



Gorshenin *Weekly*

ISSUE #21(90) 06/04/2012

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INTERNATIONAL POLITICAL

UKRAINE-EU

Europe is ready to continue dialogue with Ukraine.

On 29 May 2012, Polish President **Bronislaw Komorowski** said that it was necessary to bring Ukraine closer to integration into the EU. "Let us not abandon Ukraine on its path towards the Western world because [it] will go to the East," he said.

On 28 May, EU envoy to Ukraine **Jose Manuel Pinto Teixeira** stressed that if Ukraine takes steps towards European integration, it will be able to become part of the EU.

At the same time, Pinto Teixeira said in an interview with the Kommersant Ukraina newspaper on 30 May that Kiev had not lived up to the expectations harboured by Brussels over the past four years, since the situation with respecting the EU values was deteriorating in Ukraine. The envoy added that the signing of the association agreement with the EU was being dragged out because of "certain people" in Ukraine who would not benefit from this deal.

EU President **Herman Van Rompuy** said in an interview published by the Interfax news agency on 1 June 2012 that Brussels will sign the association agreement with Ukraine when it is convinced that Kiev respects the supremacy of law. At the same time, he added that "at the moment, an imposition of restrictive measures [on Ukraine] is not on the agenda".

The Ukrainian news and analysis website Lb.ua reported on 1 June that Polish Prime Minister **Donald Tusk** urged German Chancellor **Angela Merkel** to "nervously tolerate" the situation in Ukraine and work together with Poland to integrate Ukraine into the EU.

Gorshenin Institute's delegation, which participated in the work of Wroclaw Global Forum in Poland on 31 May-1 June, said that foreign politicians, diplomats and experts were highly interested in Ukraine.

"The interest in Ukraine is unquestionable. The situation in Ukraine is discussed on all the forum sites and behind the scenes," Gorshenin Institute's President **Vadym Omelchenko** said.

According to him, representatives of the Ukrainian delegation said the right things during their presentations: "Deputy Prime Minister **Valeriy Khoroshkovskyy** talked about economic reforms and a clear course of Ukraine towards European integration."

"However, the challenges which Ukraine is facing are way more difficult than the right words. They were precisely defined by experienced politician and diplomat **Aleksander Kwasniewski**. This is the global economic crisis, pressure from Russia and a very complicated domestic situation which affects Ukraine's foreign policy. Unfortunately, we have not heard any coherent strategies, which would respond to the afore-mentioned challenges, from Ukrainian politicians," Gorshenin Institute's president concluded.

Ukraine is loosing the position of the European integration leader among Eastern Partnership countries.

According to the 2012 European integration index for Eastern Partnership countries, Ukraine's democratic and market economy indicators, especially business climate, slid towards a further deterioration. Furthermore, Ukraine is lagging behind when it comes to the implementation of EU standards on different levels.

A number of European politicians and officials may refuse to visit Ukraine during the Euro 2012 football championship.

On 1 May 2012, French Prime Minister **Jean-Marc Ayrault** said that French President **Francois Hollande** had demanded that all government members, including the sports minister, not attend Euro 2012 matches in Ukraine.

Earlier, on 31 May 2012, German ambassador to Ukraine **Hans-Jurgen Heimsoeth** said that German Chancellor **Angela Merkel** would decide whether to visit the Euro 2012 matches hosted by Ukraine during the championship.

On 30 May 2012, the British newspaper The Guardian called on British Prime Minister **David Cameron** to refuse to visit Ukraine until Ukrainian opposition leader and former Prime Minister **Yuliya Tymoshenko** is released from jail.

At the same time, EU President **Herman Van Rompuy** stated that Europe had no intention to boycott the European football championship in Ukraine.

On 1 June 2012, Ukrainian ambassador to Russia **Volodymyr Yelchenko** said that there would be no boycott of the Euro 2012 championship in Ukraine. "We see that, by and large, it [the boycott idea] has burst as a soap bubble," he said.

On 28 May 2012, Ukrainian Prime Minister **Mykola Azarov** said that the majority of Ukrainians believed that Tymoshenko had been legitimately convicted over the signing of gas contracts with Russia in 2009 and that they would not hold protests over this during Euro 2012. At the same time, Azarov said that if Tymoshenko admitted her guilt, the government then would devise a scenario to resolve the issue.

