



# Gorshenin *Weekly*

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## Content

### 1. International political

#### Ukraine-Russia

Russian President to visit Ukraine...page 4.

Russia wants Ukraine to increase purchase of gas...page 4.

#### Ukraine-EU

Ukraine looks forward to simplifying visa regime with EU before end of July 2012 ...page 5.

OSCE concerned with situation in Ukraine...page 5.

Number of EU countries rotate envoys to Ukraine...page 6.

Cyprus ambassador: Ukraine dragging out law on avoiding double taxation...page 6.

#### Ukraine-USA

Freedom House: USA may impose sanctions against Ukrainian authorities ...page 6.

#### Ukraine-NATO

NATO delegation visits Ukraine...page 7.

### 2. Domestic political

#### Authorities

President sends his annual address to parliament, does not turn up in person...page 7.

Parliament adopts language law...page 8.

Mass protests against language law thwart annual presidential press conference...page 9.

Ukrainian parliament rejects speaker's resignation...page 9.

Ukrainian parliament out for summer...page 9.

Ukrainian bill restricting officials' immunity sent for analysis...page 10.

Ukrainian pro-presidential party proposes police reform...page 10.

State-owned enterprises allowed to spend funds at own discretion...page 10.

Finance Ministry takes over powers from Tax Service...page 11.

International Labor Organization estimates unemployment rate in Ukraine...page 11.

Ukraine earns 1bn dollars from Euro 2012, says infrastructure minister...page 11.

Ukrainian president reshuffles security service...page 12.

Ukrainian MPs appoint new deputy foreign minister...page 12.

Parliament extends Congo mission of Ukrainian peacekeepers...page 12.

## **Opposition**

Ukrainian opposition publishes lists of candidates for parliamentary election...page 12.

European Court of Human Rights says Ukrainian ex-interior minister's arrest illegal...page 13.

## **3. Human rights**

Ukrainian pro-presidential MP asks to stop prosecution against website...page 13.

Nearly 2,000 Ukrainian miners marching to Kyiv to defend rights...page 14.

## **4. Economics**

China to allocate 3bn-dollar loan to Ukraine...page 14.

Ukraine plans to make currency swap with Russia...page 15.

Ukraine's foreign currency reserves drop by 1.4bn dollars...page 15.

Experts lower forecasts of grain harvest in Ukraine...page 15.

## **5. Energy market**

Ukraine expects slight drop in Russian gas price...page 15.

German company to help Ukraine modernize gas transport system...page 16.

Shell to start gas explorations in Kharkiv Region ...page 16.

**6. "Euro 2012: first results" – round table...page 17-19.**

## INTERNATIONAL POLITICAL

### UKRAINE-RUSSIA

#### Russian President to visit Ukraine

On 12 July 2012, President of Ukraine **Viktor Yanukovich** and his Russian counterpart **Vladimir Putin** will chair the fifth meeting of the Ukrainian-Russian Intergovernmental Commission. The meeting will be held in Yalta, Crimea.

The press service of the Russian president said that the commission “will particularly discuss cooperation in the gas sector, and make a special focus on implementation of joint programmes in the aviation industry.”

According to Prime Minister of Ukraine **Mykola Azarov**, one of the topics in the presidents' discussion will be trade barriers between Ukraine and the Customs Union of Russia, Belarus and Kazakhstan. Azarov expressed hope that Ukraine will make progress in settling the gas problem on 12 July.

The sides will also discuss the expansion of the legal framework of the Russian Black Sea Fleet's stay on Ukraine's territory.

According to **Vitaliy Portnikov**, the chief editor of TVi Channel and one of the writers for Lb.ua news and analysis website, the meeting of Putin and Yanukovich in Crimea is a crucial event aimed at resuming a virtually frozen dialogue between Moscow and Kyiv. “Despite the fact that the meetings are held quite regularly, they have essentially become just a ritual, because the sides reach no real agreement at such meetings <...> This is why they pin so much hopes on the meeting with Vladimir Putin. Many in Kyiv expect a breakthrough from this event, although it is absolutely unclear what exactly this breakthrough should be based on,” he said.

#### Russia wants Ukraine to increase purchase of gas

On 2 July 2012, Energy Minister of Ukraine **Yuriy Boyko** and Chairman of Gazprom **Alexei Miller** held a working meeting in Moscow.

