



Gorshenin *Weekly*

ISSUE #15 05/02/2011

Ukraine counting on
Russia to change gas
price formula

Ukraine believes that the negotiations with Russia on revising the gas price formula will be successful, Ukrainian Prime Minister Mykola Azarov has said. "We have started normal talks with Russia. We put very serious arguments on the negotiating table. Russia considered them and that is why the negotiations were really good," he explained. At the same time, Azarov noted that Ukraine did not ask Russia for any preferential treatment or discounts. "We ask for a general European approach to price formation," he explained. According to the prime minister, the very fact that the negotiations have been launched signals "clear success." Meanwhile, Gazprom's official representative, Sergey Kupriyanov, stated once again that the Russian gas monopolist was satisfied with the contract with Ukraine.

Just to remind you, on 28 April 2011, Ukrainian Energy and Coal Industry Minister Yuriy Boyko and Gazprom CEO Aleksey Miller held a meeting in Moscow. They were expected to discuss revision of the 2009 Ukrainian-Russian gas contracts and a reduction of the gas price for Ukraine. Based on the results of the meeting, the parties agreed to hold another round of talks in mid May 2011, after working groups conduct additional consultations.

The same day, on 28 April 2011, a Ukrainian-Russian negotiating group started working, too. Its goal is the optimization of existing agreements in the gas sphere. The agreement on setting up the group was reached during talks between Ukrainian President Viktor Yanukovich and his Russian counterpart, Dmitriy Medvedev, in Kiev on 26 April. According to the Ukrainian mass media, Medvedev heeded the information that the existing conditions of price formation were unfair. According to the estimates of the Ukrainian Cabinet of Ministers, which were presented during the talks, the price of 1,000 cu.m. of gas could reach 510 dollars for the end customer in the fourth quarter of 2011.

According to the sources of the Ukrainian weekly Zerkalo Nedeli, the position of the Ukrainian party in the negotiating group will be the following: "A fair price of gas for Ukraine is the price for Germany minus transit and minus a 100-dollar discount for the stationing of the Russian Black Sea Fleet on the territory of the state." Other topics might include a decrease in the coefficient of consumed gas, seasonal discounts, as well as a change in storage tariffs. Changing the base value of the formula for the gas price might be an alternative solution to the issue. From January 2009 till the present, the base price set in the formula is 450 dollars. The Ukrainian party believes that an objective base price in the formula should be 179 dollars per 1,000 cu.m. of gas.

It is noteworthy that under the current gas agreement between the Ukrainian state-run oil and gas trader Naftohaz Ukrayiny and Gazprom, all the disputes that the parties cannot resolve by negotiations within 30 days from their initiation "will be ultimately settled by means of arbitrage, following the regulations of the Arbitration Institute of the Stockholm Chamber of Commerce." The ruling of the Arbitration Institute will be final and binding for both parties. Officially, the negotiations on decreasing the price of Russian gas for Ukraine were launched on 28 April 2011. In other words, if the parties do not reach an agreement within 30 days, Ukraine will have the right to challenge the gas contract, which puts it at a disadvantage, in the Stockholm Arbitration Court at the end of May 2011.

Gas case against former members of Tymoshenko's government returned for additional investigation

A court has returned the criminal case over suspected embezzlement of RosUkrEnergo's gas to the Prosecutor-General's Office of Ukraine (PGO). On 26 April 2011, the Kiev Pechersky district court returned the case launched against the former first deputy director of Naftohaz Ukrayiny, Ihor Didenko, and the former head of the State Customs Service, Anatoliy Makarenko, who are suspected of embezzlement and illegal customs registration of natural gas belonging to RosUkrEnergo. Hence, the court granted a petition, which was submitted by the lawyers of the defendants. They asked the judges to revise the indictment after a criminal case against former Prime Minister Yuliya Tymoshenko over the 2009 Ukrainian-Russian gas contracts was launched. The court explained its judgment by the fact that both criminal cases "study the same events and circumstances."

It is worth noting that earlier, Didenko asked the court to summon Tymoshenko to testify in the criminal case opened over the seizure of 11bn cu.m. of gas from the RosUkrEnergo trader. According to him, it was Tymoshenko who issued clear written orders to accept 11 bn cu.m. of gas that belonged to RosUkrEnergo on Naftohaz Ukrayiny's balance. Didenko also noted that Tymoshenko and her Russian counterpart, Vladimir Putin, previously reached a deal to this effect during negotiations in Moscow in January 2009.

