



Gorshenin *Weekly*

ISSUE #30(99) 08/06/2012

Content

1. International political

Ukraine-Russia

Ukrainian parliament ratifies free trade deal with CIS...page 4.

Russia to resume gas talks with Kiev after Ukrainian parliamentary election...page 4.

Russia wants to upgrade Black Sea Fleet stationed in Ukraine...page 5.

Ukraine-EU

Germany reminds Ukraine about first anniversary of ex-premier's arrest ...page 5.

Paper says Polish consulate in Western Ukraine involved in visa fraud, human trafficking...page 6.

Ukraine-USA

USA points at problems with freedom of conscience in Ukraine...page 6.

Ukraine-China

Ukraine to borrow over 6bn dollars from China...page 6.

2. Domestic political

Authorities

Ukraine's chief political forces decide on candidates for parliamentary election...page 7.

President approves cancellation of tenders for state companies...page 8.

Ukrainian speaker signs controversial language law...page 8.

UEFA thanks Ukraine for hosting Euro 2012...page 9.

Traffic police say Ukrainian legislation sanctions violations of road rules by officials...page 9.

Ukrainian president dismisses security service's counterintelligence head...page 10.

Opposition

Election campaign kicks off in Ukraine. Opposition complains of

pressure...page 10.

Court delays hearing on Ukrainian jailed ex-premier's energy business case ...page 10.

Ukrainian authorities to limit visitors' admission to jailed ex-premier...page 11.

Ukrainian jailed ex-premier refuses to meet ombudsman...page 11.

Ukrainian jailed ex- minister's litigation to continue on 10 August...page 12.

Ukraine not challenged European court's ruling on ex-interior minister yet...page 12.

3. Human rights

Ukrainian prosecutor's office closes criminal cases against website, TV channel...page 12.

Law enforcers say journalist's murder solved...page 14.

International rights group urges Ukrainian MPs to rescind libel law...page 14.

Ukrainian traffic police threaten with arrest to drivers who video film inspectors...page 15.

Security guards beat well-known journalist during Ukrainian pro-presidential party's congress...page 15.

4. Economics

Ukraine to pay 1bn dollars to IMF...page 15.

Ukraine growing budget outlays...page 16.

Ukraine intends to step up cooperation with World Bank...page 16.

Ukraine records zero inflation in January-July...page 16.

5. Energy market

Construction of LNG terminal delayed...page 16.

Ukraine attracts investors only for one gas field in Black Sea shelf...page 17.

INTERNATIONAL POLITICAL

UKRAINE-RUSSIA

Ukrainian parliament ratifies free trade deal with CIS

On 30 July 2012, the Ukrainian parliament ratified an agreement on setting up a free trade area (FTA) with the Commonwealth of Independent States (CIS), the Lb.ua news and analysis website reported. The document was submitted for ratification by Ukrainian President **Viktor Yanukovych**.

Addressing MPs from the parliamentary rostrum before the vote, the first deputy head of the parliamentary foreign affairs committee, **Taras Chornovil**, expressed his opposition to the document.

“We [the committee] noted that there are doubts regarding the legal purity of signing [the agreement]. Did the guidelines which were given for the signing of the given agreement directly correspond to the text which was signed?” Chornovil wondered.

Additionally, he pointed to the lack of analysis of negative repercussions of the document's ratification. Furthermore, exemptions and restrictions on free trade in the agreement considerably exceed the volumes specified in similar agreements of the World Trade Organization, the politician added.

Ukrainian Economics Minister **Petro Poroshenko** said in an interview with the Ukrainian analytical weekly Dzerkalo Tyzhnya that Ukraine had no other option but to ratify the FTA agreement with the CIS.

“If we kept dragging out the implementation of previously reached agreements, then the volume of protective measures for restricting the access of goods to the Russian market would be significantly increased. I do not rule out that Russia will introduce additional duties for Ukraine if the agreement is not ratified,” he said.

The FTA agreement with the CIS was signed in St Petersburg on 18 October 2011 by the heads Armenia, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan and Ukraine. At present, the document has been ratified only by Russia, Belarus and Ukraine.