As Gazprom's press service reported, during the talks the Russian side particularly focused on the rate at which Ukraine fills its underground storage facilities with Russian gas.

According to the Kommersant Ukraina business daily, in the course of negotiations, Russia demanded that Naftohaz Ukrayiny, a state-run energy company, increase gas purchases from 27bn to 35bn cu. m. However, Ukraine refused this offer.

In line with the agreement signed with Gazprom, Naftohaz Ukrayiny should annually purchase at least 41bn cu. m. of gas. However, based on the 2012 gas balance approved by the Ukrainian government, this year Naftohaz plans to buy only 27bn cu. m.

Director of the Energy Research Institute **Dmytro Marunych** believes that Ukraine will be able to reach agreement with Gazprom after 1 August 2012, when Baker Tilly completes its valuation of the Ukrainian gas transport system.

## UKRAINE-EU

### **Ukraine looks forward to simplifying visa regime with EU before end of July 2012**

The Ukrainian Foreign Ministry said on 3 July 2012 that Ukraine may sign the visa facilitation agreement with the EU on 23 July 2012 at the meeting of Eastern Partnership countries' foreign ministers in Luxemburg.

Earlier, on 2 July 2012, the head of the EU Parliament's Committee for Foreign Affairs, **Elmar Brok**, (Group of the European People's Party , Germany) said that the visa facilitation agreement with the EU shall not be signed before the parliamentary election in Ukraine [end of October 2012]. Brok also said that the European Parliament observers' reports on the case of **Yuliya Tymoshenko** and other members of opposition will be taken into account while approving a decision on signing the visa facilitation agreement.

On 28 June 2012 the European Commission approved Moldova embarking on the second (final) stage of dialog on the Action Plan on visa liberalization.

The research director at Institute of Euro-Atlantic Integration, **Oleksandr Sushko**, said that earlier all the European Commission's reports on Ukraine and Moldova were approved simultaneously with same final recommendations, but with its recent decision the EC has split two countries.

In his article for the Dzerkalo Tyzhnya weekly on 6 July Sushko said that at the moment Ukraine can not comply with the necessary technical requirements of the Action Plan on visa liberalization which include approving the law on passports, amending laws on protection of personal data and the law on counteracting discrimination.

"There is an impression (I wish it were a wrong impression) that President **Viktor Yanukovich** lost his interest in canceling visas," Sushko's article reads.

### **OSCE concerned with situation in Ukraine**

Member of OSCE Parliamentary Assembly **Matteo Mecacci** (Italy) on 5 July called on Ukraine to ensure independence and transparency of courts, supremacy of the law, human rights and democracy in compliance with the obligations Ukraine has taken in OSCE frameworks before the country' presidency in OSCE in 2013.

Mecacci also suggested not to include the resolution on the situation in Ukraine in the OSCE Annual Report whose draft was published on the OSCE PA website.

The OSCE PA annual session took part in Monaco on 5-9 July 2012.

On 4 July 2012 OSCE PA delegation visited the jailed former Ukrainian prime minister, **Yuliya Tymoshenko**, in the hospital in Kharkiv.

The Director of the OSCE Office for Democratic Institutions and Human Rights, **Janez Lenarcic**, said on 6 July 2012 that his organization intends to send over 700 observers to monitor the election in Ukraine.

**Number of EU countries rotate envoys to Ukraine**

British Ambassador to Ukraine **Leigh Turner** left Ukraine on 2 July due to completion of his term. The arrival of the new Her Majesty's ambassador to Ukraine, **Simon Smith**, is planned to take place in September. Earlier Smith worked as British ambassador to Austria.

Ukrainian President **Viktor Yanukovich** had a meeting with German Ambassador to Ukraine **Hans-Jurgen Heimsoeth** on 5 July 2012 on the occasion of completion of his diplomatic mission to Ukraine. Heimsoeth's successor will be the incumbent German ambassador to Belarus, **Christof Weil**.

The new head of the EU delegation to Ukraine, **Jan Tombinski**, will arrive in Kyiv in autumn 2012. Tombinski is Poland's former ambassador to the EU. Until Tombinski's arrival, the incumbent head of the EU delegation to Ukraine, **Jose Manuel Pinto Teixeira**, will chair the EU delegation to Ukraine.

**Cyprus ambassador: Ukraine dragging out law on avoiding double taxation**

The Cypriot ambassador to Ukraine, **Evagoras Vryonides**, on 4 July 2012 refuted the mass media allegations of Cyprus's unwillingness to review the law on avoiding double taxation as untrue. Vryonides said that it is the Ukrainian side who delays signing the new agreement.

