



# Gorshenin *Weekly*

**ISSUE #11 04/04/2011**

The current government's policy impedes EU integration – Yulia Tymoshenko; Europe's conditions for setting up free trade area not beneficial to Ukraine – Mykola Azarov

The leader of the Fatherland party, Yulia Tymoshenko, believes that the current government policy makes Ukraine's integration into the European Union (EU) impossible.

"If the Ukrainian government continues to destroy freedoms and liberties of people, ruin democracy, justice, freedom of speech - everything that Europe perceives as a foundation for reforming the life of society - we cannot count on either visa-free travel or Ukraine's joining a free trade area (FTA) with the EU or an association agreement between Ukraine and the EU," she said.

By contrast, Ukrainian Prime Minister Mykola Azarov stated that Europe was ready for Ukraine's economic integration although on conditions that were not beneficial to Ukraine. "Currently, we are holding talks on setting up an FTA with the EU. Theoretically, the EU is ready to sign it as soon as tomorrow. We have reservations. We do not agree with the conditions for the export of agricultural produce that the EU has proposed. As soon as we reach a compromise, an FTA agreement will be signed," he explained. At the same time, Azarov noted that Tymoshenko should apologize for the critical remarks regarding the Ukrainian government, which she made during her visit to Brussels.

According to Gorshenin Group President Vadym Omelchenko, Europe may take specific steps to speed up the signing of concluding documents to set up an FTA with Ukraine in the near future. "As a result of bilateral meetings with a number of high-profile European officials, we have the impression that Europe is ready to make concessions to Ukraine in order to sign an FTA agreement as soon as possible," he said. Omelchenko added that the EU was willing to concede even on economic issues. "The major requirement that they put forward is the preservation of Ukraine's path towards democratic development and the preservation of fundamental democratic rights and liberties in our country, including electoral rights," he concluded.

According to the head of the parliamentary subcommittee on international economic policy, Oleksiy Plotnikov, once Ukraine signs an FTA agreement with the EU, it will receive an opportunity to attract more than 22bn dollars of European investment into its economy as well as bring itself closer to EU membership. Commenting on the recent statement by Russian Prime Minister Vladimir Putin about the sanctions which Russia will impose on Ukraine if an FTA agreement is signed, Plotnikov called it "a direct proof of Ukraine's real success in the FTA negotiations."

Let us note that according to the Ukrainian mass media, Putin will pay a visit to Ukraine during the second half of April 2011. Both mass media and experts believe that one of the key goals of his visit will be an attempt to dissuade Ukraine from setting up an FTA with the EU. The mass media noted that the Russian prime minister would not use only threats, but that he was ready to propose a compensatory package to Ukraine in exchange for its agreement to join the Customs Union with Russia, Belarus and Kazakhstan.

Ukraine prolongs quotas for grain exports till July 2011

The Ukrainian government has extended quotas for grain exports till 1 July 2011, while simultaneously increasing a corn quota by 2m tonnes. According to Agricultural Policy and Food Minister Mykola Prysyazhnyuk, parliament will debate a draft law on distributing quotas for grain exports on 5 April 2011.

The Economic Development and Trade Ministry believes that the repeal of the ban on the export of grain crops will lead to a significant increase in their price on the domestic market, which will affect prices for practically the entire range of foodstuffs, ingredients for baking and forage needed to produce meat, meat products and eggs.

At the same time, the first deputy head of the presidential administration, Iryna Akimova, said that the president intended to substitute the grain export quotas with customs duties starting from 1 April 2011. "Ukrainian President Viktor Yanukovych has requested that, after grain export quotas expire on 31 March [2011], a resolution be drawn up to replace them with customs measures, if needed," she added.

A reminder that at the beginning of October 2010, the Ukrainian government initially introduced quotas for grain exports until 31 December 2010. They were extended until 31 March 2011 at the end of 2010. Over this period of time, the quotas have been distributed twice in a manner that drew harsh criticism from market participants. Many companies could not receive documents from the Agriculture Ministry, which would allow them to apply for quotas, on time.

Let us note that the Nibulon company challenged the unfair quota distribution in court.

At the same time, the Khib Investbud company, which, according to the Ukrainian mass media, is controlled by Agriculture Minister Prysyzhnyuk, received the largest quota.

