



# Gorshenin *Weekly*

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**Tymoshenko trial  
continues**

**On 22 August 2011, the Kiev Pecherskyy district court continued the trial of the former Ukrainian prime minister and the leader of the opposition Fatherland party, Yuliya Tymoshenko.**

Earlier, the date of the next hearing was postponed in order to conduct a medical examination of Tymoshenko, whose health, according to her supporters, has started to deteriorate for unknown reasons. It is worth mentioning that Tymoshenko's lawyers did not manage to receive permission for her examination by a private doctor.

For its part, after learning about Tymoshenko's deteriorating health, the European Union (EU) demanded a speedy and independent medical examination and professional treatment for the former prime minister.

We shall remind you that Tymoshenko was arrested on 5 August 2011. Such actions by the government stirred up intense criticism of the international community.

The US ambassador to Ukraine and a representative of the EU expressed their desire to visit arrested Tymoshenko. However, the court has not given permission yet.

The ruling Party of Regions commented on the request by the US ambassador to visit the former prime minister in prison. "An ambassador can request a meeting and permission only when a person on trial is a citizen of a different state or holds a double citizenship. In such a case, Yuliya Volodymyrivna should reveal to us a secret as to whether she has double citizenship. Then, under the Vienna Convention, an ambassador definitely meet with a national of the state whom the ambassador represents in order to see that the rights of the arrested are protected and what legal help is needed. But this is not the case," Party of Regions MP **Volodymyr Oliynyk** said.

It is well known that Tymoshenko is accused of exceeding her authority when she signed gas contracts with Russia in 2009. The case has to do with the fact that in 2009, the former prime minister independently and without the approval of government members approved the order for a Ukrainian delegation to sign gas contracts with Russia.

At the same time, the court refused to incorporate in the "gas case" the document which, according to Tymoshenko and her lawyers, contains the minutes of the meeting during which the gas trader RosUkrEnergo was set up and confirms that Energy and Coal Industry Minister Boyko has links to the co-founder of this company.

It is worth noting that from the 30 pieces of evidence submitted by Tymoshenko's lawyers, the court accepted only copies of the scientific legal analysis conducted by the Koretskyy's Institute of State and Law on the 2009 Ukrainian-Russian gas contracts.

At the same time, this was the seventh time that the court has turned down a request by Tymoshenko's lawyers to change her preventive measure from arrest to anything other than the isolation from the society. In particular, the court refused to release Tymoshenko on bail of 125,000 dollars.

It is worth noting that several former and current high-profile politicians have already testified in the Tymoshenko case.

For example, former Ukrainian President **Viktor Yushchenko** has already given testimony in court. He said that he had nothing to do with the gas contracts signed in 2009 and that he did not attempt to affect the negotiations in any way. In particular, he did not recall the Ukrainian delegation from the gas negotiations in Moscow in 2009. Yushchenko also noted that the text of the contracts was faxed to his administration from an unidentified Russian number. Furthermore, he said that he had nothing to do with the activity of the RosUkrenergo company, although Tymoshenko previously stated that he was lobbying the interests of this company and its co-owner **Dmytro Firtash**.

In order to establish the circumstances under which the contracts have been signed, Yushchenko urged the court to “obligatorily” summon Tymoshenko's agent at the time, Russian Prime Minister **Vladimir Putin**.

In response, a representative of the Russian presidential administration said that such statements by Yushchenko did not correspond to reality. “As president, he personally wanted to receive political dividends and proposed Russian President **Dmitriy Medvedev** to sign an agreement to solve gas problems,” the mass media quoted the Russian official as saying.

At the same time, according to the mass media, the press secretary of the Russian prime minister, **Dmitriy Peskov**, did not rule out the possibility that Putin might participate in the trial of former Prime Minister Tymoshenko.

Former Tymoshenko's lawyer, MP of the Fatherland party **Serhiy Vlasenko** said in an interview with the Ukrainian news and analysis website Lb.ua that Yushchenko's statement about his non-involvement in the gas negotiations in 2009 was a lie.