For her part, the leader of the Fatherland party, Tymoshenko said that she was fully responsible for seizing 11bn cu.m. of gas from RosUkrEnergo. "As the prime minister, I personally ordered Didenko, Makarenko and Turchynov to buy 11bn cu.m. of gas from Gazprom and to keep RosUkrEnergo aside. They could not disobey the order of the prime minister. I am fully responsible and not those who executed the order. I acted in the interests and for the sake of my country," she said. Tymoshenko also noted that she intended to ask the EU to carry out a probe of the Ukrainian-Russian gas contracts signed by her.

A reminder that the PGO launched a third criminal case against Tymoshenko in April 2011. She is suspected of abusing power, which presumably took place when she signed the gas contract with Russia in 2009. A temporary commission of the Supreme Council (Parliament) of Ukraine is currently investigating the documents which served as a basis for signing the gas contract.

Firtash summoned to U.S. court after Tymoshenko files lawsuit

According to the mass media, RosUkrenergo co-owner Dmytro Firtash has been summoned to a U.S. court after former Prime Minister filed a lawsuit against him.

Just to remind you, in 2010, the Arbitration Institute of the Stockholm Chamber of Commerce ruled that Naftohaz Ukrayiny should return 12.1bn cu.m. of gas to RosUkrEnergo.

At the end of April, it was reported that Naftohaz Ukrayiny returned 12.1bn cu.m. of gas to RosUkrEnergo.

After that, Tymoshenko filed a lawsuit a New York court against the Swiss-registered company RosUkrEnergo and Firtash, one of its co-owners, over suspected fraud, a violation of human rights and extortion. According to the documents that were sent to the Manhattan district court, RosUkrEnergo and

Firtash “undermined the supremacy of law in Ukraine” and “deceived the citizens of the country,” by influencing the ruling of the Stockholm Arbitration Court. Furthermore, the plaintiff suspects that the court ruling is “a method of receiving large amounts of cash.”

Earlier, Firtash expressed doubt that Tymoshenko had grounds for challenging this ruling in a New York court or any other courts.

Opposition parties demand that Kharkiv agreements be revoked

On 27 April 2011, Ukrainian opposition parties staged a protest on the occasion of the first anniversary of signing of the Kharkiv agreements. During the rally, 14 opposition parties that participated in the event staged to mark the anniversary of the Kharkiv agreements, which extended the stationing of the Russian Black Sea Fleet in Ukraine to 2042, demanded that it be immediately rescinded. This is laid out in a resolution adopted during the public and political rally. It also said that that the agreements signed by President Yanukovich and his Russian counterpart Medvedev in Kharkiv in 2010 is unlawful and that it jeopardized Ukraine's national security and its social and economic interests. The participants of the protest demanded that President Yanukovich ensure that the constitutional provisions, which clearly state that foreign military bases cannot be located in Ukraine, are fully complied with. They also addressed Parliament with a demand to immediately consider and approve a draft law on the Kharkiv agreements, which was introduced by the opposition to this effect.

A reminder that on 21 April 2010 Ukrainian President Yanukovich and his Russian Counterpart Medvedev agreed to prolong the stationing of the Russian Black Sea Fleet in Crimea till 2042. The Ukrainian authorities justified such an agreement by a contract between Naftohaz Ukrayiny and Gazprom that gave Kiev a 30-per cent gas discount, and this discount should not exceed 100 dollars per 1,000 cu.m. Despite the resistance of the opposition, the Ukrainian Supreme Council ratified the Kharkiv agreements on 27 April 2010.

Former Ukrainian Foreign Minister Volodymyr Ohryzko believes that the Kharkiv agreements can be rescinded. “This is absolutely possible since there are all the mechanisms for the revocation of agreements, which are foreseen by international law. It is part of our legislation. We are a party to the Vienna Convention on the Law of Treaties. Hence, there are no problems from the legal point of view. Any signed agreement can be rescinded,” he explained.

For his part, the former commander of the Russian Black Sea Fleet, Igor Kasatonov, said that Russia would not give up the Black Sea in Crimea. “2042 is not the last date for stationing the Black Sea Fleet in Crimea. The Russian fleet will always be in Sevastopol. As Russia will not give back the Kuril Islands, so it will not give back Sevastopol,” the admiral said.