British mass media accuse Ukraine and Poland of racism before Euro 2012.

On 28 May 2012, the BBC aired a documentary entitled "Euro 2012: Stadiums of Hate", which demonstrated that Ukrainian and Polish football fans are prone to racism.

On 29 May 2012, the head of the Ukrainian Foreign Ministry's public relations department, **Oleh Voloshyn**, said that the BBC documentary exaggerated the information about alleged cases of racism in Ukraine and that it was an attempt to discredit the country. At the same time, he stressed that the problem of racism was more acute in the majority of the EU countries than in Ukraine. In his opinion, the BBC should apologize to Ukrainians for the documentary.

On 29 May 2012, British Sports Minister **Hugh Robertson** expressed the opinion that the depicted problems with racism in Ukraine did not correspond to reality and encouraged fans to visit the country during Euro 2012.

A share of negative reports about Ukraine in international mass media has exceeded 80 percent.

“From January to September 2011, 62 percent of reports about Ukraine in the major international mass media outlets had a negative character. In October 2011-March 2012, they represented 82 percent,” the vice-president of PR-League, **Denys Bohush**, said on 31 May 2012.

According to him, the main issues which international mass media covered about Ukraine were the treatment of stray animals, the case of Ukrainian opposition leader and former Prime Minister **Yuliya Tymoshenko** and cases of racism.

On 1 June 2012, the chief editor of the Ukrainian TV channel TVi, **Vitaliy Portnikov**, said that the opinion of the international community about the Euro 2012 championship hosted by Ukraine would be shaped not by fans but by international mass media.

UKRAINE-USA

A US Senator has visited Ukraine.

On 27-28 May 2012, a US Senator and the Senate Majority Whip, **Richard Durbin** (Dem), paid a visit to Ukraine.

During the visit, he held a meeting with Ukrainian President **Viktor Yanukovych** and other Ukrainian officials. The US Senator also met with representatives of the opposition and **Tymoshenko's** daughter, **Yevheniya**.

The US embassy in Ukraine reported that during each of the meetings, Durbin raised the issue of Tymoshenko's imprisonment. The Senator said that the USA viewed the former prime minister's conviction as a case of selective persecution and that Tymoshenko should be released from jail.

In its turn, the press service of the Ukrainian president said that during his meeting with Yanukovych, Durbin noted that Ukraine and the USA enjoyed “very warm relations”.

On 29 May 2012, the BBC Ukraine reported that the US Senate Committee on Foreign Relations had started to consider a draft of the resolution put forward by Senator **James Inhofe**, who called on the US government to increase pressure on the Ukrainian authorities to free Tymoshenko and to impose sanctions on a number of Ukrainian officials.

In the opinion of an MP of the Ukrainian pro-presidential Party of Regions, **Yaroslav Sukhyy**, the consideration of the draft resolution by the US Senate is a form of political pressure on official Kiev.

UKRAINE-RUSSIA

Ukrainian authorities say that the gas issue will be resolved in the nearest future. Russia is talking about a possibility of suspending gas deliveries to Europe.

On 30 May 2012, Ukrainian Prime Minister **Mykola Azarov** said during the

opening part of a cabinet meeting that the Russian leadership had agreed to revise the Ukrainian-Russian gas contracts signed in 2009.

At the same time, on 31 May 2012, Gazprom CEO **Aleksey Miller** said that his company and the Ukrainian state-owned oil and gas company Naftohaz Ukrayiny did not reach even preliminary agreement to amend the contracts.

Miller added that the main problem for cooperation in the gas sector at the moment was an inadequate speed of pumping gas into the Ukrainian storage facilities. He stressed that a technological peculiarity of the Ukrainian gas transport system (GTS) was its need of large reserves of gas for moving transit volumes in the wintertime. In his opinion, Naftohaz Ukrayiny has no working capital for purchasing such large amounts of gas. As a result, he added, "Ukraine will illegally siphon off from the export pipeline the Russian gas intended for European consumers in winter 2013".

Earlier, Naftohaz Ukrayiny informed Gazprom that it would pump into its storage facilities only the volume of gas which was required to cover Ukraine's needs. At the same time, Ukrainian Energy and Coal Industry Minister **Yuriy Boyko** proposed to European companies to use Ukrainian storage facilities for their own needs.