It is worth noting that although Tymoshenko could pose questions to the former president, she refused to do so.

Ukrainian Prime Minister **Mykola Azarov** believes that by signing the gas contracts with Russia, his predecessor Tymoshenko was primarily seeking a victory at the presidential election in 2010. “These contracts harmed not only the state economy but the entire country. The main objective of signing these contracts is Tymoshenko's victory during the presidential election,” he said in court. Azarov added that the Ukrainian government considered the possibility of annulling the contracts with Russia in court.

Ukrainian Energy and Coal Industry Minister **Yuriy Boyko** also appeared in court to testify in the Tymoshenko case. He believes that the gas contracts with Russia are not beneficial and that they were signed because the gas corporation Yedyni Enerhetychni Systemy Ukrayiny (YESU) owed the Russian Defense Ministry 400m dollars.

It is worth recalling that an ad hoc investigation commission of the Supreme Council (Parliament) of Ukraine previously established that the companies linked to Tymoshenko owed the Russian Defense Ministry 405.3m dollars when the contracts

were signed. In June 2011, Russia demanded that Ukraine pay this debt.

In his turn, Ukrainian Foreign Minister **Kostyantyn Hryshchenko** stated that the former prime minister had violated the law when she signed the contracts by independently issuing the directives. He said this on 8 August 2011 appearing in court as a witness.

According to former Justice Minister **Mykola Onyshchuk**, the approval of the directives for the gas contracts by the Cabinet of Ministers of Ukraine was not necessary. He also said that the gas contracts were not international agreements since they were signed by two economic entities, the companies Naftohaz Ukrayiny and Gazprom. According to him, the government can approve directives for economic entities.

It is noteworthy that the Ukrainian Foreign Ministry acknowledged that the trial of the former prime minister complicated the negotiations process between Ukraine and the EU. At the same time, the Foreign Ministry stressed that it spared no effort to ensure that the trial does not prevent Ukraine from signing an association agreement with the EU.

At the same time, the Foreign Ministry believes that the attempts by supporters of former Prime Minister Tymoshenko to blackmail Ukraine with the possibility of signing an association agreement with the EU are unacceptable.

“We constantly see attempts to blackmail Ukraine and not the whole of Ukraine but rather the current government. If the trial is not completed, then an association agreement will not be signed. We believe that such behavior is unacceptable. In this case, we do not defend the court per se but rather the right to carry out justice and also, most importantly, do much work and realize those big hopes related to signing an association agreement with the EU,” the head of the Foreign Ministry's information policy department, **Oleh Voloshyn**, said. The Foreign Ministry also believes that by calling on the US and EU embassies to ban the entry of the judges in Tymoshenko's case, the Fatherland party is putting pressure on the judiciary.

It is worth noting that Ukrainian President **Viktor Yanukovych** stated that he would not interfere in the activity of the Ukrainian courts. “The Ukrainian judiciary system is independent and impartial in its activity. It is guided exclusively by the constitution and Ukrainian laws. I cannot and will not interfere in the work of Ukrainian courts. If I do it, there will be more significant problems. I think that political or any other interference in the court activity is unacceptable,” Yanukovych's letter to Czech President **Vaclav Klaus** said.

The Ukrainian mass media quoted a source in the Supreme Justice Council as saying that Tymoshenko will be indicted by 6 September and sentenced to jail. According to the source, she might receive up to five years in jail. There was no information whether receiving a suspended sentence or parole were among the possible options.

President of Gorshenin Group, **Vadym Omelchenko** believes, that the former prime minister became a hostage in another cycle of the global gas conflict where Russia, European Union and Ukraine are involved. “Both EU and Ukraine are not pleased

with the Russian monopoly on the gas market. Many countries try not only to diversify gas supplies, but revise contracts with Gazprom using legal processes. Because of this circumstance, the reaction from the leadership of European countries at court's ruling may be formal and quite reserved. And this is not only because of the intention to make progress in establishing the free trade zone. Apart for macropolitics there is also macroeconomics which defines the policy whether we like this or not. Another case is the very fact of taking hostages shows that the conflict enters its extreme phase”.