**UKRAINE-USA****Freedom House: USA may impose sanctions against Ukrainian authorities**

The Freedom House international human rights organization on 5 July 2012 published the report *Sounding the Alarm: Protecting Democracy in Ukraine for 2011-12*.

The report dwells on decreasing the democracy level at the background of growing corruption, non-transparent judicial system, selective prosecution of opposition figures, a more restrictive environment for the media and a growing number of advertorial news items. Human rights activists also say that changes in the Ukrainian election law leave room for rigging elections.

Freedom House President **David Kramer** said that if the listed problems are not resolved, the USA may impose sanctions against Ukrainian officials.

MP on Party of Regions **Volodymyr Oliylyk** said that "If the USA imposes sanctions against Ukraine, we will come up with economic and political sanctions in response". "Requirements regarding so-called political prisoners are the opposition politicians' attempts to compromise Ukraine using invited foreign experts," Oliylyk said.

## UKRAINE-NATO

### NATO delegation visits Ukraine

The delegation of the NATO Parliamentary Assembly led by the Assembly's president, **Karl Lamers**, visited Ukraine on 3 July.

In course of the visit NATO representatives met Ukrainian Prime Minister **Mykola Azarov** and Parliament Speaker **Volodymyr Lytvyn**.

Also, Lamers visited jailed former Prime Minister **Yuliya Tymoshenko** in the hospital in Kharkiv and said afterwards that the Ukrainian government should “exercise the act of humanism” and allow the former prime minister to continue medical treatment in Europe, for example, in Germany.

Lamers also said that at this time there are many questions to Ukraine: regarding human rights, ensuring basic freedoms, exercising principles of supremacy of law.

On 4 July a meeting between Karl Lamers and Ukrainian President **Viktor Yanukovich** was planned, however no media reports appeared to confirm that the meeting took place.

## DOMESTIC POLITICAL

### AUTHORITIES

#### President sends his annual address to parliament, does not turn up in person

On 3 July, President **Viktor Yanukovich** sent to parliament the text of his annual address on the internal and external situation of Ukraine. The president himself was not present in parliament.

Starting from July 2012, the president's address should serve as a basis for drafting the fiscal policy guidelines and making forecasts for the national budget.

In his address, Yanukovich suggested unpegging the national currency from the US dollar and switching to a flexible dynamics of the hryvnya exchange rate within a certain currency range.

At the same time, the president admits possible inflation in the second half of 2012.

According to the president, Ukraine's integration into the European political, economic and humanitarian space is the country's strategic goal. “The signing of the agreement [on association] will take place despite any internal or external political obstacles that are only temporary in nature,” the address reads. In addition, Russia, the United States and China should be the country's priority strategic partners. Ukraine also wants to receive an observer status in the Shanghai Cooperation Organization.

Speaking about the constitutional reform, Yanukovich considers it appropriate to introduce a new provision to the constitution that would make it possible for parliament to pass laws by a majority of lawmakers present at a sitting provided

that at least half of the lawmakers of the Verkhovna Rada, which consists of 450 MPs, is present at a parliament sitting.

In his address, the president also called for expanding the list of reasons for dissolution of parliament.

## **Parliament adopts language law**

On 3 July 2012, a parliamentary majority adopted a law on language policy, which grants the Russian language in several regions the same rights the Ukrainian language enjoys. The draft law was put to the vote by the deputy parliamentary speaker, MP of the Communist Party of Ukraine **Adam Martynyuk**.

The opposition did not expect that the law would be adopted because over 2,000 amendments to the bill had been recommended. Earlier, speaker **Volodymyr Lytvyn** said that it was impossible to pass this law.

The same day, the Yuliya Tymoshenko Bloc opposition parliamentary faction registered in parliament a draft resolution which proposed to revoke the language law.

Commenting on the adoption of the law, the deputy head of the Party of Regions pro-presidential parliamentary faction, **Mykhaylo Chechetov**, said: "You should appreciate the beauty of the game. We have deceived them like kittens."

On 6 July, speaker Lytvyn explained that the law "On the principles of language policy" could not be sent to President **Viktor Yanukovych** for signing because it had been adopted with numerous violations.