Gazprom's deputy director **Aleksandr Medvedev** believes that an average price of Russian gas in 2012 will reach around 405-415 dollars per 1,000 cu.m.

In the second quarter of 2012, Ukraine paid 425 dollars per 1,000 cu.m. of Russian gas. It is expected that an average gas price will be t 440 dollars.

In the opinion of the director-general of the National Energy Security Fund, **Kostyantyn Symonov**, Ukraine's delay with the pumping of Russian gas into its storage facilities may lead to a new "gas war" in winter.

At the same time, energy expert **Hennadiy Ryabtsev** is certain that the current dispute is just a media clash and an exchange of political statements.

Ukraine advocates the setting up of a trilateral gas consortium.

In an interview with CNN on 31 May 2012, Ukrainian Energy and Coal Industry Minister **Yuriy Boyko** said that the issue of revising the Russian gas price, the management of the Ukrainian gas transport system (GTS) and the guarantees of gas transit through the Ukrainian territory would be concurrently addressed.

Boyko added that concrete negotiations on a trilateral model of managing the Ukrainian GTS would be launched right after the completion of its valuation.

"We are considering a model when the GTS is managed by three parties. A third belongs to Ukraine, a third to Russia and another third to Europe," the minister explained.

Energy expert **Volodymyr Saprykin** believes that so far, Russia has not proposed anything specific regarding the revision of the gas contracts.

The Ukrainian premier visits Russia and Turkmenistan, discusses prospects for gas cooperation.

On 26 May 2012, Ukrainian Prime Minister **Mykola Azarov** participated in a congress of the ruling Russian party United Russia. During the event, he met with Russian President **Vladimir Putin** and Prime Minister **Dmitriy Medvedev**.

The press service of the Ukrainian government said that such issues as gas relations and prospects for nuclear cooperation were discussed during the meeting. The Russian leaders expressed their readiness to allocate funds to complete the construction of the third and fourth energy units of the Khmelnytsky nuclear power plant. Furthermore, the parties discussed the possibility of Russia's participation in the production of the An-70 aircraft.

On 29-30 May, Azarov visited Turkmenistan where he took part in a summit of the Commonwealth of Independent States. The Ukrainian prime minister also held a meeting with his Russian counterpart Medvedev as part of the summit. Prior to this, Azarov said that he intended to discuss with Medvedev the possibility of using the Russian gas transport system for direct deliveries of Turkmen gas to Ukraine.

The Ukrainian news and analysis website Lb.ua reported that during their conversation, the premiers agreed to hold a meeting of the intergovernmental committee for trade and economic cooperation in Ukraine's city of Donetsk on 27 June 2012.

DOMESTIC POLITICAL

AUTHORITIES

Ukrainian law enforcement agencies have detained suspected organizers of the Dnipropetrovsk blasts.

On 1 June 2012, Ukrainian Prosecutor-General **Viktor Pshonka** said that the case of the explosions in Dnipropetrovsk in April 2012 was solved. He added that four suspects had been detained.

"There is all the evidence that these four men are direct participants in this grave crime," he said. At the same time, Pshonka added that the explosions had been organized with a self-seeking goal and were qualified as "terrorism".

Furthermore, Pshonka said that an investigation into the case revealed "the degree to which perpetrators' political affiliation affected the committed crimes".

The head of the Ukrainian Security Service (SBU), **Ihor Kalinin**, explained that the suspected blast organizers contacted law enforcers online and demanded 4.5m dollars, threatening that "otherwise, explosions will continue". The perpetrators planned a second series of blasts for 30 May 2012.

On 27 April 2012, several explosions took place in Dnipropetrovsk, injuring around 30 people.

According to a sociological survey conducted by the Gorshenin Institute in

January 2011, the majority of respondents (57.3 percent) believe that there is a threat of terrorist attacks in Ukraine.

Ukraine to create new agency to fight economic crime.

The Kommersant Ukraina business daily reported on 30 May 2012 that the new agency – financial police – will be using information resources and work force of the tax police, and will be subordinated to the Ministry of Finance. It is expected that the ministry will employ the new agency to coordinate investigation of crimes that inflict financial losses on the state. At the same time, security services, police and prosecutors' offices will have their powers reduced in this area.

The new body will start work no earlier than July-December 2013.

