules that all of them were trumped up. Turchynov stressed that from 1997, Tymoshenko had had nothing to do with the YESU corporation since 1997.

Additionally, if the debt owed by the YESU company to the Russian Defense Ministry was guaranteed by the state, Russia would have officially claimed the debt from Ukraine long time ago, Turchynov explained. "Russia would not wait for 15 years," he added.

In his turn, the head of Tymoshenko's group of lawyers, **Serhiy Vlasenko**, added that the YESU case did not have any legal grounds.

Turchynov believes that the launch of the new criminal case demonstrates that the government is continuing repression against the opposition.

Turchynov also said that late on 12 October 2011, after lawyers left Tymoshenko, representatives of the SBU made an attempt to question her.

Later, the head of the mass media relations of the Prosecutor-General's Office (PGO) of Ukraine, **Yuriy Boychenko**, said that the questioning of the former prime minister over the new criminal case will continue on 17 October 2011.

At the same time, Boychenko noted that the PGO may request legal assistance of the USA with the case of the YESU debts opened against former Prime Minister Tymoshenko and Lazarenko.

The PGO also reported that it intended to reopen the criminal cases against Tymoshenko on the Kyoto quotas and a purchase of ambulances after a court considers an appeal in the case of the gas contracts with Russia.

It is noteworthy that according to the information circulated by the mass media, Moscow is very surprised that the letter from the Russian defense minister was used to launch a new criminal case against Tymoshenko. "We never backed Kiev in its persecution of Tymoshenko and especially in linking these criminal cases to the contracts between Gazprom and Naftohaz Ukrayiny. We explained this to Ukrainians on multiple occasions and also by using various channels. No one could even assume that the letter would be used exactly this way," a representative of the Russian government told the mass media.

For its part, the EU said that it was waiting for details of the new criminal case launched by the SBU against Tymoshenko.

The director of political programs at Gorshenin Institute and an expert in the Russian-Ukrainian relations, **Yevhen Kurmashov**, assumes that the fresh criminal case launched by the SSU against Tymoshenko is a non-verbal response of President **Viktor Yanukovich** to his Western colleagues and European politicians to their imperative demands to release the former prime minister in the near future.

"The new criminal case as well as the statements of the PGO about the relevance of other cases launched against Tymoshenko may signal that the Ukrainian government refuses to take a step towards the international community.

If the new case launched by the SSU develops as rapidly as the previous one, then the chances of Tymoshenko to get released from jail as a result of decriminalizing the article under which she was sentenced to seven years behind bars become minimal. In fact, further actions of the SSU may turn a ruling of an appeals court, even if it is in favor of the former prime minister, into a formality. We may all witness a picture which was traditional for the Soviet justice system, when a defendant is acquitted in a court chamber under one article but then read a new accusation and sent to prison again.

When it comes to the cause which prompted the new criminal case and the letter from the Russian Defense Ministry, in particular, what is worthy of attention is the fact that another case against the former prime minister contains a Russian element.

When this letter emerged in the heat of the court proceedings in the Tymoshenko case, a number of Ukrainian experts expressed an opinion that the letter of the Russian Defense Ministry was an initiative of the Russian party intended to eliminate the talk about a personal motive of the former Ukrainian prime minister when the gas contracts were signed on conditions which were beneficial to Russia.

By this action, Russia not only helped Tymoshenko, but also protected the legality of the signed contracts and its Prime Minister **Vladimir Putin**, whose reputation was indirectly undermined by Tymoshenko's gas case. The fact that this letter gave grounds for launching a new criminal case against Tymoshenko is creating a rather delicate situation in the Russian-Ukrainian relations. There are no doubts that it will be continued"

Visit of Ukrainian president to Brussels on 20 October 2011 in doubt

The official schedule of Ukrainian President Yanukovych does not yet specify 20 October 2011 as the date for his Brussels trip.