The same day, the head of the Party of Regions parliamentary faction, **Oleksandr Yefremov**, stated that his political force had not struck an agreement with Lytvyn that he would sign the language law. Prior to this, Yefremov said that if Lytvyn fails to sign the law, the Party of Regions will sue him.

At the same time, the opposition intends to challenge with the Constitutional Court of Ukraine the procedure under which the language law was passed.

Ukrainian Prime Minister **Mykola Azarov** said that the opposition is challenging the right of a half of the Ukrainian population to speak their native language.

The leader of the opposition Fatherland party, **Yuliya Tymoshenko**, said that the MPs elected to parliament in October would rescind the adopted language law.

On 5 July, President **Viktor Yanukovych** said that he will decide on the law "On the principles of language policy" only after experts thoroughly analyze it and after they draw a conclusion about it.

In the opinion of a number of politicians, experts and mass media, the adoption of the language law might be linked to the upcoming visit of Russian President **Vladimir Putin** to Ukraine.



## **Mass protests against language law thwart annual presidential press conference**

On 4 July, defenders of the Ukrainian language staged a mass protest near the building of the Ukrainian House where President **Viktor Yanukovich** was scheduled to hold an annual press conference. Demonstrators clashed with police.

The presidential press conference was postponed until further notice. For his part, Yanukovich held a meeting with the leaders of the Verkhovna Rada and parliamentary factions in order to discuss the situation which had unfolded in parliament following the adoption of the language law on 3 July. The Ukrainian president said during the meeting that if the parliamentary work is not stabilized, "we will have to move to the procedure for snap parliamentary elections".

Representatives of the opposition did not attend the meeting.

Later, the leader of the united opposition and the head of the Front for Change party, **Arseniy Yatsenyuk**, said that a parliamentary majority would attempt to debate the language law the second time "because this is Yanukovich's personal order".

Activists continue to hold rallies in support of the Ukrainian language in Kyiv and a number of other Ukrainian cities.

## **Ukrainian parliament rejects speaker's resignation**

On 6 July, MPs refused to discuss resignation of speaker **Volodymyr Lytvyn**.

Lytvyn tendered his resignation on 4 July after parliament had passed the language law. He was at a meeting of the humanitarian council headed by President **Viktor Yanukovich** when the vote for the document took place.

Lytvyn called the actions of his colleagues a betrayal, adding that he had nothing to do with it.

At the same time, the Kommersant Ukraina business newspaper quoted its own sources from the presidential administration as saying that Lytvyn was aware of the scenario for the language law vote.

The entire Blok Lytvyna parliamentary faction voted for the controversial law.

The deputy parliamentary speaker and an MP of the Yuliya Tymoshenko Bloc opposition parliamentary faction, **Mykola Tomenko**, also tendered his resignation.

## **Ukrainian parliament out for summer**

On 6 July 2012, the parliamentary deputy speaker, **Adam Martynyuk**, closed the 10<sup>th</sup> session of the parliament of the sixth convocation.

The 11<sup>th</sup> session of the sixth convocation will be opened on 4 September 2012 and will last until 14 December 2012.

On 6 July 2012, the head of the Party of Regions pro-presidential parliamentary faction, **Oleksandr Yefremov**, said that his political force intended to initiate an extraordinary session of the Verkhovna Rada at the end of July- the beginning of August in order to consider a number of economic and staffing issues.

### **Ukrainian bill restricting officials' immunity sent for analysis**

On 5 July 2012, Ukrainian lawmakers sent a draft law restricting parliamentary immunity, which was proposed by the majority, to the Constitutional Court of Ukraine (CCU) for analysis.

The draft law submitted to the CCU proposes to keep parliamentary immunity for MPs only for their voting and for statements made in the parliamentary chamber. In other instances, law-enforcement agencies are granted the right to investigate cases against lawmakers and to submit them to court.

The head of the Party of Regions pro-presidential parliamentary faction, **Oleksandr Yefremov**, acknowledged that the consideration of the law was dragged out. For this reason, it can only be passed by MPs elected in October, he added.

Earlier, parliament submitted to the CCU a draft law proposed by the opposition, which envisions that not only MPs but the president and judges are stripped of immunity.

At least 300 lawmakers – or a constitutional majority – are needed to adopt any of the mentioned documents.

### **Ukrainian pro-presidential party proposes police reform**

On 3 July 2012, MPs of the pro-presidential Party of Regions registered a draft law “On police”.