The pro-government Party of Regions believes that the demonstrations held by the opposition on the occasion of the first anniversary of the Kharkiv agreements prove that “the opposition niche in Ukraine remains a refuge for bankrupt and destructive politicians,” an official statement of the party said.

It is worth noting that President Yanukovich said earlier that Ukraine would have

not only lost all its industry but also would have been stripped of its statehood, if the Kharkiv agreements, which regulated the gas price, had not been signed.

Ukraine cancels quotas for corn exports

The Ukrainian government has cancelled corn export quotas, Ukrainian Agricultural Policy Minister Mykola Prysyazhnyuk said. He added that decisions on lifting the quotas on the export of other crops will be made on 15-20 May 2011. According to Prysyazhnyuk, there is a need to conduct an analysis of winter crops, determine how they are stored during the winter and discuss the sowing process of spring crops. Only then will the decision be taken. He also noted that in 2011, areas for sowing corn were increased to 3.1m hectares, while those for all crops to 15.5m hectares.

Earlier, the Ukrainian government extended quotas on the export of grain to 1 July 2011. Additionally, on 8 April 2011, Parliament adopted a law on auctioning grain quotas. The President later vetoed the law.

In response to the quota extension, the European Business Association and the International Working Group on the functioning of the grain market said that no objective reasons for limiting the export of grain existed in Ukraine since the country had sufficient supplies of grain.

For its part, the American Chamber of Commerce (ACC) in Ukraine said that the law, which distributed quotas by auctioning them, went against the principles of a free market. According to the ACC, it is a bad signal for the market that those companies, which received quotas in January 2011 but could not deliver grain by 31 March 2011, received a free extension, while those companies that did not receive quotas were forced to buy them at an auction. "The quasi state company Khib Investbud, which received almost 50 per cent of all the quotas distributed in January [2010] and which did not fulfill its export commitments, was the main winner of such a non-transparent process," the ACC said.

Khib Investbud company among top five grain exporters

The Khib Investbud company has become one of the top five Ukrainian grain exporters after working for a season. According to analysts and experts, Khib Investbud now holds fifth place in the list of companies with the largest volumes of grain exports from Ukraine in July 2010-March 2011.

It is worth mentioning that the list of the five largest grain exporters has been significantly changed, which reflects the fact that several companies, which were previously included in it, could not receive quotas for export. For example, the Louis Dreyfus Ukraine Ltd, which previously held the fourth position in the list, is not included in the list of the top five grain exporters this time.

"The major reason for such a balance of forces is the restrictions placed on the export of grain this season since the distribution of the quotas and the criteria, which were used to distribute the quotas, were quite particular," the head of the analytical department of the Pro Consulting company, Oleksandr Sokolov, said. "If we analyze several previous seasons, when market conditions worked on the grain market, then the appearance of an unknown company that just started working on the list of five leaders is an unusual case," he added.

A reminder that many international grain traders could not receive grain export quotas when they were distributed. An imbalance was particularly obvious during the second stage of the quota distribution on 11 January 2011. An interdepartmental commission distributed 2m t of the export quotas among nearly 30 companies. Additionally, the state-run Khib Investbud company broke an absolute record by receiving the largest quotas for corn and grain.

It is worth noting that according to Khib Investbud's director-general Robert Brovdi, the state holds a 49 per cent shareholding in the company, while the remaining 51 per cent is privately owned. The Ukrainian mass media link Agricultural Policy Minister Prysyzhnyuk and an MP of the Party of Region, Yuriy Ivanyushchenko, who is believed to belong to President Yanukovich's close entourage, to Khib Investbud.

We would like to note that Ivanyushchenko has been on the "black list" of individuals who are banned from entering the USA. According to the news and analysis website Ukrayinska Pravda, he received this "non-admission" status after he submitted a fake diplomatic passport to the U.S. Embassy. The passport was issued to a Ukrainian deputy culture minister, while Ivanyushchenko did not hold such a position. The embassy considered such a step as an attempt to mislead the U.S. government.

Yet, Ivanyushchenko managed to receive a U.S. visa in April 2011. The mass media reported that he has hired the U.S. lobbying company Sidley Austin. Additionally, U.S. Senator Jim Webb, who represents Virginia, also lobbied for Ivanyushchenko. The Jankovic & Associates Inc. company served as an intermediary in the talks between Ivanyushchenko, Sidley Austin and Jim Webb.