## Russia expects Ukrainian proposals regarding gas issue

**On 19 August 2011, Prime Minister Azarov said that Ukraine was drawing up proposals on cooperation in the gas sector for Russia.**

“They [Russia] have roughly formulated what they want. Currently, we are looking at it and thinking about what we can offer to the Russian party for conducting the negotiations,” he said.

A reminder that Russian President **Dmitriy Medvedev**, Gazprom's CEO **Aleksey Miller** and Ukrainian energy and Coal Industry Minister **Yuriy Boyko** held a meeting in Moscow on 15 August 2011.

After the meeting, Miller said that Russia had proposed to Ukraine to develop cooperation in the gas area following the same model as with Belarus. However, Prime Minister **Azarov** ruled out such an option for cooperation.

It is well known that Gazprom owns 50 percent of shares in the Belarusian gas transport company Beltransgaz. Currently, the parties are also discussing the possibility of Gazprom purchasing the other 50 percent of the company stock.

We shall recall that earlier, on 11 August 2011, Ukrainian President **Yanukovych** met with his Russian counterpart Medvedev in Sochi. These were informal talks behind the closed doors. No specific agreements were reached as the outcome of the meeting. At the same time, the mass media quoted a source from the administration of the Russian president as saying that during the talks, “the Russian party stressed the need to adhere to the current agreements in the sphere of gas cooperation and to avoid politicizing this issue.”

At the same time, both Russian and Ukrainian experts and the mass media believe that the Ukrainian leaders considers former Prime Minister **Tymoshenko's** trial as a means of exerting pressure on their Russian partners. She is accused of exceeding her authority when Naftohaz Ukrayiny and Gazprom signed agreements on the delivery and transit of gas in 2009. Kiev wants to revise this exact contract, under which Ukraine pays more for gas than customers from the EU. At the same time, Ukraine does not rule out that it may take Russia to court in order to annul these contracts.

At the same time, the mass media and pundits point out that Kiev has been consistently shying away from integration projects with Moscow. Hence, Ukraine is not ready to participate in the merge between Gazprom and Naftohaz Ukrayiny, which was proposed by Russia. The same applies to joining the Customs Union of Russia, Belarus and Kazakhstan. Furthermore, Ukraine has started talks with the EU on setting up a free trade area.

According to the mass media and experts, all this demonstrates that the period of stability in the Ukrainian-Russian relations, which started when President Yanukovych came to power in Ukraine, has already ended, while the governments of the two countries are already bracing for a gas war.

We shall recall that according to the Ukrainian Energy and Coal Industry Ministry, the price of gas imported to Naftohaz Ukrayiny is 354 dollars per 1,000 cu.m. in the third quarter of 2011.

## **Ukraine raises price for transit of Russian gas**

**The price of transiting Russian gas through Ukrainian territory went up to 2.89 dollars per 1,000 cu.m. per 100 km in the third quarter of 2011.**

For its part, Naftohaz Ukrayiny forecast that an average price of transiting Russian gas will be 2.72 dollars per 1,000 cu.m. per 100 km in 2011.

We shall recall that in 2009, the price of transiting Russian gas through Ukrainian territory was 1.7 dollars per 1,000 cu.m. per 100 km. Starting from 1 January 2010, the market transit price was adopted. It is calculated using a commonly accepted European formula.

## **Russia demands Ukraine's fully-fledged membership of Customs Union**

**Russia believes that Ukraine's cooperation with the Customs Union following the "three plus one" formula is unacceptable.**

The mass media quoted a source from the administration of the Russian president as saying that during the talks between Ukrainian and Russian presidents on 11 August, **Medvedev** "gave explanations" regarding possible forms of cooperation between Ukraine and the Customs Union. "Such cooperation can be established after Ukraine becomes a full member of the Customs Union. The 'three plus one' formula is unacceptable for these goals," the mass media quoted the Kremlin source as saying.