The head of the Ukrainian Foreign Ministry's information policy department, **Voloshyn**, quoted the presidential administration as saying that "this date has not been definitely put into the president's schedule."

"The presidential schedule which we have at our disposal does not have this date either... There is nothing on the 20th [of October] yet," Voloshyn said.

At the same time, he added that Ukraine did not officially ask the EU to confirm this date and, consequently, did not receive anything from Europe.

Additionally, Voloshyn noted that Yanukovych intended to visit Cuba and Brazil on 21-24 October 2011.

The Ukrainian Foreign Ministry simultaneously reported that Ukraine's first deputy prime minister and the minister of economic development and trade, **Andriy Klyuyev**, was getting ready to visit Brussels on 20 October 2011 to discuss issues with setting up a free trade area.

It was previously assumed that President Yanukovych will pay an official visit to Brussels on 20 October 2011. There were plans that on that day, the parties will reach "a political compromise on those political issues which have not been resolved at the level of experts." In other words, the head of the Ukrainian state and the EU leadership were expected to declare the conclusion of the negotiations on an association agreement, which would incorporate a deep and comprehensive free trade area.

you ask me whether I agree with it or not, I definitely agree.”

At the same time, the head of the ruling Party of Regions parliamentary faction, **Oleksandr Yefremov**, previously stated that opposition lawmakers could make their suggestions regarding the decriminalization of the articles used to press charges against Tymoshenko and propose to add them to the presidential draft law, but the Party of Regions would not vote to approve them.

In her turn, Party of Regions MP **Bondarenko** said that even if the article under which Tymoshenko faced charges becomes decriminalized, the former prime minister would still have to reimburse Naftohaz Ukrayiny for a loss of 188m dollars.

In response, Tymoshenko's lawyers said that the decriminalization of Article 365 would completely annul the verdict handed down to the former prime minister and its financial part, in particular.

On 18 October, the heads of the CIS states will attend a summit in St Petersburg.

Ukrainian Prime Minister **Azarov** has said that the signing of an agreement on setting up a free trade area with the CIS would become the main achievement of the summit.

“First of all, I expect that the meeting in St Petersburg will not only bring an agreement on the gas price, but, finally, the signing of an accord on a free trade area with the CIS, which will consider the realities of the Customs Union [of Russia, Belarus and Kazakhstan],” Azarov said on 13 October 2011. At the same time, he noted that 40 percent of Ukrainian goods are exported to Russia and the CIS.

We shall remind you that in mid September 2011, Ukraine's first deputy prime minister and the minister of economic development and trade, **Klyuyev**, said that Kiev was ready to sign an agreement on setting up a free trade area with the CIS. At the same time, he added, constant delays with its signing provoke doubts about the ability of the CIS to set up a free trade zone.

Earlier, the Ukrainian experts close to the negotiations said that Russia's stance was the key obstacle to signing a free trade area agreement with the CIS.

It is well known that on 18 October 2011, Ukrainian and Russian presidents will take part in an economic forum in Donetsk.

Gazprom chairman Aleksey Miller said first results of gas talks should be expected no sooner than November 2011.

“Yes, indeed the negotiations with our Ukrainian colleagues are very active and very positive. However, there are still too many pending issues and they are very complicated. It is absolutely certain that no final agreements will be reached in the next few days”, - Miller has said.

As you know, a meeting between Gazprom Chairman Miller and Ukrainian Energy Minister **Yuriy Boyko** took place on 11 October 2011.

Ukrainian Energy Minister Boyko said the compensation that the former prime minister **Tymoshenko** is obliged to pay following the court's ruling will be used to pay for supplies of Russian gas.

Ukraine expected to sign accord on free trade area with CIS on 18 October

Russia to make outcomes of gas talks with Ukraine public no sooner than November 2011

At the same time, after Tymoshenko was convicted, the mass media circulated the information that the EU leaders planned to hold a meeting with Ukrainian President Yanukovich in Brussels on 20 October 2011 but wanted to change the topics of discussion. The key issue for the talks would be Ukraine's domestic situation.