According to Ukrayinska Pravda, Jankovic & Associates Inc. was also among the intermediaries when the Ukrainian company Ukrspetseksport and the Iraqi Defense Ministry signed a contract worth 510.1m dollars. The contract on deliveries of Ukrainian military equipment to Iraq was signed in 2009. Under the agency agreements, Jankovic & Associates Inc. should receive a certain percentage of the sum paid to Ukraine by Iraq for the deliveries of weapons. However, when President Yanukovich came to power, the Ukrspetseksport leadership was reshuffled. The new head of Ukrspetseksport refused to pay Jankovic & Associates Inc. the percentage of the money received from the Iraqi deal, which was previously arranged by the agency agreements, and decided to fully revise the plan of deliveries of Ukrainian military equipment. According to the Ukrainian mass media, the conflict was resolved only after representatives of Jankovic & Associates Inc. asked Ivanyushchenko for help.

Ukrainian agriculture
poorly developed –
Bleyzer Foundation

The Ukrainian agricultural sector is insufficiently developed. Despite the fact that Ukraine belongs to the top ten grain producers, its yield remains low, the executive director of the international Bleyzer Foundation, Oleh Ustenko, has said.

According to him, as an agrarian country and as a result of inadequate development, Ukraine is also very dependent on natural conditions. "For example, the volume of grain yield has increased by 39 per cent over the past 10 years, although the potential for growth was 150-200 [percent]. The low efficiency of agriculture does not allow Ukraine to take up a leading position on the international

markets. Only quality change in the investment climate can have an impact on this situation," Ustenko said.

Court allows Livella company to continue duty-free oil imports to Ukraine

The infamous oil trader Livella will return to the Ukrainian market. The High Administrative Court of Ukraine has turned down the request from the State Tax Service to cancel this company's tax privileges.

The press service of the Ukrainian Energy and Coal Industry Ministry declined to comment on the court ruling. However, according to the mass media, a high-profile source from the ministry said that Livella was preparing to resume the import of fuel into the country. "Representatives of this importer have already proposed to Naftohaz Ukrayiny's partners, who buy petroleum products produced by [Kharkiv Region's] Shebelynka gas refinery and [Luhansk Region's] Lysychansk oil refinery, to resume deliveries of fuel," the source at the ministry explained. According to him, if duty-free imports resume, the loss to the budget will be significantly bigger this year than in the past as a result of an increase in the price of petroleum products.

A reminder that in August 2010 a court granted the Livella company the right to import petroleum products without paying excise duties, VAT and import duties. The company had imported petroleum products from July 2010 to January 2011. The State Tax Service challenged this right in court. The Antimonopoly Committee of Ukraine (AMCU) estimated that the state budget had lost nearly 377m dollars in 2010 as a result of Livella's imports of petroleum products. The AMCU launched an investigation into the situation with the duty-free import of oil and petroleum products in Ukraine, which is still continuing.

According to the Ukrainian mass media, the Livella company is linked to Ukrainian First Deputy Prime Minister Andriy Klyuyev.

Leadership of Ukrainian Parliament ignores Eastern Partnership

The speaker of the Supreme Council of Ukraine, Volodymyr Lytvyn, will not participate in the inaugural session of the EURONEST Parliamentary Assembly.

According to the news and analysis website Lb.ua, this is obvious from the lists of participants in the meeting, which will be held in Brussels on 3 May 2011.

According to the lists of the meeting's participants, the event will be attended by the speaker of the Azerbaijan Milli Majlis, the speaker of the Armenian National Assembly, the first deputy speaker of the Georgian Parliament and the Moldovan parliamentary speaker.

European Parliament President Jerzy Buzek and High Representative of the EU for Foreign Affairs and Security Policy Catherine Ashton will also take part in the meeting of the assembly.

The head of the Ukrainian Parliament is not expected at the session, while the Ukrainian delegation will be headed by the head of the parliamentary committee on European integration and former foreign minister, Borys Tarasyuk.

According to the program, there are plans to sign an act on the establishment of the Assembly, choose its co-chairs and to discuss a wide range of issues to be debated by the Assembly during the inaugural session.

Just to remind you, the Eastern Partnership is an initiative of the EU that is designed to enhance cooperation with the six states, which are Eastern neighbors of the EU, including Belarus. This initiative was launched in 2009. There have been attempts to set up the EURONEST Parliamentary Assembly over the past year and a half. However, the situation in Belarus has so far prevented this from happening. .