## **Russian economists urge Vladimir Putin to stop trade war with Ukraine**

**Several Russian economists and representatives of academia have called on Russian Prime Minister Vladimir Putin to stop a trade war with Ukraine.**

"Representatives of the business community and the community of experts express concern about a potential deterioration of trade and economic relations between the two states... Neither country will benefit from the deterioration of relations," the statement said.

We shall recall that the Russian prime minister has stated on multiple occasions that if Ukraine sets up a free trade area with the EU, the Customs Union of Russia, Belarus and Kazakhstan will impose trade restrictions on Ukrainian products. It is noteworthy that restrictions have been already imposed on Ukrainian steel products. Additionally, several Ukrainian dairy manufacturers are banned from exporting their products to Russia.

## **Ukraine hopes to export 24m t of grain**

**Ukrainian Prime Minister Mykola Azarov has said that Ukraine can export as much as 24m t of grain in the 2011-12 marketing year.**

At the same time, he stressed that Ukraine can sell abroad nearly 25 per cent of world export grain supply as a result of cooperation with Russia and Kazakhstan.

We shall recall that Ukraine proposed to the UN to host a world reserve of food grain on its territory.

It is worth mentioning that the largest Ukrainian manufacturer of sunflower oil,



**Yulia Tymoshenko  
waits for a new  
revolution in Ukraine**

Kernel Holding, has forecast that the yield of crops would go up to 48m-50m t, which represents an increase of 23-28 per cent.

**Another revolution in Ukraine is "just a matter of time," because the values of the Orange Revolution are relevant today, Tymoshenko has said.**

"History has shown us that authoritarian regimes do not endure and I believe that the values of the Orange Revolution are as relevant today as they were in December

The Ukrainian news and analysis website Lb.ua reported that the Ukrainian police had been training hard to act during mass campaigns and, in particular, to stop street protests. The special purpose unit Berkut (Falcon) trains for this every single week. The Interior Ministry explained that the training is part of preparations for the Euro 2012 football championship, which will last for only a month. However, unofficial sources suggested that similar training for quelling mass unrest are also held in other Ukrainian regions. Law-enforcers and representatives of the opposition said that this is how uniformed agencies were training for countering protests against the current government.

Just to remind earlier in august the oppositional parties and non-governmental organizations have united into a committee for resistance to dictatorship in Ukraine,

"Repressions against statesmen, arrests of leaders of opposition parties have become the means of doing away with political opponents of the ruling regime, an attempt to establish dictatorship in Ukraine," deputy Head of the of Yulia Tymoshenko Block faction Serhiy Sobolev has said Sobolev. quoted a letter signed by Ukrainian opposition parties' leaders on Monday.

According to the MP, the statement was signed by leaders of the European Party of Ukraine, Defendants of the Fatherland party, People's Self-Defense, Batkivschyna, Reforms and Order party, Civil Position, Our Ukraine, Popular Ruh of Ukraine, and the Front for Changes party.

## Reference

The Orange Revolution was a series of protests and political events that took place in Ukraine from late November 2004 to January 2005, in the immediate aftermath of the run-off vote of the 2004 Ukrainian presidential election which was claimed to be marred by massive corruption, voter intimidation and direct electoral fraud. Kiev, the Ukrainian capital, was the focal point of the movement's campaign of civil resistance, with thousands of protesters demonstrating daily. Nationwide, the democratic revolution was highlighted by a series of acts of civil disobedience, sit-ins, and general strikes organized by the opposition movement.

It is noteworthy that according to a survey by the Gorshenin Institute conducted in March, 2011, half of Ukrainians (48.5 per cent) are not ready to participate in any protest. At the same time, nearly the same number of respondents (45.3 per cent) expressed their readiness to take part in a rally. Over a third of Ukrainians (36.0 percent) said that they would join a protest against increasing prices of goods and services. A quarter of respondents (25.8 percent) would do it if their wages (pension, stipend) were not paid on time, while one in every five respondents would protest against either unemployment or the threat of it. As many as 17.1 per cent of the survey's participants would protest against a high level of corruption, 14.8 per cent would demonstrate against violations of civil rights and liberties, and

7.7 per cent would stage a rally against the political situation in the state. At the same time, over a quarter of Ukrainians (26.1 percent) said that they would not participate in a protest regardless of its reason.