The bill proposes to rename the law-enforcement agency from the Ukrainian name “militsiya” into “police” and to set up a police department within the Interior Ministry. Under the draft law, the interior minister is vested with the right to appoint the department's chairman.

MPs also proposed to cut the number of the ministry's current staff by 15 percent in order to increase wages for policemen. We would like to stress that approximately 330,000 people are currently employed by the Interior Ministry. The agency's funding in 2012 was at 1.8bn dollars.

A sociological survey conducted by the Gorshenin Institute in October 2011 suggests that only 31.9 percent of the population would first request the help of police if they suffered from illegal actions.

### **State-owned enterprises allowed to spend funds at own discretion**

On 4 July 2012, parliament amended the law on public procurement and freed state-owned enterprises (SOE) from tender procedures provided that SOEs purchase goods, work and services at their own expense.

Tender procedures will apply only to SOEs that make procurement with public money, specifically funds from the state and local budgets.

As the State Statistics Committee reported, in 2001 SOEs of various forms of ownership spent over 30.4bn dollars of own funds on purchasing goods, work and services while the volume of purchases at the expense of the national and local budgets amounted to 9.6bn dollars.

According to **Alla Voloshyna**, a coordinator of public partnership For Fair Public Procurement, after this law comes into force, the public will be deprived of access to information about costs, volumes of purchases and suppliers of goods for state-owned companies.

### **Finance Ministry takes over powers from Tax Service**

On 5 July 2012, parliament adopted a law that transferred a number of functions and powers from the State Tax Service to the Finance Ministry.

According to the law, the Finance Ministry receives the following powers: a) the right to prepare and approve schedules of inspections, and determine format and procedures for such inspections, b) the right to approve the form of tax returns, c) the right to establish the procedure for control of VAT payments by customs authorities, etc.

### **International Labor Organization estimates unemployment rate in Ukraine**

According to the International Labor Organization, the rate of unemployment in Ukraine in January-March 2012 amounted to 8.4 percent among the population at the age of 15-70, which is 0.5 percent up compared to the end of 2011. Also, the level of unemployment among the working-age population in January-March 2012 totaled 9.1 percent.

At the same time, according to the State Statistics Service the unemployment rate among the population of working age in Ukraine during this period was only 1.9 percent.

### **Ukraine earns 1bn dollars from Euro 2012, says infrastructure minister**

In an interview with Italian newspaper "Il Sole 24 ore" dated 2 July 2012, Deputy Prime Minister and Infrastructure Minister **Borys Kolesnikov** said that Ukraine returned more than 1bn dollars of its investments into Euro 2012.

The deputy prime minister also noted that the total cost was about 5bn dollars. The direct expenditure on holding the football championship, according to Kolesnikov, amounted to 850m dollars, and the rest of the funds were spent on infrastructure.

During a roundtable discussion held at the Gorshenin Institute on 6 July 2012,

experts came to the conclusion that Ukraine improved its image in Europe thanks to Euro 2012. For more details see page 17.

### **Ukrainian president reshuffles security service**

On 5 July 2012, President **Viktor Yanukovich** issued a decree under which **Oleksandr Yakymenko** was appointed as first deputy head of the Security Service of Ukraine (SBU). Yakymenko served as SBU head in Donetsk Region prior to the appointment.

Earlier, **Volodymyr Rokytskyy** was the first deputy head of the SBU .

### **Ukrainian MPs appoint new deputy foreign minister**

On 3 July 2012, **Andriy Olefirov** was appointed as deputy foreign minister and head of the Foreign Ministry's secretariat under President **Viktor Yanukovich**. Previously, **Pavlo Klimkin** served on this post but he was appointed Ukraine's ambassador to Germany on 22 June.

Olefirov was the director of the Ukrainian Foreign Ministry's consular service.

### **Parliament extends Congo mission of Ukrainian peacekeepers**

On 5 July 2012, the Ukrainian parliament approved the decision of President **Viktor Yanukovich** to extend the mission of the country's peacekeepers in the Democratic Republic of Congo.

On 22 December 2011, parliament backed the presidential decision to send 200 Ukrainian peacekeepers to the Democratic Republic of Congo for participation in a UN mission. Currently, 157 Ukrainian peacekeepers and four Mi-24 helicopters are stationed there.

## **OPPOSITION**

### **Ukrainian opposition publishes lists of candidates for parliamentary election**

On 5 July 2012, the united opposition publicized the first part of the list of candidates (51 people) vying for nominations to run for parliamentary seats.