EU representation to Ukraine denies information about the EU Trade Commissioner's visit

The representation of the European Commission to Ukraine has denied the information about a visit of EU Trade Commissioner Karel de Gucht to Ukraine.

"The EU representation to Ukraine informs that this visit will not take place and that it is not planned," the representation reported.

We shall remind you that the head of the Ukrainian Foreign Ministry's information policy department, **Voloshyn**, said that the EU trade commissioner will come to Kiev on 17 October 2011.

Later, Voloshyn clarified that de Gucht's visit was cancelled despite the initial plans.

The Foreign Ministry representative said that a visit of Ukraine's first deputy prime minister and the minister of economic development and trade, **Klyuyev**, to Brussels on 20 October 2011 was the reason why the EU commissioner cancelled his trip to Kiev.

Law on decriminalizing economic offences may be adopted on 20 October 2011

The Ukrainian parliament may have a speedy debate of a draft law on decriminalizing economic offences.

The chairman of the parliamentary committee for a legislative basis of law-enforcement, YTB MP **Viktor Shvets** said that during its meeting on 12 October 2011, the committee made a decision to expedite the preparation of the draft law for the second reading.

"If one follows a procedure, then the deadline for submitting amendments to this draft law is on 20 October. This means that we will be able to consider it in Parliament no earlier than November," he explained.

Later, deputy speaker and YTB MP **Mykola Tomenko** said that it was possible to decriminalize the article under which **Tymoshenko** was convicted by 20 October 2011.

"If we propose during a meeting the need to debate the draft law and the Party of Regions supports the opposition, then on Wednesday [October 2011], it can be considered by a standing committee and put it to vote on Thursday. In other words, it is realistic to do it before the 20th [of October]," Tomenko explained.

It is noteworthy that the presidential draft law of decriminalizing economic offences, whose first reading was adopted on 6 October 2011, does not cover to the article under which Tymoshenko was convicted.

At the same time, the opposition expressed readiness to submit a corresponding amendment to the presidential draft law to pass it in its final reading.

We shall remind you that on 13 October 2011, President **Yanukovich** said: "today, when this issue so critically emerged on the political level, everyone paid attention to the fact that the legislation does not meet European standards, procedures do not meet them, the very law and this Article 365, which in the world, well, in many countries, was relegated to the level of administrative offences or political issues. If

One day later, 12 October 2011, Ukrainian Prime Minister **Azarov** said that a compromise with the Russian party would be found within the next few weeks. Azarov said that he did not link the negotiations with Russia to revise the gas contracts with the criminal case against Tymoshenko.

According to the chairman of the Ukrainian parliamentary committee for foreign economic policy, MP on the Party of Regions **Oleksiy Plotnikov**, now “a draft agreement is being developed to set up a consortium to operate the Ukrainian gas transport system, a draft agreement is being developed to lower the price of transit of the Russian that goes outside Ukraine's territory”.

It is worth mentioning that Gazprom yet did not confirm Naftohaz Ukrayiny's request to cut the amount of purchased gas in 2012 to 27bn cubic metres. According to the gas contract signed between Russian and Ukrainian gas monopolies in January 2009, the volume of Russian gas to be purchased by Ukraine shall be at least 33.3bn cu.m.

Venice Commission slams changes to Ukrainian election law

The Venice Commission criticized the law on election to Ukrainian Parliament.

“The proposed draft law was not that representatives of the Venice Commission discussed with representatives of Ukrainian authorities”, the deputy chairman of the Fatherland party, **Hryhoriy Nemyrya**, has said. (Nemyrya took part in the Commission's sitting).

“The mixed election system and the threshold barrier to make it to parliament, and also a prohibition for blocs of political forces to take part in the election are the decisions proposed by the ruling majority unilaterally and not consulting to the representatives of other political forces and civil society”, - the Fatherland party's press service quotes the commission's conclusions as saying.

