



# Gorshenin *Weekly*

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**INTERNATIONAL POLITICAL****UKRAINE-EU****European Parliament passes resolution on Ukraine**

On 13 December 2012, the European Parliament issued a resolution calling on the Ukrainian authorities to respect and implement the final rulings of the European Court of Human Rights on the cases of **Yuliya Tymoshenko** and **Yuriy Lutsenko**. It also said Ukraine needed to reform its judiciary and improve its electoral legislation.

It confirmed the EU's commitment to further advance relations with Ukraine through the signing of the association agreement as soon as the Ukrainian authorities demonstrate determined action and tangible progress, as called for in the resolution, possibly by the time of the Eastern Partnership Summit in Vilnius in November 2013.

The Ukrainian Foreign Ministry said that the resolution reflects the EU's willingness to further cooperate with Ukraine.

The Lb.ua news and analysis website said that in its previous resolutions the European Parliament called on Ukraine to release Tymoshenko and other opposition leaders. Now the EU is prepared to wait for a European Court of Human Rights ruling, which means Europe has softened its stance.

On 14 December, United Opposition Fatherland MP **Hryhoriy Nemyrya** said that European Commission President **Jose Manuel Barroso** promised Yuliya Tymoshenko's daughter **Evheniya** that he would insist on the release of her mother "until the end".

On the same day, 14 December, Ukrainian President **Viktor Yanukovych** said that Ukraine was one step away from signing an association agreement.

**Minister: Ukraine-EU summit may be held in late February**

On 14 December 2012, acting Economics Minister **Petro Poroshenko** said that the Ukraine-EU summit may be held on 25 February 2013. The exact date will be discussed at a summit in Brussels on 17 December, he added.

**UKRAINE-USA****Ukrainian first deputy prosecutor loses US visa**

Ukraine's First Deputy Prosecutor-General **Renat Kuzmin**'s US visa has been revoked for reasons unexplained, he said in a letter to US President **Barack Obama**, which was published on 10 December 2012. Also, he said that he had learnt of his imminent arrest in the USA.

He said this way someone was impeding his investigation into the murder of businessman and politician **Yevhen Shcherban**, in which, he believes, former Prime Minister **Yuliya Tymoshenko** was involved.

On 10 December, US ambassador to Ukraine **John Tefft** confirmed the revocation of the visa, but denied that the Ukrainian official had been supposed to be arrested. Tefft and later the spokesperson for the US Department of State, **Victoria Nuland**, also said that the USA does not keep lists of blacklisted Ukrainian officials.

On 11 December, the Kommersant Ukraina daily quoted a high-ranking Western diplomat as saying that Kuzmin's visa was revoked because he attempted to hold a questioning on the US territory without Washington's approval.

### **USA calls on Ukraine to shut down file exchange website**

The USA has accused the ex.ua file exchange service of violating copyright and called on the Ukrainian government to close it down, the news and analysis website Lb.ua reported on 14 December 2012, citing US Trade Representative **Ron Kirk**.

In September, the USA put Ukraine on the list of countries with the highest software piracy rate.

### **UKRAINE-RUSSIA**

#### **Ukraine set to get closer to Customs Union**

On 13 December 2012, President **Viktor Yanukovych** said in his video address to parliament that Ukraine would gradually subscribe to the regulations of the Customs Union of Belarus, Kazakhstan and Russia. According to him, this concerns not only economy but also "the humanitarian, scientific and social sectors".

The Kommersant Ukraina daily has learnt that on 17-18 December Yanukovych will visit Moscow to discuss Ukraine's participation in the eastern integration process. Russia's ambassador to Ukraine **Mikhail Zurabov** confirmed such visit was possible.

The paper recalled that Russia's foreign policy concept views the post-Soviet space as its main focus area.

According to a survey carried out by the Gorshenin Institute in February 2010, the majority of the population (81.4 percent) approve of Ukraine's possible accession into the Customs Union.

#### **Russia tightens entry regulations for Ukrainians**

On 12 December 2012, Russian President **Vladimir Putin** said that entry to Russia would only be allowed to travellers carrying documents issued for foreign travel. He said that the relaxed regulations would remain applicable to citizens of the member states of the Customs Union and the Single Economic Space.