According to **Volodymyr Kotenko**, head of the tax and legal practice in Ernst & Young Ukraine, the bill still leaves the functions of investigation in the field of economy with the security forces, and just aimed at creating another “super-monster of law enforcement”.

Prosecutor's office to control use of special forces in business inspections.

Starting from June 1, 2012, the use of special forces in business inspections will be allowed only with permission of the prosecutors of regions or their deputies.

“I will issue the order, and they'd better obey it,” Prosecutor General **Viktor Pshonka** said on 30 May 2012.

Pshonka also said that today there are 89 regulatory bodies in Ukraine, including 63 agencies that have a power to terminate operations of business entities. “In the past, and also this year the supervisory authorities have carried out almost three million inspections... suspended activities of more than 440 thousand business entities,” he said.

On 18 May 2012, President **Viktor Yanukovych** said that during his presidency the pressure on businesses decreased by 5.5 percent.

New customs regulations come into force in Ukraine.

A new Customs Code entered into force on June 1, 2012. Under the new legislation, the authority to issue regulatory orders passes from the State Customs Service to the Ministry of Finance.

In addition, the code introduces a number of changes to the customs procedures. Particularly, it reduces the time of customs clearance of goods from 24 to 4 hours, shortens the list of documents required for customs clearance, and increases the amount of duty-free imports of gifts and souvenirs.

According to experts, despite all the benefits of the document, the code will not facilitate operations of entrepreneurs substantially.

In particular, director of law firm “Spektor” **Olha Spektor** notes that the methodology and procedure for determining customs value has not changed. “In

fact, the Customs Service will still adjust the value of goods stated by a customs applicant... Therefore, the loophole that allows customs officers to inflate the cost of goods remains the same," Spektor said.

As **Oleksandr Shemyatkin** writes in an article for the Dzerkalo Tyzhnya weekly, the new Customs Code increases punitive duties. For example, a penalty for failure to provide accurate and reliable information about goods (availability, name, amount, etc.) will amount to 100 percent of the goods value in addition to the confiscation of such goods. In case of a repeated violation, the fine increases to 200 percent. Previously, the fine limit was 2.13 thousand dollars. In Shemyatkin's opinion, such fines will only facilitate corruption at the customs.

Government finalizing bill on luxury tax to submit it to parliament in nearest future.

According to the Kommersant Ukraina business daily, the draft law envisages introduction of a tax on apartments with a total area of over 200 sq. m. and value over 1000 minimum wages. It is also suggested to levy a tax on cars and motorcycles with value exceeding 700 and 200 minimum wages respectively. The rate of 10 percent (plus VAT on imports) will be applied to purchase of expensive items valued at more than 50 minimum wages (6.8 thousand dollars).

Additional revenues to the budget from introduction of these initiatives should reach 62.5m dollars a year.

According to **Vasyl Yurchyshyn**, director for economics programmes of the Razumkov Center, the lawmakers will pass this law in order not to lose face before voters but there is no guarantee that after the parliamentary elections the luxury tax law will come into force.

Ukrainian MPs have regained the right to denounce international treaties.

On 30 May 2012, the Ukrainian Constitutional Court ruled that the law which was adopted on 11 January 2012 and which stripped MPs of the right to introduce draft laws on denouncing international agreements is unconstitutional.

A judge of the Constitutional Court, **Andriy Stryzhak**, explained that the amendments to parliamentary procedures (which restricted legislative powers of MPs) had been motivated by a desire to prevent lawmakers from introducing a draft law which would rescind the Kharkiv agreements, which sanctioned the deployment of the Russian Black Sea Fleet in Ukraine's Crimea.

The Ukrainian pro-presidential Party of Regions said that the court's decision was not up for discussion since "it must be implemented".

Already on 1 June 2012, the opposition registered in parliament a draft law aimed at denouncing the Kharkiv agreements.

At the same time, in the opinion of an MP of the Our Ukraine-People's Self-Defence opposition parliamentary faction, former Foreign Minister **Borys Tarasyuk**, the issue of abrogating the agreements should be raised after the opposition wins the upcoming parliamentary election and gains a majority of seats in parliament.

We shall remind you that on 16 May 2012, Ukrainian Prime Minister **Mykola Azarov** admitted in parliament that the Kharkiv agreements had not actually given Ukraine a gas discount and only provided “a rent for the deployment of the Black Sea Fleet”.