However, Ukrainian presidential aide **Maryna Stavniychuk**, who also attended the Commission's sitting, said that the Venice Commission points out the need for a serious improvement of the Ukrainian election law while giving a generally positive assessment of the work on the law.

Stavniychuk said that the Venice Commission had “a serious qualification discussion on the draft law developed by a working team led by Ukrainian Justice Minister **Oleksandr Lavrynovych**”. Stavniychuk also said the Commission supports and considers “very positive” the fact that the Ukrainian president recommended minister Lavrynovych and the working team to forward the existing review materials to the Ukrainian Parliament.

Ukraine expects to get new IMF tranche

Prime Minister Azarov said that the mission of the International Monetary Fund to visit Ukraine on 24 October 2011.

According to Azarov, the only pending issue in discussions with the IMF to proceed with financing Ukraine is the fund's condition to raise price of gas for private consumers in Ukraine. Azarov also said that the Cabinet has its own calculations to support the discussion on this issue and tries to find another mechanisms of compensation not to shift the problem to the public. Azarov expressed his confidence that the right solution to this problem would be found.

However, the deputy prime minister and social policy minister, **Serhiy Tihipko**,

said that based on the results of the negotiations with the IMF, the price of communal services in Ukraine would rise by 32%.

According to Tihipko, the price of Russian gas for Ukraine now is 500.5 dollars per 1,000 u.m.

It is worth mentioning that according to Naftohaz Ukrayiny's forecasts, the price of imported natural gas supplied by Gazprom in October-December 2011, would raise by 14.6% against the price in the third quarter 2011 and would make about 401 dollars per 1,000m.cu.

A reminder that earlier the IMF postponed its experts' visit to Ukraine from August to end of October 2011. The IMF mission experts were supposed to provide the board of directors with a conclusion regarding the Ukrainian government's compliance with the conditions of the memorandum and the reasonability for allocating another trench on the stand-by programme. It was supposed that before the end of the current year Ukraine could receive two trenches 1.5bn dollars each.

It is expected that the Ukrainian parliament will start reviewing the draft state budget for 2012 on 20 October 2011.

**UNO temporary bans
Ukraine from trading
greenhouse gases
emissions quotas**

UNO suspended Ukraine's participation in greenhouse gases emissions trade.

The LB.UA Ukrainian news website reports that on 12 October 2011 the Compliance Committee of the Secretariat of UN Climate Change Convention decided to impose a temporary ban on Ukraine to trade quotas on greenhouse gases emissions within the framework of the Kyoto Protocol.

The reasons behind the decision were, in particular, breaching the rules for submission of reporting on emissions on Kyoto protocol (Ukraine's inaccurate maintaining of the emissions inventory before 2008).

We note that Ukrainian Environment Protection Minister **Mykola Zlochevskyy** said that the ban on trading greenhouse gas emissions quotas would be lifted soon. "I am certain that as soon as the Compliance Committee reviews the report on maintaining the inventory of emissions of greenhouse gases in 2010 all the problems will be resolved. This will happen in the nearest time", Zlochevskyy said.

The press service of the Ukrainian State Agency for Environmental Investments said that a group of international experts were reviewing inventories for 1999-2009 last week in Kiev. In case of approval a positive decision after the review and subsequent implementation of deficiencies identified by the experts, emissions quotas trade will be resumed.

As known, the sitting of the Kyoto Protocol Compliance Committee took place in Bonn (Germany) on 11-12 October 2011.

**Parliament may
review land market
draft law on 20
October 2011**

The Ukrainian parliament plans to review the draft law On Land Market in the first reading on 20 October 2011.

The advisor to the Chairman of Ukrainian State Agency for Land Resources, **Yuliya Kurbaka**, has told this to journalists.

Kurbaka said that the draft law allows buying land only to citizens of Ukraine (both natural and legal persons), farms and the government. A buyer will have to pass an anonymous control to prevent concentration of large land plots in one pair of hands. According to the draft law, one owner may own from 900 to 2,100 hectares of land.