Currently, Ukrainians can travel to Russia on their domestic passports.

### **UKRAINE-CHINA**

#### **China cuts loans to Ukraine**

China has issued a loan of 2.4bn dollars to the Ukrainian national gas and oil company Naftohaz Ukrayiny, which is 1bn dollars less than previously announced,

the Kommentarii weekly reported on 9 December 2012, quoting the Bulletin of State Procurement.

The loan will be used to finance the transfer of Ukrainian cogeneration plants from gas to coal. The credit line is issued for 19 years.

## **UKRAINE-WTO**

### **Ukraine launches talks to revise WTO tariffs**

On 13 December 2012, government envoy **Valeriy Pyatnytskyy** said that around 30 WTO members, including the USA, the EU and China, are prepared to revise trade duties. According to him, 20 countries have already confirmed their consent to hold the talks.

Ukraine has filed a request with the WTO to revise the tariffs on 371 trade positions in September. The Kommersant Ukraina paper said that the WTO must have reacted to Ukraine's request by 12 December. Fifteen WTO members, including the EU and the USA, which had earlier urged Ukraine to revoke its request, filed applications for consultations with Ukraine.

## **DOMESTIC POLITICAL**

### **AUTHORITIES**

#### **Azarov retains post of Ukrainian premier**

On 13 December 2012, the Ukrainian parliament approved the candidacy of **Mykola Azarov** for the post of prime minister. His candidacy was supported by the pro-presidential Party of Regions (208 votes), the Communist Party of Ukraine (32 votes) and 12 unaffiliated MPs.

The opposition pointed out that the voting for Azarov violated parliamentary rules, according to which a candidacy for the post of prime minister should be presented personally by the president. In particular, an MP of the Fatherland party, **Andriy Pyshnyy**, made a statement to this effect during a roundtable was held by the Gorshenin Institute on 14 December.

Ukrainian President **Viktor Yanukovych** did not attend the parliamentary session during the vote for Azarov and MPs were only shown his video address. Yet, Yanukovych approved Azarov's candidacy for the post of prime minister on the same day, 13 December.

Yanukovych will form a new government after Azarov nominates candidates for ministerial positions. As the newly elected parliamentary speaker, **Volodymyr Rybak**, said on 14 December, 50 percent of the cabinet would be reshuffled.

On 14 December 2012, the first deputy prime minister, **Valeriy Khoroshkovskyy**, tendered his resignation in protest against Azarov's appointment as prime minister. In response, the government pointed out that Khoroshkovskyy had been already dismissed after the president accepted the resignation of the prime minister and the cabinet on 2 December.

In the opinion of the Financial Times newspaper, Azarov's appointment might force the IMF to stop negotiations with Ukraine since the prime minister has previously expressed opposition to the key demand of this international organization to increase gas tariffs for households.

### **Ukrainian parliament elects new leaders**

On 13 December 2012, the Ukrainian Verkhovna Rada elected an MP of the pro-presidential Party of Regions, **Volodymyr Rybak**, as new speaker.

An MP of the Communist Party of Ukraine and the former head of the State Customs Service, **Ihor Kaletnyk**, became the first deputy speaker. An MP of the far-right All-Ukrainian Freedom Association, **Ruslan Koshylynsky**, was elected as deputy speaker.

### **Ukrainian MPs form five parliamentary factions**

On 11-12 December 2012, the Ukrainian political parties that were elected to parliament following the 28 October polls formed five factions.

As many as 210 lawmakers formed the pro-presidential parliamentary faction Party of Regions, which is headed by **Oleksandr Yefremov**.

An informal group comprising 33 MPs close to Ukrainian tycoons **Dmytro Firtash** and **Viktor Pinchuk** became part of the Party of Regions parliamentary faction, the Lb.ua news and analysis website has reported. The coordinator of this group is the former deputy prime minister, **Serhiy Tihipko**.

As many as 99 lawmakers formed the Fatherland faction, led by **Arseniy Yatsenyuk**.

Two lawmakers who ran for parliament on the list of the Fatherland party refused to join its faction.

Forty-two MPs formed the faction of the UDAR party, headed by **Vitaliy Klitschko**. The Freedom faction was set up by 37 lawmakers. It is led by **Oleh Tyahnybok**. The Communist party's faction has 32 MPs and is led by **Petro Symonenko**.