Freedom House:
Ukraine moves
towards
authoritarianism

Freedom House (FH) NGO published its report on the state of democracy and human rights in Ukraine. According to the FH experts, Ukraine became less democratic during the first year of Yanukovich's presidency. "If the current tendencies persist, the country might slip into authoritarianism and kleptocracy," the report said. The experts pointed to the fact that the manner of formation of the pro-presidential majority in Parliament went beyond the Constitution of Ukraine in 2010. They also criticized the amendments to electoral legislation ahead of local elections. According to them, the growing role of the Security Service of Ukraine (SBU) in the domestic environment is one of the most alarming tendencies that have emerged since Yanukovich came to power. The performance of such a function by the SBU is a big step back in the consolidation of democratic liberties in the country. "There are worrisome signs that courts and law-enforcement agencies are used to restrict the freedom of assembly," the report explained.

A reminder that in January 2011, FH downgraded Ukraine from "free" to "partially free" in its rating.

The Party of Regions
intends to restrict
foreign funding of
public organizations in
Ukraine

The Party of Regions has started drawing up a draft law, which is intended to ensure control over the funding of public organizations in Ukraine. "We have set up an informal working group which will work on this issue. We should clearly understand how the money of foreign countries are spent on the territory of our state," a deputy head of the Party of Regions parliamentary faction, Vadym Kolesnichenko, said. According to him, first and foremost, the draft law will ensure the regulation of the terms for receipt of grants by public organizations. "The task has been set: we need to respond well to the issues of fighting extremism and the activity directed against the current government," he said. "If an organization monitors something, we need to understand what kind of monitoring it carries out and with what goal. That is because statements from some institutes, which are registered in some apartments or P.O. boxes but make important conclusions, have been emerging very much in the same manner. Then the Western mass media blow them out of proportion," Kolesnichenko concluded.

The Party of Regions does not rule out the possibility that in the future, only Ukrainian nationals will be able to fund the activity of public organizations. "In some countries, public organizations are funded exclusively by the citizens of these states since there is a temptation for foreign states and foundations to operate by the principle: those who pay have the right to order," an MP of the Party of Regions, Olena Bondarenko, said.

Earlier, the head of the Party of Regions parliamentary faction, Oleksandr Yefremov, stated that a foreign investor has allocated money for training people "to implement projects in Ukraine similar to those in North Africa."

The executive director of the International Renaissance Foundation, which was founded by George Soros, Evhen Bystrytsky, believes that the intention to restrict the activity of international NGOs clashes with the course towards the integration into the EU, which Ukraine has chosen. According to him, democracy exists in Ukraine largely thanks to the work of international foundations since local businesses cannot risk funding those who criticize the government and demand transparency from it.

A reminder that on 13 April 2011, the Ukrainian Parliament approved a new military doctrine. According to the mass media, the adopted document expanded the list of domestic threats to homeland security. The previous draft identified the unsatisfactory condition of the Ukrainian Armed Forces and the activity of extremist and separatist organizations as the chief domestic threats. Now, interference in the domestic affairs of the state by means of “the influence on information, economic pressure, financial and moral support of certain political forces and non-governmental organizations,” whose activity is directed against undermining the government, is also recognized as a threat. The doctrine will come into force after President Yanukovich signs it.

President controls
parliamentary work –
speaker

The parliamentary majority is oriented towards President Yanukovich when making decisions, the speaker of the Supreme Council of Ukraine, Volodymyr Lytvyn, has said.

“Towards whom is the majority currently oriented? It is obvious. It is oriented towards the president,” the speaker said. He also noted that there was a certain degree of discrepancy between the position of the Cabinet and that of the president. “If we consider the laws that have been vetoed by the president, then the majority of them are draft laws which were recommended by the Cabinet of Ministers,” Lytvyn added.

NBU head counts on
two IMF tranches
worth nearly 3bn
dollars

Ukraine counting on the International Monetary Foundation (IMF) to grant it two tranches of loans, based on the results of the first six months of 2011, the head of the National Bank of Ukraine (NBU), Serhiy Arbuzov, has said.

“We are counting on a double tranche worth nearly 3bn dollars based on the results of the first six months [of 2011]. Such a period of time was established during the negotiations between a delegation from the Ukrainian government and IMF representatives in order to resolve a number of issues such as pension reform, an increase in tariffs, a reduction of debts owed in VAT returns, grain quotas and so on,” he explained.