A reminder that President Viktor Yasnukevych signed the law On State Land Cadastre on 2 August 2011. Earlier, Parliamentary Speaker **Lytvyn** said that the law creates pre-conditions to launch operation of the land market in Ukraine.

As you know, the moratorium on selling arable land in Ukraine becomes void on 1 January 2012. According to the president, the land market shall be launched before that time.

Currency devaluation expectations grow higher in Ukraine**First time in the last two years Ukrainian banks face retail deposits drain problem.**

The LB.UA Ukrainian news website reports that according to the data of the National Bank of Ukraine, the natural persons deposits portfolio was reduced by 376m dollars to 37.65bn dollars in September 2011 for the first time in two years.

A reminder that last time the deposits drain was observed in September 2009 when the Ukrainian banking system lost 201m dollars. The biggest reduction in the deposits portfolio took place in March 2009 (-614m dollars), where the bank deposits portfolio reached its bottom with 24bn dollars. However, later bank clients- natural persons - only replenished their deposits.

Economists explain the reduction in deposit portfolio with lower trust in Ukraine's national currency. Bankers now have difficulties to forecast how long the deposits drain will last.

"Deposits in Ukraine's national currency, hryvnias, reduce because of people's devaluation expectations. People keep part of that money, most likely they buy foreign currency. And they return another part of the money to banks as deposits in foreign currency", deputy board chairman of the Ukrainian branch of Sberbank of Russia, **Dmytro Zolotko**, said. "This situation occurred because people do not trust in the national currency and the bank, and it is hard to tell when the situation may change", Zolotko added.

Law enforcers: existing legislation does not solve problem of corruption in Ukraine**Law enforcers criticize corruption-fighting laws in Ukraine.**

The Ukrainian Prosecutor-General's Office (PGO), the Security Service of Ukraine (SSU) and the Ukrainian Ministry of Internal Affairs (MIA) have reported to the parliamentary committee on fighting corruption and organized crime on results of implementing the new law On Principles of Preventing and Fighting Corruption.

According to media reports, law enforcers in their report pointed out several drawbacks in valid anti-corruption law.

One of the most serious disadvantages of the law is that it provides no possibility for bringing to responsibility those officials who declared wrong information on their property, income and expenses – existing legislation does not include any provision to charge on this violation.

Moreover, the new law does not oblige civil servants to declare income of close relatives (family members) although the declaration template includes requirements for this information.

“This creates conditions for hiding illegally received property and income and ambiguous interpretation of requirements of the law in the administrative process”, - an SSU representative said.

Another major problem for law enforcers is that the legislation contains no provisions for termination of employment contract with a corrupt official. The existing Labour Code provides no basis or mechanisms for termination of employment contracts with employees like that.

The general conclusion that law enforcers made in their report was that corruption spread could not be limited unless administrative and regulatory reforms take place in Ukraine, - media reports say.

A reminder that the law of Ukraine On Principles of Preventing and Fighting Corruption - the key legislation that regulates corruption-fighting efforts - became effective in Ukraine on 1 July 2011.

A reminder that the Gorshenin Institute conducted the public opinion poll “Corruption in Ukraine” from 28 to 30 June 2011.

The results of the opinion poll show that a clear majority of Ukrainians (72.1%), believe the new anti-corruption law won't help to overcome corruption in Ukraine.

The key arguments that respondents mentioned in support of this opinion are: in Ukraine laws are not complied with -53.5% and officials will sabotage fulfillment of the new anti-corruption law- 32.5%.

**Ukrainian
entrepreneurs move
their business to
shadow**

Enactment of the new Tax Code caused small and medium business resorting to shadow economy.

“Over 30% of small business in Ukraine went to shadow over inability to adapt to the new Tax Code and ensure compliance with its requirements. It is very difficult for small business to adjust itself to this difficult tax legislation as even big business consider the Tax Code to be very complicated”, - the head of the Council of Entrepreneurs under the Cabinet of Ministers of Ukraine, **Leonid Kozachenko**, has said.