Ukraine's government impedes start of bidding for oil, gas extraction

The Shell company has requested that the Ukrainian government hold a transparent tender procedure for selecting an investor for developing oil and gas deposits.

At the same time, according to the director-general of the Shell Ukraine company, Patrick van Daele, the government's ratification of the technical committee's decision, which allows the launching of an open tender for selecting an investor for the development of oil and gas deposits under a production sharing agreement, is already three weeks overdue.

"The ball is in the government's court. We have thrashed out specific and clear proposals and are asking for a transparent tender. I hope that such tenders will be available prior to the summer (of 2011). However, the last step - the ratification of the decision of the technical committee by the Cabinet of Ministers - is already three weeks overdue. Will the government really honor the production sharing agreement?", he said.

Naftohaz Ukrayiny's deficit to reach 1.1bn dollars in 2011 - deputy prime minister

Deputy Prime Minister Serhiy Tyhypko has stated that Naftohaz Ukrayiny budget for 2011 envisions deficit of 1.1bn dollars

It is worth noting that in 2010, the national oil and gas trader Naftohaz Ukrayiny suffered the largest loss of 2.7bn dollars since its establishment. The majority of the loss accrued during the fourth quarter of 2010 when the company handed over 5bn cu.m. of gas to the RosUkrEnergo trader. Following the ruling of the Stockholm Arbitration Court, Naftohaz Ukrayiny needs to return a total of 12.1bn cu.m of gas to RosUkrEnergo.

Ukrainian businessman Dmytro Firtash is a co-owner of RosUkrEnergo.

A reminder that President Yanukovych has previously expressed support for announcing an initial public offering (IPO) of part of the Naftohaz Ukrayiny shares at a stock exchange.

One more company willing to extract gas in Ukraine

Ukrainian Ministry of Ecology and Natural Resources has signed a memorandum on mutual understanding with Italian oil and gas corporation Eni S.p.A.

The document was signed during a meeting of Ukrainian Ecology and Natural Resources Minister Mykola Zlochevskyy and Eni's CEO Paolo Scaroni. "I invite your specialists to Ukraine and promise open and transparent cooperation," Zlochevskyy said.

Earlier, the Interdepartmental commission on signing and implementing the agreements on product distribution accepted a proposal made by the Ecology Ministry to include the Yuzovska area in the list of lots that can be leased for the exploration of gas from shale rock.

Contaminated  
Ukrainian land not  
remediated

For several years, Ukraine has not remediated the lands that were contaminated by the Chernobyl catastrophe.

"From 2006 to 2008, around 1.26m dollars was allocated for the remediation of these lands. Over the past two years, Ukraine has not allocated a single penny to receive clean food products in these regions. No counter measures were taken. Nothing was done. There are plans to allocate money for this but I am not sure whether it will be allocated," the director of Ukrainian Institute of Agricultural Radiology, Valeriy Kashparov, said.

Detained and arrested  
individuals treated  
harshly in Ukraine -  
Prosecutor-General

The problem of harsh treatment of detained and arrested individuals by the Interior Ministry bodies is topical, Ukrainian General-Prosecutor Viktor Pshonka has noted.

According to him, the problem of respecting human rights in criminal justice remains acute for Ukraine, especially on the stage of questioning and pre-trial investigation. The increased number of cases when detained and arrested persons were beaten to death is especially alarming.

Earlier, the presidential administration said that torture was ruled out in the investigation of criminal cases because a court would consider only the testimony that was given directly in a court.

Pension reform to be  
debated in beginning  
of summer 2011 -  
deputy prime minister

Parliament will debate pension reform in May-June 2011, Deputy Prime Minister and Social Policy Minister Tyhypko has said.

"I believe that we will be able to and we should move this question for voting in Parliament sometime around the end of May – the beginning of June," he said. At the same time, Tyhypko noted that the adoption of pension reform was the key requirement in the negotiations with the IMF on granting Ukraine the next tranche of a loan. "Realistically, we will not be able to receive the [IMF] funds without pension reform," he explained.

Foreigners face  
difficulties doing  
business in Ukraine -  
Canadian ambassador

It is difficult to do business in Ukraine for foreigners, the Canadian ambassador to Ukraine, G. Daniel Caron has said.