**Ukrainian head of state among three most expensive presidents**

**The Ukrainian magazine Korrespondent has published a rating of the most expensive presidents.**

Hence, in the category “the price of the head of state for his country's economy,” Ukrainian President Viktor Yanukovich left behind the leaders of the most developed European countries such as France and Germany. Only the presidents of the two superpowers – Russian and the USA – ranked higher than Yanukovich. Hence, only President **Obama** and Medvedev cost more than Yanukovich.

A day of work by the Ukrainian president costs the same amount as the average salary of 675 Ukrainians. This number is 1,275 for the US president and 977 for his Russian counterpart.

French President **Nicolas Sarkozy** is four times cheaper for the economy of his country than the Ukrainian president. German Chancellor **Angela Merkel** costs the economy of her state the average salaries of 51 citizens.

**Third of most influential Ukrainians belong to ruling party**

**Ukrainian President Viktor Yanukovich has topped the rating of the TOP-100 most influential Ukrainians compiled by the Korrespondent magazine.**

“From the very first days in power, Yanukovich has started to set up a strict presidential hierarchy, succeeded in his pursuit and left Korrespondent with no choice. All the key posts are concentrated in the hands of his political force, the Party of Regions. Even a hint at any disagreement among the branches of power is impossible, while the president controls all the power,” Korrespondent's editor-in-chief **Vitaliy Sych** reported.

He also stressed that there have never been so many politicians representing the same political force – and, namely, the Party of Region – since the creation of the rating. At the same time, the extent of a person's influence depends on how close he or she is to President Yanukovich.

The second position in the TOP-100 rating was given to Party of Regions MP **Yuriy Ivanyushchenko**. This is the first time he has been included in the list of the most influential Ukrainians. We shall recall that experts and the mass media speculated that Ivanyushchenko belonged to the closest entourage of President Yanukovich. He is also linked to the infamous company KhlibInvestBud, which was granted large quotas for grain exports in 2010-11.

The head of the presidential administration, Yanukovich's ally and political partner, **Serhiy Lyovochkin**, occupies the third position in the rating.

Ukrainian tycoon and CEO of the System Capital Management company, **Rinat Akhmetov**, and Prime Minister **Mykola Azarov** are among the top five most influential people in Ukraine.



**Presidential  
administration uses  
Interpol to fighting  
opposition**

**The civil organization Common Business has accused the government of prosecuting the opposition with the help of Interpol.**

According to the coordinator of the movement, **Oleksandr Danylyuk**, a representative of the Ukrainian Foreign Ministry said that starting from May 2011, the presidential administration started to put the names of opposition public activists on the list of wanted persons and also on the list of people suspected of committing crimes and who are pursued by the Interior Ministry and the Security Service of Ukraine (SBU). The matter has to do with the lists that are sent to the Interpol headquarters located in the French city of Lyon.

The movement coordinator said that he learned about this after several members of the organization had been denied visas by EU countries despite the submission of all the necessary documents.

Additionally, Danylyuk said that the public movement was drawing up an official appeal to the European Commission representative in Ukraine demanding an investigation into these cases and an official explanation about the reasons for the emergence of this situation.

**Ukraine agrees with  
International  
Monetary Fund  
expenditure side of  
2012 state budget**

**Ukraine was agreeing its draft budget figures with the International Monetary Fund (IMF) said First Deputy Head of residential Administration Iryna Akimova.**

"We must necessarily resolve all of the issues, not only with the forecast for macroeconomic figures, but also with the forecast for expenditures and revenues," Akimova said. According to her the issue of the revenue side of the state budget for next year had already been agreed with the IMF.

"We are actively working to agree our proposals related to the expenditure side of the draft state budget," Akimova said.