The head of the Ukrainian Union of Industrialists and Entrepreneurs, **Anatoliy Kinakh**, said that in the second quarter of 2011 the number of entrepreneurs - natural persons reduces over 2.5 times against the same period in 2010 - from 83,000 to 31,000.

The deputy head of the State Tax Service of Ukraine, **Oleksandr Klymenko**, said that specialists of the tax service started using new mechanisms to find people involved in shadow economy sector - monitoring of adds advertising services of governesses, private tutors, maintenance workers, private hairdressers and even people with extrasensory perception.

Amnesty International urges Ukraine to look at violation of rights of police detainees

International human rights protection organization Amnesty International blame Ukrainian police for human rights breach.

The LB.UA Ukrainian news website reports that the Amnesty International report "Ukraine: 'No evidence of a crime': Paying the price for police impunity in Ukraine", published on 12 October 2011, says that tortures, extortion and unlawful or arbitrary detention are quite spread among policemen in Ukraine.

"Policemen actually are not hold liable for these crimes because of corruption, non-existent or flawed investigations into criminal acts committed by the police, harassment and intimidation of complainants and the fact that criminal cases on crimes like this are initiated quite rarely", - the report reads.

With the reference to the data obtained from the secretariat of the Ukrainian parliamentary ombudsman, the human rights activists say that in 2010 a total of 5,000 complaints of torture and harassment were received.

Amnesty International called on the Ukrainian authorities to set up an independent body to investigate crimes like these.

The Ukrainian Interior Ministry's spokeswoman, **Viktoriya Kushnir**, said that the authorities will review the report published by human rights protection organization but refused to give any more comments.

Ukrainian police raid offices of opposition MP, Afghan war veterans organization

Law enforcers searched the office and home of the MP on the Yuliya Tymoshenko Bloc, Yevhen Suslov, on 12 October 2011.

The head of the public relations department of the Ukrainian interior Ministry, **Kushnir**, has said that the searches were performed in the framework of the criminal case launched upon falsification and use of false documents.

Suslov for his part described the law enforcers' actions as a revenge for his political position.

Later, on 13 October 2011, tax police supported by armed members of police special squads, searched the office of the Afghan war veterans organization "No-One but Us". Another search was performed in the apartment of the leader of the Afghan war veterans organization, **Oleksandr Kovalyov**.

In the Kiev city tax administration they said that the tax police held searches in the framework of the investigation into the criminal case launched upon a large scale tax evasion.

However, later the Prosecutor Office in Kiev said that the search in the office of the Afghan war veterans organization was done by error – tax policemen came at a wrong address.

Afghan war veterans say the police searches are linked to their political activity, in particular to the recent protests against the Ukrainian parliament's voting to cancel privileges to Afghan veterans on 20 September 2011.

Ukrainian Foreign Minister apologizes to French ambassador

Ukrainian Minister of Foreign Affairs Kostyantyn Hryshchenko formally apologized to French ambassador in Ukraine Jacques Faure.

The LB.UA Ukrainian news website reports that Minister Hryshchenko apologized to Jacques Faure over the dissemination of information by the

ministry regarding Faure's withdrawal from Ukraine. Hryshchenko added that he does not understand himself how this situation could occur. The dialogue between the two officials took place on the sidelines at the Yalta international conference.

A reminder that in August 2011 some Ukrainian media published reports on France's intention to withdraw its ambassador from Ukraine over his sharp statements regarding the criminal case against the former Ukrainian prime minister **Tymoshenko**.

Faure himself denied these statements saying that the source of incorrect information was the Ukrainian Ministry of Foreign Affairs.

**UKRAINE'S ENERGY SECTOR HAS NO PERSPECTIVE WITHOUT
COOPERATION WITH GAZPROM- EXPERTS**

The Gorshenin Institute has held a round table discussion THE EUROPEAN GAS MARKET: IS REVOLUTION COMING? where experts discussed prospects for development of the gas market.