"We are forced to admit that it is not easy to do business in Ukraine. There are a lot of rules, it is necessary to receive many licenses, the rule of law is not fully developed, economic freedoms need to be developed," the diplomat said.

He noted that business representatives were still interested in Ukraine. According to him, current relations between Ukraine and Canada can be described as insufficient.

Criminal case against  
former President  
Leonid Kuchma  
surprises most experts

According to a poll conducted by Democratic Initiatives Foundation, the majority of experts did not expect the opening of a criminal case against former President Leonid Kuchma

"At the same time, not a single expert believes that the launch of a criminal case against Kuchma was motivated by a desire of the government to establish justice and

punish the guilty for [journalist] Heorhiy Gongadze's murder," a statement by Democratic Initiatives Foundation said.

The most popular explanation of the criminal case against Kuchma proposed by experts is an attempt by the government to show that there is no selective justice in Ukraine and to normalize its relations with the West in such a manner.

Additionally, all the experts believe that Kuchma will not be indicted.

Naftogaz Ukrayiny to  
explore Russian  
deposits

Naftogaz Ukrayiny announced tender for exploring the oil and gas deposits on seven sites in Russia  
According to the announcement, Naftogaz Ukrayiny will hold open bidding to evaluate the deposits and potential for oil and gas on the licensed sites of the limited company Renata, the limited company Delta-Nafta within the borders of the Panyelsk area, lot No 3 of the Chernyshev bed and Khoreyversk pit, University area, Tripanyelsk area, Severo-Michayusk area, Kabintivisovsk area, Chibyusk field in the Russian Republic of Komi.

Additionally, Naftogaz Ukrayiny would like to carry out research in the sphere of geodesy and exploration of minerals to evaluate the effectiveness of such exploration.

All the tenders should be closed on 29 April 2011 and the works should be carried out during 2011.

Just to remind you, Energy and Coal Industry Minister Yuriy Boyko said that Russia would let Naftogaz Ukrayiny extract gas deposits from undeveloped sites on its territory on condition that it sets up a joint company with Gazprom.

Stavniychuk appointed  
to post in presidential  
administration

A member of the Venice Commission, Maryna Stavniychuk, appointed to a post of the deputy head of the presidential administration

According to the media, her new responsibilities include handling issues related to the constitutional process and, in particular, supervising the work of the Constitutional Assembly (CA). Additionally, she will be responsible for matters related to amending Ukraine's electoral legislation.

It is worth noting that experts of the Venice Commission criticized the establishment of the CA. In particular, the European experts urged the Ukrainian government to delegate the task of choosing the CA membership to Parliament. Additionally, they insisted that MPs should select the members of the CA by a qualified majority vote, as opposed to a simple majority vote.

A reminder that, Stavniychuk is a member of the Venice Commission of the European Commission for Democracy Through Law. From 1999 to 2007, she served as the deputy head of former President Viktor Yushchenko's secretariat, as his representative in the Constitutional Court and the Central Electoral Commission.

Ukraine to sell tanks  
to Thailand

The command of the Thai Ground Forces has decided to procure consignment of 200 Ukrainian combat tanks.

The deal is estimated at approximately 230m dollars. The Ukrainian tanks will replace those produced in the USA, which have been in commission since 1962.

The command of the Thai Ground Forces scrutinized several kinds of tanks before making the procurement decision. The German Leopard 2A4, Russian T-90, South Korean K1 and Ukrainian T-92 Oplot were among the proposals.

According to a source of a mass media outlet, the choice made by the command was influenced by its ties with the supplier.

At the same time, it is written that the Thai servicemen preferred a Korean manufacturer since the tanks produced in Ukraine are equipped with an automatic ammunition loader, which makes them vulnerable during combat because it requires a vehicle to stop for a new load.

It is the same supplier that delivers 96 armored personnel carriers BTR-3E1 produced in Ukraine and worth almost 130m dollars for the Thai Armed Forces, the source added.

A reminder that the Stockholm International Peace Research Institute (SIPRI) stated in March 2011 that Ukraine no longer belonged to the top ten world's largest producers of weapons.