The same day, the deputy head of the pro-presidential Party of Regions, the deputy prime minister and the social policy minister, **Serhiy Tyhypko**, said that his party had no intention to sign an agreement with the Chesno (Honestly) civil group. The deal envisions disclosing party lists for carrying out "public lustration".

Ukraine has a mixed electoral system: the proportional representation system envisions that 50 percent of lawmakers (225 people) will be elected under party lists (an electoral threshold for parties is 5 percent), while the other half will be elected from single-seat constituencies under the majority electoral system.

**European Court of Human Rights says Ukrainian ex-interior minister's arrest illegal**

On 3 July 2012, the European Court of Human Rights (ECHR) ruled that the detention and arrest of former Ukrainian Interior Minister **Yuriy Lutsenko** were illegal and obliged the Ukrainian government to pay him 15,000 euros in damages. In particular, the ECHR identified at least seven cases of violating the European Convention on Human Rights.

Ukraine has already started to prepare an appeal against the ECHR ruling in Lutsenko's case. At the same time, the Kommersant Ukraina business daily quoted the Ukrainian Justice Ministry as saying that the ECHR ruling would not have any bearing on the prison term served by Lutsenko.

The former interior minister was detained in December 2011. On 27 February 2012, the Kyiv Pecherskyy district court found Lutsenko guilty of abuse of power and sentenced him to four years behind bars with a seizure of his property.

Lutsenko and his lawyers believe that the decision of the ECHR is a victory. "The court has actually acknowledged by this ruling that persecution for political motives is possible in Ukraine," a representative of the former interior minister in the ECHR, **Valentyna Telychenko**, said.

In his turn, Lutsenko's lawyer **Oleksiy Bahanets** said that the ECHR judgment had strongly irritated the leaders of the Prosecutor-General's Office of Ukraine. The first deputy prosecutor-general, **Renat Kuzmin**, allegedly ordered to open a criminal case against Bahanets and to arrest him, the lawyer added.

Kuzmin denied this information.

Bahanets had worked in prosecutor's office for over 30 years.

On 5 July 2012, the head of the European Parliament's delegation for contacts with Ukraine, **Pawel Kowal**, urged Ukraine to comply with the ruling of the ECHR in Lutsenko's case. The UK and France also expressed the hope that the Ukrainian authorities would implement this ruling.

## **HUMAN RIGHTS**

**Ukrainian pro-presidential MP asks to stop prosecution against website**

On 5 July 2012, an MP of the Ukrainian pro-presidential Party of Regions, **Volodymyr Landik**, asked a prosecutor's office to end the criminal case against journalists of the Lb.ua news and analysis website. The lawmaker explained that since the Lb.ua editor-in-chief, **Kseniya Vasylenko (pen name Sonya Koshkina)** had publicly apologized to him, he no longer considered himself the victim.

During a live broadcast of the Shuster Live political talk show on 6 July 2012, the presidential representative in parliament, MP of the pro-presidential Party of Regions **Yuriy Miroshnychenko** said that the case against Lb.ua and Koshkina was dropped.

On 27 June 2012, the prosecutor's office informed the editorial office of Lb.ua that there was a possibility of carrying out an inspection and launching a criminal case after Landik accused the website of violating the secrecy of correspondence. In particular, this applied to the publication of photos of his text messages in the parliamentary chamber.

In the opinion of journalists of the Ukrainian analytical weekly Dzerkalo Tyzhnya, **Oksana Yefymchuk** and **Yuriy Kraynyak**, the situation with Lb.ua has once again demonstrated how fragile the freedom of speech was in Ukraine.

A number of media lawyers contend that the publication of the photos violated no law.

An intergovernmental workgroup on freedom of speech set up by Ukrainian President **Viktor Yanukovych** will convene sometime after 25 July 2012 to discuss the situation with the Lb.ua news portal.

## **Nearly 2,000 Ukrainian miners marching to Kyiv to defend rights**

On 4 July 2012, approximately 2,000 Ukrainian miners from Luhansk, Donetsk and Dnipropetrovsk regions marched from Luhansk Region's town of Bryanka to Kyiv in order to demand that the government fulfill its obligations.

In particular, miners demand that the authorities comply in full with their obligations to provide retired miners with coal for household needs, as is stipulated by the legislation.