The opposition energy minister, MP on the Yuliya Tymoshenko Bloc, OLEKSANDR HUDYMA, has said that the verdict in the Yuliya Tymoshenko gas case will not become a reason to revise the contracts with Gazprom and will not become an argument in talks with Russia's leadership. "Some politicians believe they can use this argument in the dialogue with Gazprom. But I think no-one will put this argument on the desk for talks with Russians, especially after Putin's unambiguous statement on this matter", Hudyma said. He also spoke about Gazprom's successive work in some EU countries (South-East of Europe and Poland) and about promotion of the South Stream project. Speaking about a possibility for using the provisions of the Energy Charter Treaty to provide Ukraine with an equal access and operation of the Russian pipeline to deliver gas from Central Asia, Hudyma said that within the next five years Russia will not hurry up to sign the agreement to this effect. "Oil and gas brings main income to the Russian budget, so they react very sensitively to any fluctuations of prices", he said. "Yesterday morning (before Tymoshenko's verdict was announced – editor's note) my answer would be different. But now Ukraine has no arguments in gas talks", Hudyma said.

The former Ukrainian prime minister and MP on the Party of Regions, ANATOLIY KINAKH, has said the European Union shall be involved in the negotiations with Russia regarding gas supplies. "The third party – the European Union – shall be involved in the negotiations. Unfortunately, the EU does not have an agreed strategy regarding the issue", Kinakh said.

Kinakh also said that the EU should seek to develop a strategy for setting up an open, transparent and competitive energy market.

Making assessment of the existing Ukrainian-Russian gas contracts, Kinakh said that the contracts are not in line with the spirit of partnership between the two countries.

The head of Russian embassy in Ukraine economic sector, ALEKSEY URIN, said that the Ukrainian and Russian leadership decided to seek a compromise regarding the existing gas contracts.

"There is an agreement that a compromise will be sought quietly, and this process is ongoing now. And before this, even in relation to the gas case that was finalized yesterday in the court of first instance, we do not plant any amendments to the valid gas contracts", Urin said when asked a question at the round table discussion.

The chairman of the Our Ukraine party's executive council, SERHIY BONDARCHUK, said that after the court's verdict on Yuliya Tymoshenko's case, the Ukrainian government is obliged to hold any new negotiations with Russia regarding gas supplies transparently and strictly in compliance with the procedures. "Clear instructions shall be issued for us to understand who will become our 'hero' in some time from now," Bondarchuk said.

Bondarchuk also said that the verdict on Tymoshenko's case, that is based on a statement that she went beyond her commission at the negotiations, poses a

challenge to the government to conduct gas talks in full compliance with the procedural and legal requirements.

The former Ukrainian minister of fuel and energy, IVAN PLACHKOV, said that Ukraine can achieve changes in the model of relations with Russia if it follows an agreed policy with the European Union. "If to jointly conduct a Ukrainian policy agreed with the EU, the model of relations can be changed and shall be changed", Plachkov said. Speaking about Russia's monopoly on the Central Asian gas market, where Gazprom buys all extracted gas and then re-sells it to Europe, Plachkov suggested that Ukraine may act the same way with Russian gas. "Why not Ukraine to buy gas at the border with Russia and then transport it and sell it to Europe?" he said. Also, Plachkov is optimistic regarding the prospects of the Energy Charter that includes provisions for giving free access to deposits and transport of energy resources. "Soon, in five years, the energy market will work based on the principles provided by the Energy Charter", Plachkov said.

The deputy director of the Institute of Gas of the Ukrainian National Academy of Science, OLEKSANDR PYATNYCHKO, said that the Ukrainian energy sector has no perspective without cooperation with Russia's Gazprom. Pyatnychko said that modernization of the Ukrainian gas transport system remains the main area for Ukraine's cooperation with Gazprom. "Based on the fact that proved and perspective gas deposits in Russia and Turkmenistan are quite large, there are all necessary-prerequisites in place for modernization of our gas transport system", Pyatnychko said.