Additionally, Arbuzov opined that the government would be able to meet the IMF requirements within two-three months.

A reminder that earlier, the IMF resident representative for Ukraine, Max Allier, listed four requirements put forward by the IMF, which Ukraine needs to satisfy to receive another tranche.

“First of all, it is pension reform and adjusting it to the requirements which were laid out in the memorandums signed back in July and December [of 2010],” Allier said. The second requirement has to do with the adjustment of the tariffs on gas and heating supplies. Requirement number three is to ensure that Naftohaz

Ukrayiny's deficit does not exceed 3 per cent of GDP. The fourth one concerns the activity of the NBU. In particular, the IMF insists that the requirement for a mandatory foreclosure of recapitalization bonds, be cancelled because it decreases the independence of the NBU.

According to Allier, the IMF might approve the next tranche “only after Ukraine meets these four requirements.” He also said that the IMF has not yet determined the date when its delegation will pay a visit to Ukraine.

It is worth noting that the director of the Ukrainian Finance Ministry's department for public debt and international cooperation, Serhiy Makatsariya, said earlier that the Finance Ministry is expecting IMF delegates on 10-20 May 2011.

According to experts, Ukraine's public debt might reach 68bn dollars by the end of 2011, which is 42 per cent of GDP. The given debt estimate accounts for 6bn dollars of the IMF loan support, which is expected this year. Prime Minister Azarov said that the cost of maintaining the public debt will be 11.3bn dollars in 2011.

Foreign capital share
in Ukrainian banks on
rise – NBU

The share of foreign capital in the Ukrainian banking system reached 41.5 per cent in April 2011, the NBU has reported.

It is worth noting that the foreign capital share in the Ukrainian banking system was estimated at 40.4 per cent at the beginning of March 2011.

As of 1 April 2011, there were 54 banks with foreign capital in Ukraine, which make up 30.7 per cent of the total number of operating banks. As many as 20 banks, or 11.4 per cent, have 100 per cent foreign capital. According to the NBU, the total equity of banks reached 17.4bn dollars as of the beginning of April 2011. This number increased by 89.1m dollars, or 0.5 per cent, over a period of three months.

Experts and analysts are forecasting that Russian financial institutions will strengthen their position on the Ukrainian market.

“We are observing an intense market expansion of Russian banks in Ukraine,” the CEO of Raiffeisen Bank Aval, Volodymyr Lavrenchuk, said.

“The Russian Savings Bank is on the threshold of a large-scale expansion. It has practically reached the plateau of its development in Russia and has excessive resources,” a member of the board of directors of the Phoenix Capital investment company, Oleh Shamshur, explained.

According to European Capital Management's CEO Vadym Brailovskyy, another Russian financial institution, Gazprombank, will enter the Ukrainian market in the near future.

USA assessed
Ukrainian shale gas
deposits

U.S. experts have estimated that Ukraine has 1.2 trillion cu.m. of shale gas. The head of the State Service for Geology and Mineral Resources of Ukraine (SSGMRU), Eduard Stavytskyy, announced this. He also noted that according to the estimates of the SSGMRU, this figure is 0.7trillion – 0.84 trillion cu.m. at best. “And these are optimistic numbers. I would like it to be more. However, if we have at least what I have just presented, this will provide our country [with shale gas] for

the nearest 150 years, accounting for the development of economies of global scale. Also, it will allow exports, considering development of energy saving technologies," he said. Stavyt'sky added that Ukraine has better prospects for extracting shale gas than Poland. "Especially if we consider that all the experts and specialists are more optimistic with regard to Ukraine. Our effectiveness of investing in the given segment of the energy market is more trustworthy. I really wish that no one's expectations are upset," he concluded.

Europe changing
attitude towards
Ukraine – Foreign
Ministry

The Ukrainian Foreign Ministry believes that European politicians, who used to be skeptical about Ukraine's bid for the EU integration, have changed their position.

"I am very glad that those who recently said that Ukraine should be given neither associate status nor any other help on the path towards the integration into the EU until there is someone in power to lead it forward by means of a revolution have been recently giving positive signals. Currently, we sense change in this approach," Ukrainian Foreign Minister Kostyantyn Hryshchenko said.

Gorshenin Institute
unveils results of
fourth year-long
survey program

On 27 April 2011, the Gorshenin Institute presented the results of the international poll on the topic "Students – the Image of the Future." This is the fourth program of year-long surveys, which the Gorshenin Institute has conducted.