As many as 24 MPs decided to remain unaffiliated.

### **Ukraine's new Criminal Procedures Code endows law enforcers with more powers**

The Ukrainian police, prosecutor's offices and special services have been granted the right to carry out covert surveillance of citizens after the enactment of the country's new Criminal Procedures Code (CPC). The Kommersant Ukraina newspaper reported on 13 December 2012 that the terms of surveillance had been approved by a special order in November. Among other things, the document also regulates the covert entering of homes by operatives, removing data from personal computers and collecting biological samples.

**Ukrainian SBU searches office of state-run publication**

On 12 December 2012, the Security Service of Ukraine conducted a search in the office of the state-run publication Bulletin of State Procurement. Law enforcers seized documents related to tenders held in 2012, the Lb.ua news and analysis website reported, quoting its source from the Economics Ministry.

**Ukraine's pro-presidential party proposes to allow arrest of MPs**

The Ukrainian propresidential Party of Regions has proposed to sanction arrest of lawmakers without parliament's approval before a conviction is implemented. A draft law to this effect was registered by MPs **Viktor Yanukovych** (the youngest son of the president) and acting Justice Minister **Oleksandr Lavrynovych** on 12 December 2012.

**Ukraine's acting justice minister might become head of top election body**

The Ukrainian acting justice minister, **Oleksandr Lavrynovych**, is tipped as the future head of the Central Electoral Commission (CEC), the news and analysis website Ukrayinska Pravda reported on 12 December 2012, quoting its own sources.

The current head of the CEC, **Volodymyr Shapoval**, is turning 65 in May, upon which he will retire.

**OPPOSITION****Ukraine's opposition Fatherland party to cooperate with far-right MPs despite EU's stance**

On 13 December 2012, the head of the opposition Fatherland parliamentary faction, **Arseniy Yatsenyuk**, stated that his political force would continue its cooperation with the far-right All-Ukrainian Freedom Association despite recommendations issued by the European Parliament.

A call to refuse to cooperate with the Freedom party can be found in an amendment to the resolution adopted by the European Parliament on 13 December. The amendment was proposed by a lawmaker of the Progressive Alliance of Socialists and Democrats, **Kristian Vigenin**.

Yet, a member of the European People's Party (EPP), **Pawel Zalewski**, said that Polish representatives of the EPP had abstained from voting on this amendment. Poland expects that Freedom will soon give up its xenophobic slogans which undermine Ukraine's EU bid, he added.

**US attorneys evaluate Ukraine's jailed ex-premier's conviction over gas deal with Russia**

Attorneys of the US legal firm Skadden, Arps, Slate, Meagher & Flom (Skadden) have reached a conclusion that the conviction of the former Ukrainian Prime Minister, **Yuliya Tymoshenko**, was not politically motivated. This was said by the Ukrainian



Justice Ministry, which cited a report of the legal firm. The Ukrainian authorities intend to use the conclusions of the US lawyers in the European Court of Human Rights during a trial over this case.

The Justice Ministry hired Skadden to carry out an assessment of the so-called “gas case” in April.

In response, the Fatherland party said that the Skadden attorneys had found the following violations in the case: the trial was not fair and did not satisfy basic international standards; Tymoshenko was illegally arrested and deprived of basic possibilities of using her right to defence.

On 13 December 2012, the press secretary of the US Department of State, **Victoria Nuland**, expressed concern with the fact that Skadden had not found political motivation in Tymoshenko's conviction. The conclusions of the US lawyers do not reflect an “accurate picture”, she added.

### **Ukrainian police prevent jailed ex-premier's lawyer from leaving country**

On 14 December 2012, Ukrainian law enforcers detained a lawyer of the jailed former prime minister, **Yuliya Tymoshenko**, MP of the Fatherland party **Serhiy Vlasenko**.

A number of the mass media outlets reported that the detention took place due to Vlasenko's alleged failure to pay child support to his former spouse.

Later, in a commentary on the development for the Lb.ua news and analysis website, Vlasenko said that border guards had prevented him from going abroad because of Tymoshenko, whose case was under the consideration of the European Court of Human Rights.