The issue of holding a Kiev mayoral election and an election of Kiev city councillors to be resolved in the nearest future.

On 29 May 2012, the Ukrainian deputy parliamentary speaker and an MP of the opposition Yuliya Tymoshenko Bloc parliamentary faction, **Mykola Tomenko**, said that opposition lawmakers had registered a decree on the holding a Kiev mayor and Kiev city councillors' elections.

The term of office of the current Kiev mayor, **Leonid Chernovetsky**, expires on 4 June 2012.

The leader of the Udar party, **Vitaliy Klitschko**, whom many experts and politicians consider the main candidate for the Kiev mayor post, said that all signatures of the incumbent mayor will be void starting from 3 June 2012.

On 29 May 2012, the Supreme Administrative Court of Ukraine dismissed a motion of the Common Cause public movement's coordinator, **Oleksandr Danylyuk**, to oblige parliament to set a date for elections in Kiev for 3 June 2012.

The editor-in-chief of the Ukrainian news and analysis website Lb.ua, **Sonya Koshkina**, quoted a pro-government candidate and the head of the Kiev city administration, **Oleksandr Popov**, as saying that the date of the Kiev elections would be announced within the next few weeks.

OPPOSITION

Former Ukrainian Premier Yuliya Tymoshenko to face fresh charges.

In an interview with the Ukrainian magazine Fokus, which was published on 1 June 2012, Ukrainian Prosecutor-General **Viktor Pshonka** said that Tymoshenko might face charges in four additional criminal cases.

Pshonka added that an investigation already demonstrated that over 2m dollars had been transferred from the accounts of the companies controlled by Tymoshenko and former Ukrainian Prime Minister **Pavlo Lazarenko** to the accounts of those who killed businessman and politician **Yevhen Shcherban** in 1996. “If we collect the evidence proving that Tymoshenko was involved in the contract killings, she will be prosecuted,” he clarified.

Earlier, Pshonka said that Tymoshenko was a witness in this criminal case.

Additionally, Tymoshenko is involved in the case over the 405.5m-dollar debt which the United Energy Systems of Ukraine (UESU) company owns to the Russian Defence Ministry. The investigation into the cases over the alleged misuse of the Kyoto Protocol funds and a purchase of ambulances is also completed. Pshonka claims that they contain “collected evidence and obvious criminal charges”.

On 30 May 2012, the Kommersant Ukraina newspaper quoted its own source as saying that Tymoshenko will be accused of killing Shcherban "as soon as she recovers". "We are expecting that it will take place in late June or early July," the source told the paper.

In the opinion of Tymoshenko's lawyer **Serhiy Vlasenko**, a launch of the new criminal cases against Tymoshenko can be explained by the desire of Ukrainian President **Viktor Yanukovich** to sentence the former prime minister for life.

Commenting on the statements of Tymoshenko's defence, an MP of the Ukrainian pro-presidential Party of Regions, **Oleh Nadosha**, said that the opposition learned to invent media sensations and skillfully exploit them.

Yuliya Tymoshenko not to be able to run in parliamentary election.

A member of the Ukrainian Central Electoral Commission, **Mykhaylo Okhendovskyy**, told members of the European Parliament in Brussels on 30 May 2012 that convicted individuals, including **Yuliya Tymoshenko**, are not allowed to take part in an election as this contradicts the constitution.

Fatherland party suggests that EU, USA slap sanctions on some Ukrainian officials.

"We have drafted and submitted two lists to those who have asked us, both in the United States and in the European Union," the first deputy chairman of the Fatherland Party, **Hryhoriy Nemyrya**, said on 30 May 2012. He added that the short list contained 13 names while the long list had 54 names on it.

The Kommersant Ukraina business daily reported that the first list includes President **Viktor Yanukovich**, his elder son **Oleksandr Yanukovich**, president's advisor **Andriy Portnov**, Head of Presidential Administration **Serhiy Lyovochkin**, Prime Minister **Mykola Azarov**, Foreign Minister **Kostyantyn Hryshchenko**, and some other people.

Yuliya Tymoshenko Bloc MP **Andriy Shkil** said that the list was sent to the USA as an addendum to the draft resolution developed by Senator James Inhofe.