The survey was carried out by the Gorshenin Institute from October 2010 to March 2011. The total number of randomly sampled respondents is 5,155. We interviewed students attending 22 universities in Ukraine, Russia, Poland and Kazakhstan.

While conducting the survey, we tried to see how Ukrainian, Russian, Polish and Kazakh students structure the "picture of the world." It was important for us to understand the similarities and differences that exist in the issues of ethics, morality, the strategies for choosing one's path in life, the interests and hobbies of students.

You can learn about the results of the poll by following this link on the Gorshenin Institute website:

http://gorshenin.eu/projects/5_Students-an_Image_of_the_Futur.html

IMF Minimizes Stakeholders' Risks Demanding Pension Reform in Ukraine –
Experts

The Gorshenin Institute has polled experts to learn the prospects of pension reform in Ukraine and whether it will be possible to receive the next tranche from the IMF by not changing pension legislation.

An MP of the Yuliya Tymoshenko Bloc and former Economics Minister, Serhiy Teryokhin, has said that Parliament is likely to approve a new pension law in the short-time perspective. However, Teryokhin said that changes which may be approved as a result of negotiations with the IMF are not real pension reform. “An increase in the pension age, promises for future setting up a pension saving system for those who are only under 35 and the cancellation of privileged pensions – this is not pension reform,” Teryokhin said. Teryokhin also explained the essence of the IMF's requirements: “The IMF is a joint stock corporation, which loaned the money of its stakeholders to Ukraine. To ensure refunding, the borrower has to be sufficiently solvent for the payback. For this, a number of measures should be taken: the budget deficit, national debt and deficit of the pension fund shall remain within certain limits», Teryokhin said. He recalled that the IMF's statute does not require the fund to be responsible for qualitative changes in the economies of countries: “This is not the IMF's function. This is the function of the World Bank and EBRD”. Teryokhin also said that the IMF's next tranche will support the stability of Ukraine's financial institutions but not the development of the country's economy. He added that “the government does not realize its capacities if it really wants to receive the tranche”.

Deputy Chairman of the Ukrainian Federation of Trade Unions, Serhiy Kondratyuk, has said that by imposing conditions for reform of the Ukrainian pension system the IMF is brutally abusing its financial powers. “The dictates of social issues of any sort to an independent state are totally unacceptable,” Kondratyuk said. He also said that the approval of pension reform in the short-time perspective is not likely. “The IMF's first attempt to force the approval of pension reform autumn last year failed because of the active position of the trade unions. According to the second requirement that was formally declared, the reform should have been approved in February of this year. We made great propaganda all over the country and as of today many members of parliament together with the president admitted that the pension reform in the format as proposed by Serhiy Tihipko (deputy prime minister, minister of social policy) is unacceptable. Thus, I am certain that in the near future there will be no pre-requisites for the approval of pension reform. Will it be approved? It will be. Does society need it? Yes, it does. But not in the format they propose it,” Kondratyuk said.

The former head of the State Committee for development of entrepreneurship, Oleksandra Kuzhel, has said that the statements made by many politicians that Ukraine won't get along without IMF's loans is an act of political adventurism. “Being aware of problems at a large number of state-owned companies, of problems with the state budget, I still believe it is a bluff,” Kuzhel said. Kuzhel also said that it is not pension reform itself that is important to the IMF. “Make some steps to reduce the budget deficit, tighten people's belts, reduce your own programmes, reduce your trips, allowances, refurbishments of residences, etc.

Stop non-transparent public procurement. Demonstrate that your country is not bankrupt. Do not search for an enemy in the person of the IMF,” Kuzhel said.

The secretary of the parliamentary committee for pensioners, veterans and disabled people, member of parliament of the Party of Regions, Oleksiy Zhuravko, has said that reducing the size of the country's shadow economy is needed to solve the problem with the Pension Fund deficit. “To make people to come out of the shadow, taxes have to be reduced and a possibility for the development should be provided,” Zhuravko said. However, Zhuravko did not rule out the approval of pension reform. “It is hard to say what will happen tomorrow. They can change their minds and alter something at any moment. If it is possible to change the structure easily, without a referendum, what else can one say?” Zhuravko said.

Our contact information:
4, Chapayeva street, office 14
Kiev 01030, Ukraine
+38 044 230 4962
+38 044 230 4966 f



For more information please visit our website
<http://gorshenin.eu>