### **Ex-minister's defence says court delaying trial**

The defence of former Interior Minister **Yuriy Lutsenko** has lodged a complaint with the Administrative Court claiming that the Supreme Special Court is delaying the hearing of the appeal against the sentence given to the ex-minister. According to the lawyers, the appeal was sent to the Supreme Special Court four months ago, but the hearing of the case has not started yet.

At the end of February 2012, Lutsenko was sentenced to four years in prison for abuse of power.

### **Opposition MP reports attempted bribery**

MP of the UDAR party **Serhiy Kaplin** has lodged a report with General Prosecutor's Office that unknown persons attempted to bribe him, offering 5m dollars for joining the propresidential majority, the UDAR party said on 13 December 2012.

On 14 December, MP of the UDAR party **Yaroslav Dubnevych** said that the authorities resumed a criminal investigation against his companies because of his refusal to cooperate with the Party of Regions.

**ECONOMICS****Ukraine expects IMF to resume standby programme**

The International Monetary Fund (IMF) already in February-March 2013 may provide Ukraine with a new credit worth 1.5bn dollars. As the Kommersant Ukraina business daily reported on 12 December 2012, such an outcome of the IMF-Ukraine negotiations is expected by the National Bank of Ukraine.

The IMF mission's visit to Ukraine is scheduled for the second half of January.

According to Prime Minister **Mykola Azarov**, next year Ukraine will have to pay 9bn dollars on its external debt, including 6bn dollars to the IMF.

**Ukraine to put limit on cash payments**

On 11 December 2012, Governor of the National Bank of Ukraine (NBU) **Serhiy Arbuzov** said that starting from 2013 Ukraine may introduce restrictions on cash payments above 18,700 dollars.

The law that allows the NBU to impose such limits came into force in October.

**Russian bank ready to give loan to Ukraine**

Vnesheconombank of Russia is ready to extend a credit of 2.2bn dollars to Ukraine for purchase of locomotives from Russian producers, Russian news agency Prime reported on 13 December 2012.

According to the Lb.ua news and analysis website, the prime ministers of Russia and Ukraine discussed the deal at their meeting in summer.

**Ukrainian tycoon buys largest titanium producer**

On 12 December 2012, Ostchem Germany, the company owned by Ukrainian tycoon **Dmytro Firtash**, acquired 50 percent plus one share of Crimea Titan from the state property fund. The business was sold to Ostchem Germany without auction procedures as it already owned shares in the company. The deal amount was 84.8m dollars. As a result, Firtash gained control of 100 percent of the shares.

Crimea Titan is the largest manufacturer of titanium dioxide in Central and Eastern Europe.

**Ukraine introduces advance income tax payments**

Taxpayers with incomes over 1.25m dollars will be required to make upfront income tax payments in January and February 2013. The payments will amount to one ninth of income tax from in January-September 2012, the State Tax Service reported on 11 December 2012.

**ENERGY MARKET****US company to promote LNG terminal project**

Ukraine has signed a contract with U.S. company APCO Worldwide for improving the image of the project for construction of a liquefied natural gas terminal. The contract amount totals 330,000 dollars (VAT not included). News and analysis website Comments.ua published the news on 13 December 2012, citing publication Visnyk DerzhZakupivel ("Bulletin of Procurement").

As the website reported, the authorities decided to hire a PR company after the scandal around the situation with attracting investors into the LNG terminal project.

On 26 November, Ukraine signed a cooperation agreement with a Spanish company named Gas Natural. Gas Natural was expected to head a consortium of investors into the terminal construction. As it was later revealed, **Geordie Sard Bonwit**, who signed the agreement on behalf of Gas Natural, had no authority to represent the company.

**Deutsche Bank to provide loan for gas pipeline upgrade**

Deutsche Bank has opened a credit line of 53.5m euros to UkrTransGaz (a subsidiary of Naftohaz Ukrayiny) to modernize Soyuz gas pipeline.

The loan will be repaid through reduction of UkrTransGaz's expenditures on purchase of fuel gas. The loan is issued for 10 years.

According to a survey conducted by the Gorshenin Institute in February 2010, more than half of Ukraine's population (52.7 percent) believes that Ukraine should create a consortium for upgrading its gas transport system with Russia and the EU.

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