Nemyrya said on 1 June 2012 that the Ukrainian opposition expects the US Congress to approve the resolution dealing with Ukrainian officials before the parliamentary election in Ukraine [in late October 2012].

Pro-presidential Party of Regions MP **Leonid Kozhara** said however that the Ukrainian officials whose names are included in the list, should not be concerned over a possible ban to enter the USA and the EU countries. "This appeal has no future neither from political nor from international law standpoint, this is only a PR move," Kozhara said.

Prosecutor-General **Viktor Pshonka** described the initiative to ban President **Viktor Yanukovich** from entering the USA over the former premier Yuliya Tymoshenko's case as "a direct interference".

In an interview with the Lb.ua news and analysis website published on 1 June 2012, former Interior Minister **Yuriy Lutsenko** said that "sanctions by the

Western world may satisfy our hatred to the ruling mafia but won't overthrow it". He added that he handed over "to the right hands" documents on the Ukrainian mafia's "dirty" money.

International experts to look into former premier's case.

President **Viktor Yanukovich** told BBC on 31 May 2012 that Ukraine has invited an international company to present an expert conclusion on **Tymoshenko's** case soon.

When asked about a possibility to release Tymoshenko from jail before the parliamentary election, Yanukovich said that this would depend on the court's resolution. "I have no authority to affect the judicial branch of power," Yanukovich said.

Europe sees no need for Tymoshenko's medical treatment in Germany.

The European Court for Human Rights on 30 May 2012 rejected **Yuliya Tymoshenko's** complaint asking to give her a possibility for medical treatment in German hospital Charité.

The European Court for Human Rights ruled that the Ukrainian government took all measures necessary to provide adequate medical treatment to Yuliya Tymoshenko.

Ukrainian court postpones hearings into former Interior Minister Yuriy Lutsenko's new case.

A Ukrainian court on 2 June 2012 approved a decision to postpone till 8 June hearings on the criminal case charging **Yuriy Lutsenko** with authorizing illegal surveillance in the framework of the investigation of the criminal case on poisoning the then presidential candidate Viktor Yushchenko in 2004.

The Ukrainian State Penitentiary Service said on 30 May 2012 that Lutsenko will stay in the remand centre until the verdict on the new criminal case against him is delivered.

On 29 May 2012 Lutsenko refused in writing to attend medical inspection by the commission of specialists of the Ukrainian Health Ministry motivating his refusal by non-confidence in doctors. On the same day the People's Self-Defence Party said that the Ukrainian State Penitentiary Service releases incorrect information on Yuriy Lutsenko's health.

Pro-presidential Party of Regions MP **Yuriy Bondyk** said that Lutsenko may be released from jail in one year if he behaves well.

Parliament to resume discussion of law on languages soon.

Ukrainian Parliament Speaker **Volodymyr Lytvyn** said on 28 May 2012 that the law On Language Policy will be further considered on 5-8 June.

The consideration of the law was disrupted on 24 May because of clashes in parliament between representatives of the opposition and the parliamentary majority.

The draft law was submitted by the Party of Regions MP **Vadym Kolesnichenko**.

Ukrainian media report that there is no unanimous support for the draft law among the pro-presidential majority in parliament. According to the Glavcom news and analysis website, a number of members of the Party of Regions, who intend to run for parliament on single-seat constituencies in Western Ukraine, refuse to support the draft law on languages as their support to this law will significantly worsen their rating ahead of the election to parliament.

The united opposition calls on Ukrainians to join protests against the law on languages outside the parliament building on 5 June 2012.

Ukrainian army hardware in critical state.

The Ukrainian Defence Minister **Dmytro Salamatin** said on 30 May 2012 that over a half of arms and military hardware in the Ukrainian armed forces require replacement or upgrade.

According to the Defence Ministry's information, the budget for the upgrade and repair of arms and military hardware in 2012 was increased by 2.4 times to 88.6m dollars.

According to public opinion poll conducted by the Gorshenin Institute in September 2011, a clear majority of Ukrainians (72.9 percent) do not believe that better financing of the defence industry will improve the state of the Ukrainian army.

HUMAN RIGHTS

Legal status of Ukrainian ombudsman may be reconsidered.