Europe concerned  
about Ukrtelekom  
privatization

Former Prime Minister Tymoshenko has said that Europe was concerned about the non-transparent privatization of Ukraine's telecom monopoly Ukrtelekom. According to her, the world-renowned companies Telenor and Deutsche Telekom complained about it. Tymoshenko said that the privatization of the Ukrainian state-run telecom operator was strategically important for Norwegian holding Telenor, which could not participate in the bidding due to the restrictions stated in the terms of privatization.

A reminder that Tymoshenko stated earlier that Ukrtelekom's value was halved due to the non-transparent selling procedures.

As reported, on 11 March 2011, the State Property Fund of Ukraine sold 92.8 % of shares in the Ukrtelekom open joint-stock company to the limited company ESU for 1.33bn dollars.

A reminder that ESU belongs to the Austrian holding EPIC. According to several Ukrainian mass media, there is a possibility that ESU could represent the interests of a Ukrainian MP of the Party of Regions, Rinat Akhmetov, who is part of President Yanukovich's close entourage.

Tiraspol calls on  
Ukraine to prevent  
resolution of Trans-  
Dniester problem by  
force

Transdnistria President Igor Smirnov has met Ukrainian diplomats who paid official visit to Tiraspol. Speaking about the process of resolving the conflict between Moldova and Transdnistria, Smirnov reminded the diplomats that Ukraine was a state guarantor and that Transdnistria expected that Ukraine would take "decisive steps to prevent rash decisions made by various politicians." He added that "any attempts to solve the conflict between Moldova and Transdnistria by force will result in an influx of refugees in Ukraine and in blood. I see now from the examples in North Africa how certain statements of recognized states are boldly used. That is why think, Ukrainians, about your citizens who live here," Smirnov said.

A reminder that earlier Russian Foreign Minister Sergey Lavrov expressed support for Moldova's territorial integrity and about the necessity for a Russian peacekeeping contingent to enter Trans-Dniester.

## ALMOST HALF OF UKRAINIANS READY FOR PROTEST ACTIONS - poll

The Gorshenin Institute held a telephone poll of public opinion between 25 and 27 March 2011 to find out the protest moods of Ukrainians. A total of 1,000 respondents aged over 18 were selected randomly in all regional centres of Ukraine, in Kiev and Sevastopol. Polling quotas are established based on respondents' age, sex and area of residence. The sample error does not exceed 3.2%.

The results of the all-Ukrainian poll conducted by the Gorshenin Institute are:

A clear majority of those Ukrainians polled (77.6 per cent) express their support for all-Ukrainian protests by teachers. One in every 10 respondents (10.8 per cent) is indifferent to teachers' protests, while 3.2 per cent condemn the protests. A total of 8.4 per cent of respondents are unaware of teachers' protests in Ukraine.

About a half of those Ukrainians polled (48.5 per cent) are not ready to take part in any protests. However, about the same percentage of those polled (45.3 per cent) are willing to take part in protest actions. A total of 6.2 per cent of respondents gave no answer to the question.

Over one third of Ukrainians (36.0 per cent) said the price hike in goods and services will make them taking part in protest actions. Another quarter of those polled (25.8 per cent) said delays with salary (pension, scholarship) payments will make them ready for protests, and about one in every five respondents (19.4 per cent) said no job or threat of loss of job can become a reason for protests. The high level of corruption may push 17.1 per cent of those polled to protests, breach of civil rights and freedoms – 14.8 per cent, political situation in the country – 7.7 per cent. Another 3.3 per cent of those polled said they can take part in protests for other reasons, and 7.3 per cent of respondents gave no answer to the question. Over one quarter (26.1 per cent) of Ukrainians will not take part in protests for any reason whatsoever.

## Annex

What is your attitude to the all-Ukrainian protests of teachers?

Support – 77.6 %  
Indifferent – 10.8 %  
Condemn – 3.2 %  
Unaware of the protests – 8.4 %

Are you ready to personally take part in protests?

Yes – 45.3 %  
No – 48.5%  
No answer – 6.2%

What can make you take part in protest actions?