The protesters promised to reach Kyiv by 26 August 2012 when Ukraine marks Miners' Day.

## **ECONOMICS**

### **China to allocate 3bn-dollar loan to Ukraine**

On 4 July 2012, parliament gave the green light to the cabinet to borrow about 3bn dollars from China to be spent on the projects envisaged by the Ukrainian-Chinese agreement on cooperation in the field of agriculture, which was signed on 28 June 2012.

According to the Dzerkalo Tyzhnya weekly, the funds will be borrowed for 15 years at the annual interest rate of 6 percent.

The explanatory note to the bill states that the loan will be used to purchase Chinese agricultural equipment and agricultural products.

In an interview with the Den newspaper of 5 July 2012, Agriculture Minister **Mykola Prysyazhnyuk** said that as part of the loan repayment Ukraine pledged to supply China with 2-2.5m tonnes of corn a year.

On 2 July 2012, Chief of the Customs Service **Ihor Kaletnik** said that the trade turnover between Ukraine and China in 2012 increased by nearly 20 percent to 3.5bn dollars.

**Ukraine plans to make currency swap with Russia**

On 5 July 2012, Governor of the National Bank of Ukraine (NBU) **Serhiy Arbuzov** announced the intention to sign a swap agreement with Russia. "We have a huge commodity turnover with this partner. If we translate all the settlements, which are worth 50bn dollars, that will be a huge swap," he said.

On 26 June 2012, the National Bank signed a bilateral swap agreement with China worth 2.36bn dollars. According to Arbuzov, the swap amount can be increased when necessary.

Currency swaps allow companies of both countries to use their national currencies and make direct payments without involvement of third-country currencies.

**Ukraine's foreign currency reserves drop by 1.4bn dollars**

On 6 July 2012, the National Bank of Ukraine reported that the international currency reserves of Ukraine in June 2012 dropped by 1.44 billion, or 4.7 percent, to 29.318bn dollars.

**Experts lower forecasts of grain harvest in Ukraine**

On 5 July 2012, company ProAgro said that it revised downward its forecast of gross harvest of grain and leguminous crops in Ukraine in 2012 to 43.03m tonnes. This figure is 9 percent below the company's expectations voiced in May.

The reason behind the forecast revision was unfavorable weather conditions in Ukraine over the past two months. Furthermore, weather factors continue to produce negative effect on crops in Ukraine's southern regions.

Based on the recent reports from the fields, ProArgo considers it probable that exports of grain from Ukraine in the 2012/2013 marketing year will total 20.9m tonnes.

On 4 July 2012, the Agriculture Ministry issued a statement in which it reduced its maximum forecast of grain crops harvest in 2012 by 6 percent or 3m tonnes to 47m tonnes.

**ENERGY MARKET****Ukraine expects slight drop in Russian gas price**

On 6 July 2012, state-run energy company Naftohaz Ukrayiny said that in the fourth quarter of 2012, the price of Russian natural gas will drop to 417 dollars per 1,000 cu.m. Such a decrease is due to a drop in global prices of crude oil.

The price of natural gas in the first quarter of 2012 was 416 dollars per 1,000 cu.m., and grew to 425 dollars in the second quarter. The national budget for the

year of 2012 envisages the price of Russian natural gas at 416 dollars per 1,000 cu.m..

## **German company to help Ukraine modernize gas transport system**

On 2 July 2012, state-run energy company Naftohaz Ukrayiny and Ferrostaal Industrieanlagen GmbH (Germany) signed a memorandum on upgrading the equipment of the main gas pipeline Soyuz, which is a part of the Ukrainian gas transport system (GTS).

The aim of this project is to extend operation of the gas turbines and gas compressors, to reduce consumption of fuel gas in the gas turbines by about 28% and to increase the efficiency of the gas compressors.

It is expected that the work will be completed within 19 months after the date of signing of the agreement.

The pipeline Soyuz, built in the late 1970s, passes through Ukraine and Poland, and is used to transport gas to consumers in Central and Western Europe. Its design capacity is 26bn cu.m. of gas per year.

## **Shell to start gas explorations in Kharkiv Region**

On 5 July 2012, Country Chairman of Shell Ukraine **Graham Tiley** said that in September 2012 the company will drill the first of three wells in Kharkiv Region, spending 200m dollars on the project.