In an interview with the Komentari weekly published on 1 June 2012, a representative of the office of the UN High Commissioner for Human Rights, **Gianni Magazenni**, has said that the Ukrainian ombudsman's office has "A" status meaning that it operates according to principles of the Paris declaration. "This status is reviewed every five years," Magazenni added. According to Magazenni, if they discover that the Ukrainian ombudsman's acts are not complaint with the international standards of independence and efficiency, its status will be downgraded.

Valeriya Lutkovska has been recently elected the Ukrainian ombudsman.

Rules for visiting prisoners changed in Ukraine.

The Ukrainian State Penitentiary Service on 28 May 2012 approved a new procedure for visiting convicts in prisons by members of public and religious organization and foreigners. From now on, they have to submit a written application at least 20 days prior to the visit date.

ECONOMICS

IMF to resume cooperation with Ukraine after Kiev fulfills fund's requirements.

On 28 May 2012, IMF Mission Head in Ukraine **Christopher Jarvis** reported that the fund's board of directors in late June plans to consider the prospects of cooperation with Ukraine. He also noted that the fund will continue the debate on resuming its credit programme to Ukraine if the country's government declares readiness to comply with the IMF's requirements.

The IMF suggests that the government of Ukraine should increase gas prices for households, housing and utility rates, and improve tax administration, particularly increase taxation for the rich.

An IMF mission visited Ukraine on 21-28 May 2012.

Moody's downgrades three Ukrainian banks.

As reported on 1 June 2012, Moody's Investors Service lowered ratings of OTP Bank and Ukreximbank from Ba3 to B2, and Privatbank from Ba3 to B1. At the same time, the agency said that the rating of Raiffeisen Bank Aval remains under review.

The revision of the Ukrainian banks' ratings was due to changes in Moody's methodology of banks assessment.

Ukraine regains positions in competitiveness rankings thanks to Greece.

Ukraine has gone up one position to 56th place in the ranking of competitiveness published by IMD-Lausanne, a Swiss business school. In total, 59 countries take part in the rating. In such a way, Ukraine has returned to the position it held in the midst of the economic crisis of 2009.

According to experts, the main reason behind the increase of Ukraine's rating is a sharp decline in the competitiveness of Greece, which has dropped two positions over the year, overtaken by Ukraine and Croatia. "Any further improvement in Ukraine's position is possible only after the crisis spreads to other countries," director for economics programmes of the Razumkov Center **Vasyl Yurchyshyn** said.

ENERGY MARKET

Ukraine names terms for development of two oil and gas fields in Black Sea shelf.

On 30 May 2012, the government published conditions of the tenders for the development of Skifske and Foroske fields on the Black Sea shelf. According to the terms, the investor who will sign agreement with Ukraine will have to pay to the budget a bonus of at least 300m dollars for each field.

The investor is also obliged to ensure investments during the first stage of exploration work (must be completed within five years) in the amount of at least 200m dollars for each field. The government's share should be not less than 20 percent of profitable products. The contracts can be signed for 50 years

According to **Bertrand Des Pallieres**, CEO of Britain's Cadogan Petroleum (with the main assets in Ukraine), such large investments can be carried out only by a company from the world's top 20 producers.

In an interview with the Dzerkalo Tyzhnya weekly published on 1 June 2012, Environment Minister **Eduard Stavvtskyy** said that the bonus payments for the two fields will reach about 750m dollars. These funds, according to him, will be used for implementation of the social initiatives set forward by Ukraine's president. According to chief editor of Dzerkalo Tyzhnya **Yuliya Mostova**, producer companies of the U.S., UK and Netherlands will thus invest not only in the development of Ukrainian resources fields, but also in the rule of President **Viktor Yanukovich**. According to Mostova, this proves that the Ukrainian government has come closer with the leadership of the United States.

You can receive the full article by Yuliya Mostova by contacting the Gorshenin Institute: weekly@gorshenin.eu.

Ukraine, China start cooperation in oil and gas sector.

On 28 May 2012, Nadra Ukrayiny, a state-run company, reported that on 22 May 2012 it held a meeting in Kiev with representatives of an international energy company, China National Petroleum Corporation. The main purpose of the meeting was to discuss the prospects of cooperation in the field of exploration and development of oil and gas resources in Ukraine. Following the meeting, the sides agreed to sign a memorandum on mutual cooperation, according to the statement by Nadra Ukrayiny.

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