(maximum of three answers)  
Hike in price of goods and services – 36.0%  
Delays with payment of salary (pension, scholarship) – 25.8%  
No job or threat of loss of job – 19.4%  
High level of corruption – 17.1%  
Breach of civil rights and freedoms – 14.8%  
Political situation in the country – 7.7%  
Other reasons – 3.3%  
Will not take part in protests for any reason whatsoever – 26.1%  
No answer – 7.3%

Prosecutor-General Office's Controversial Actions Fuel Distrust in Gongadze Case – experts

The Gorshenin Institute conducted an opinion poll among Ukrainian lawyers to learn the prospects of the probe into the Gongadze case, including the legality of the Prosecutor-General's Office charges against former president Leonid Kuchma.

Member of Ukrainian Parliament, Defence Lawyer Serhiy Vlasenko has said that the main problem of the accusation part of the case is using the “Melnychenko tapes” as evidence, even though expert examinations did not confirm the authenticity of the tapes.

“The resolution to open the criminal case may have at least some prospect only on one condition: if the investigators approve using Melnychenko's tapes as evidence with no reservations or restrictions. First, I would like to recall that over 10 years have passed since the tapes were made public. It is not clear where the original recordings of the tapes have been all this time and what happened to them. It is also not clear what happened to the original recording device used or allegedly used to record all this – this is the second aspect. Third, in order to recognize the tapes as unconditional evidence, the source of the origin of the tapes must be confirmed. Also, the authenticity of voices shall be confirmed and moreover, it is important to confirm that no technical acts or manipulations were made to the tapes. Fourth, and this is rather a legal than a political aspect, if the tapes are used as evidence for this particular case, they can probably also be used as evidence for other cases”, Vlasenko said.

Member of Ukrainian Parliament, Lawyer Svyatoslav Oliynyk supports Vlasenko's opinion saying that adduction of Melnychenko's tapes to the case is a serious legal problem.

“I also said before that if the Prosecutor-General's office recognized the tapes as evidence, then this becomes applicable to other people whose voices are heard on the tapes, and a decision shall be approved regarding these people as well. This is not only the Gongadze case, there are many other people involved. And it will take a long time for law circuits to discuss the legal procedure of adding the tapes to the case, I think”, Oliynyk said.

The polled experts also pointed out that leakage and publication in the media of the documents from the Prosecutor-General's Office, in particular, the accusation part of the case against former president Leonid Kuchma, is a planned act of provocation.

Oliynyk said: “Without doubt, the publication of the case's documents in the media clearly demonstrates that the documents were deliberately released from the Prosecutor-General's Office. This action speaks for the fact that the Prosecutor-General's Office now acts for this case in information space rather than in the legal frameworks”.

Honoured Lawyer of Ukraine, Member of Venice Commission Maryna Stavnyichuk condemned involving media stories like this in a criminal investigation.

“Unfortunately, this has already become a norm when piles of case-related

documents are published in the media in relation to different criminal cases. In principle, documents like these shall remain confidential for the investigation. And I believe that this is extremely bad performance, including the performance of the law-enforcement authorities,” Stavniychuk said.

Serhiy Vlasenko expressed the same position: - Quite often approaches like these are used as an element of manipulation of public opinion, as an attempt to affect the public consciousness in the course of an investigation of a criminal case. But the Prosecutor-General's Office, which can take a very principled position in case of leak of information in one criminal case, suddenly loses its principled stance when it comes to other cases.

Human Rights Activist, Head of International League of Protection of Human Rights of Ukrainians Eduard Bahirov said that inconsistency and controversy of the Prosecutor-General Office's recent actions and public statements in relation to the Gongadze case raised total distrust in the fairness of the investigation.

“All the people who used to have at least any relation to the Prosecutor-General's Office and looked into the criminal case, they caused irreparable damage to trust in fair results of the investigation. This is the biggest problem in the entire history of the Prosecutor-General's Office, Interior Ministry, State Security Service of Ukraine, justice and criminal investigation in Ukraine, at least for the period of Ukraine's independence. They have to use right and lawful measures to overcome this legal collapse, the so-called Gongadze case. This case has been investigated for so long, and statements by prosecutors-general made over the last 10 years, statements made by the investigators, defence lawyers, witnesses and other involved persons have been so controversial, that there is no trust not only in the Prosecutor-General's Office but also in the government in general”, Bahirov said.

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