He also said that Ukraine should not think that gas from Turkmenistan will be exported using gas lines alternative to Russian ones. "All the projects announced as of today, including transportation of Turkmen gas on the Caspian Sea bottom, are very unlikely to be implemented. The prospects of the project for construction of a terminal to receive liquefied natural gas on Ukraine's Black Sea coast seem same doubtful as well. This project has a number of deficiencies. First, this is Turkey's consent to give access to heavy-tonnage vessels with liquid gas through the Strait of Bosphorus. Supplies of gas from Azerbaijan through Georgia and then on the Black Sea are also not confirmed yet", Pyatnychko said. Having this situation on the background, it would not be possible to keep Ukraine's gas transport system busy without setting up a consortium, with Gazprom, Pyatnychko added. "Of course, this can be a three-party consortium with the involvement of the European Union, but this way or another, Ukraine will have to reach an agreement with Russia first", he said.

Speaking about possible reduction of Gazprom's share at the European energy market, Pyatnychko said that as of today, Russia does not have any real competitors on this market. "Yes, gas to Europe is supplied from Norway, liquefied gas is delivered from Qatar, but still Gazprom controls more than half of the European gas market. All these factors enable Gazprom to take aggressive policy actions in future as well", he said. Pyatnychko also said that the price of gas will continue to grow along with growing gas consumption rates in Europe. "Despite of all attempt to raise the share of alternative energy sources in the balance of consumption of energy resources, gas still remains one of the most efficient sources of energy", the representative of the Ukrainian National Academy of Science said.

On 8-10 October 2011, Gorshenin Institute conducted a telephone survey about safety in Ukraine. As many as 1,000 randomly sampled adults, aged 18 years and older, living in all Ukrainian regions, as well as the cities of Kiev and Sevastopol were interviewed. Region, sex and the age of respondents were selected as quotas. The maximum margin of sampling error is +/-3.2 percentage points.

1. In your opinion, is the level of crime high or low in Ukraine?

- a) Definitely high – 43.6%
- b) Rather high – 34.8%
- c) Rather low – 11.8%
- d) Definitely low – 7.5%
- e) No answer – 2.3%

2. Do you think that the general level of crime has changed over the past year in Ukraine?

- a) Fallen – 4.9%
- b) Did not change – 41.7%
- c) Risen – 49.2%
- d) No answer – 4.2%

3. Are there any districts/establishments in your town which you try to avoid and advise your relatives against visiting them not to become a victim of violence?

- a) Yes – 75.2%
- b) No – 13.2%
- c) No answer – 11.6%

4. What kinds of a crime are you mostly afraid of?

(you can choose several options)

- a) Physical violence (beating, robbery) – 60.1%
- b) Hooliganism – 45.8%
- c) Theft – 45.3%
- d) Fraud – 39.7%
- e) Bribery and corruption in state agencies – 22.7%
- f) Bribery and corruption in law-enforcement agencies – 19.8%
- g) Extortion and racketeering – 13.6%
- i) Other – 2.8%
- j) No answer – 6.6%

5. If you became a victim of a crime, where did you first seek help?

(you can choose several options)

- a) Police – 31.9%
- b) Relatives and friends – 25.7%
- c) Courts – 8.2%
- d) Representatives of criminal circles – 6.2%
- e) Prosecutor's office and other state agencies – 5.6%
- f) Nowhere – 22.8%

g) No answer – 3.6%

6. Do you have means of self-defense such as cold steel, firearms or a pepper spray?

- a) No, but would like to have it – 45.6%
- b) No, I do not need it – 34.7%
- c) Yes – 19.7%

7. Have you ever been a victim of criminal actions?

- a) Yes – 34.7%
- b) No – 56.2%
- c) No answer – 9.1%

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