She also expressed hope that the draft state budget for 2012 would be submitted to Ukraine's parliament on time.

"It's a very positive signal that this budget process has begun now, rather than at the end of 2011. This means that the government is seriously committed to preparing this most important document. I hope that this document will be tabled in parliament by September 15, as planned earlier," she said.

**Ukrainian president  
signed law on land  
cadastre**

**On 2 August 2011, President Viktor Yanukovich signed the law "On the state land cadastre."**

We shall recall that on 7 July 2011 the Supreme Council of Ukraine adopted the second reading of the draft law "On the state land cadastre," which envisions an update of the fundamental principles of managing the state land cadastre, which are laid out in the current Land Code of Ukraine. In particular, the law addresses the cancellation of state certificates on the property rights to land plots, which will be effective in 2013.

It is anticipated that the document will enable the efficient use and protection of land, management of land resources and integration of the land value into natural resources.

**Ukraine's extraction of oil and gas declines**

**In January-July 2011, Ukraine reduced the extraction of oil and natural gas.**

In particular, the annual extraction of oil dropped by 4.5 per cent to 1.425m t. At the same time, the extraction of natural gas in the country fell by 1.4 per cent to 11.1bn cu.m.

Back in 2010, Ukraine's gas extraction was reduced by 11.5 per cent to 2.566m t, while the extraction of natural gas dropped by 5.5 per cent to 19.1bn cu.m.

It is noteworthy that according to Ukrainian Prime Minister **Azarov**, by 2021, the extraction of oil in Ukraine will increase to 7m-8m t a year. "In approximately 10 years, we will be extracting our own oil. I think the volume will be at 7m-8m t of oil, while we need 20m t," he explained.

**Ukraine to deliver armored personnel carriers to Thailand**

**Thailand and Ukraine have struck a deal on the delivery of armored personnel carriers.**

The Ukrainian company Ukrspetseksport has signed a contract with Thailand on the manufacture of 121 BTR-E1 armored personnel carriers and supporting hardware worth 140m dollars. More specific dates for the production and delivery of the equipment as well as the company which signed the contract with Ukrspetseksport remain undisclosed.

Companies that are part of the state-run Ukroboronprom company will be in charge of the contract.

**Viktor Pinchuk selling ferroalloy assets**

**Ukrainian tycoon Viktor Pinchuk intends to sell part of his business to Russia.**

In particular, according to the information circulated by the mass media, the company Renova owned by Russian businessman **Viktor Vekselberg** has started talks on the purchase of metallurgical assets of the EastOne company, which belongs to Pinchuk, the son-in-law of former Ukrainian President Leonid Kuchma.

The mass media quoted sources close to the negotiations as saying that EastOne offered 25 per cent of the stake in several, mostly offshore, companies that own the Nikopol ferroalloy factory in Dnipropetrovsk Region, the Zaporizhzhya ferroalloy factory, the Stakhanov ferroalloy factory in Luhansk Region, as well as two iron ore processing plants in Dnipropetrovsk Region's Ordzhonikidze and Marhanets. The Rothschild company is conducting talks on behalf of the seller.

It is worth noting that the general capacity of the three ferroalloy plants is estimated at 2.1m t of ferroalloys per year. The iron ore processing plants in Dnipropetrovsk Region's Ordzhonikidze and Marhanets supply the iron concentrate for them. For the sake of comparison, the total amount of ferroalloys produced by Russian companies is 1.3m-1.4m t, a newspaper said.

The value of the potential contract remains unknown for the time being. However, experts estimate that Vekselberg might need to fork out from 600m dollars to 1.5bn for stakes in these companies.

## Ukraine to return Crimean lighthouses

**Ukrainian Defense Minister Mykhailo Yezhel has said he hopes for the return of five lighthouses of the Russian Black Sea Fleet (BSF) to the ownership of Ukraine.**

"When you come into the territorial waters of the state, where it is responsible for all activities, I think it is absurd that they (the lighthouses) belong to another state. I believe that all the lighthouses must be owned by our country," Yezhel said.

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