**Euro 2012 helps Ukraine improve image in Europe - experts**

The Gorshenin Institute hosted the roundtable discussion “Euro 2012: first results” where experts unanimously supported the idea that Ukraine has held the successful football tournament.

**Vice-President of Ukrainian League of Industrialists and Entrepreneurs Myroslav Tabakharnyuk** has said that the Euro 2012 tournament will push Ukraine's infrastructure development.

“Today I would subscribe to the opinion that speaking about the economic component from the infrastructure breakthrough standpoint, Euro 2012 will lay the foundation for the development of infrastructure in Ukraine,” Tabakharnyuk said adding that significant work has already been done here.

Tabakharnyuk also said that Euro 2012 would help change the mentality of Ukrainians, in particular, it will help to get rid of the complex of being people of the second grade.

**MP on the Party of Regions Vasyl Horbal** has said that Ukraine's best gains from the Euro 2012 tournament are infrastructure and experience.

“We gained experience and received infrastructure that will remain in the country. The last event of this size was the Olympic Games in 1980. From that event we inherited nostalgia for the Olympic Bear [mascot of Olympic Games 1980] and the motorway to Boryspil [airport] that was built especially for the Olympic Games. That is why, in 10 years from now we will still remember the Euro 2012 final match, all other matches and the roads that were built ahead of the tournament,” Horbal said.

**Ukrainian president's aide and National Bank's board member Roman Shpek** has said that Ukrainian businessmen incorrectly assessed the needs of the European football fans, who came to Ukraine.

“Our expectations were slightly different. Many people associate football with wealthy people and for whatever reason everyone thought that Ukraine will be flooded with business tycoons from Europe. However, when Swedish fans came here everyone saw real football fans from a European country. But we kept on building. We built so many five stars and four stars hotels! We did not have a clear understanding of who would stay there. Because of this, hotels had many vacant rooms,” Shpek said.

Shpek said that same goes to restaurant owners: football fans from Europe were looking for fast, tasty and inexpensive food while in restaurants they had to wait 40 minutes to get their orders.

**Chief editor of the Football magazine Artem Frankov** has said he shared the opinion of wrong perception of football fans' expectations. He said however that Ukraine was a hostage of UEFA strict demands.

“There were troubles back in 2010 but we managed to preserve the right to host Euro 2012. We had to convince UEFA that we could do this. And we concentrated on satisfying UEFA's requirements first. This is because common football fans could not take the tournament away from us, but UEFA could do that, so we worked hard to strictly comply with UEFA requirements. Why this situation with hotels happened? I can say that indeed we built too many hotels and soon we will not know what do with them. Why we built so many five and four stars hotels that remained empty? Because that's what UEFA demanded. And we did our best to satisfy these demands. I believe that we became a hostage of UEFA strict demands to Ukraine. Unfortunately, at the international level football turns away from common football fans. From a pure sports tournament football has turned into a good business. This is why we paid so much attention to building hotels rather than building camps for fans. And a football fan – whether he or she is from a European country or from Ukraine – is a common man,” Frankov said.

Frankov said however that Euro 2012 was a great event which brought much useful experience and positive emotions to Ukraine.

“I was about to burst into tears when the tournament was over,” he said.

**Ukrainian European Party Leader Mykola Katerynchuk** has said that the Euro 2012 tournament became the first large-scale joint Ukrainian-European project.

“Euro 2012 is a global project between the European Union and Ukraine. This is the first global project. It was very difficult for us to have the infrastructure ready as we lacked experience, the corruption level was high and numerous demands for new things made it difficult to take the right direction at the very beginning, we did not understand where to take financing. All these roads and stadiums – we had to build them, but we should have financed construction from cheap long-term loans rather than from the state budget. But we had to work in the environment which was a stalemate: either we do it or there will be no tournament,” Katerynchuk said.

Katerynchuk said however that the tournament brought many positive things to Ukraine: for instance, high-quality roads that we never had since gaining independence and positive image among football fans from Europe.

**Head of Polish embassy to Ukraine's economic section Pawel Gebski** has said that the key success of Euro 2012 is Ukraine and Poland's positive image in Europe.

“I think this is the key success of the event. And this is equally applicable both to Poland and to Ukraine. I personally did not think that this tournament would be a disaster, however my hopes were not that high either. I’m very positive about how Ukraine coped with its role of the Euro 2012 host. It is also important that we, Ukraine and Poland, believed in ourselves and believed that we could successfully host an important event like this,” Gebski said.

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