Russia to resume gas talks with Kiev after Ukrainian parliamentary election

The issue of the Ukrainian-Russian gas negotiations will not be relevant and Moscow will not put forward any proposals regarding this matter until an election to the Ukrainian Verkhovna Rada takes place in October, Russian ambassador to Ukraine **Mikhail Zurabov** said in a commentary for the Ukrainian news agency UNIAN on 31 July.

At the same time, he stressed that the issue of gas talks might be raised after the elections. The envoy did not rule out that Russia would propose the same conditions which were offered to the countries wishing to cooperate with the Customs Union.

In an interview with the BBC Ukraine on 1 August, Ukrainian Prime Minister **Mykola Azarov** said that the gas contracts signed in 2009 could be revised only on Russia's initiative. At the same time, he added that Russia will not apply punitive sanctions if Ukraine fails to withdraw the contractual volume of gas. "There are certain agreements with Russia to this effect," the prime minister explained.

Russia wants to upgrade Black Sea Fleet stationed in Ukraine

Russia plans to strike a deal with Ukraine by the end of 2012 on the terms of upgrading its Black Sea Fleet, which is stationed in Crimea, the Black Sea Fleet commander, Rear-Admiral **Aleksandr Fedotenkov**, said in Sevastopol on 29 July.

The first new Russian ship is to arrive in Sevastopol in 2014, he added.

At the same time, Ukrainian Defence Minister **Dmytro Salamatin** refrained from specifying the dates for signing the deal, explaining that "the negotiations are continuing and we are trying to draw up an agreement".

A sociological survey carried out by the Gorshenin Institute in April 2010 suggests that the majority of Ukrainians (60.5 percent) believe that the deployment of the Russian Black Sea on the Ukrainian territory until 2047 does not pose a threat to the country's sovereignty.

UKRAINE-EU

Germany reminds Ukraine about first anniversary of ex-premier's arrest

On 3 August 2012 the German Federal Government Commissioner for Human Rights Policy, **Marcus Loening**, addressed Ukraine saying that the supremacy of the law, independence of the judicial branch of power and fair election to parliament in October this year are paramount for the country's further approaching the European Union. The address was dedicated to former Prime Minister **Yuliya Tymoshenko's** one year in prison.

Tymoshenko has been remaining under arrest since 05 August 2011.

On 11 October 2011 the Kiev's Pecherskyy district court convicted Tymoshenko to seven years behind bars for abuse of power when signing the gas contracts with Russia in 2009.

Paper says Polish consulate in Western Ukraine involved in visa fraud, human trafficking

On 1 August 2012 the Polish newspaper Gazeta Polska Codziennie citing its own sources said that a criminal grouping in the Polish consulate in the Western Ukrainian city of Lutsk illegally issued Schengen visas for prostitutes and, possibly, even for human trafficking.

According to Gazeta Polska Codziennie, at least one Polish consul, one driver and one security service officer were involved in the criminal ring. The Polish border service identified the ring back in 2011.

UKRAINE-USA**USA points at problems with freedom of conscience in Ukraine**

The US Department of State on 30 July 2012 published the 2011 International Religious Freedom Report which says that in Ukraine there were cases of anti-Semitism and anti-Muslim discrimination, as well as discrimination against some Christian denominations. Also, the Department of State's report mentions property raids against the Ukrainian Greek Catholic church, Jewish and Muslim communities.

UKRAINE-CHINA**Ukraine to borrow over 6bn dollars from China**

On 3 August 2012, President **Viktor Yanukovich** approved two laws that introduce changes to the national budget, particularly, increase the ceiling of state guarantees in 2012.

These documents were adopted by parliament during an extraordinary session on 30 July. The first law approves the borrowing of 3.56bn dollars from China to be spent on switching Ukraine's thermal energy sector from using Russian natural gas to domestically produced coal. Ukraine and China are going to channel these funds into upgrading Ukrainian thermal power facilities, switching them from using natural gas to coal-water fuel, and building a plant for gasification of lignite and hard coal.

The second document is aimed at drawing in 3bn dollars from China in order to purchase Chinese agricultural machinery and agricultural products.

According to the Dzerkalo Tyzhnya weekly, the loans have been extended for 15 years at an interest rate of 6% per annum. In an interview with the Den newspaper on 5 July 2012, Agriculture Minister **Mykola Prisyazhnyuk** said that Ukraine pledged to supply China with 2-2.5 million tonnes of corn every year as part of the loan repayment programme.

According to ex-Finance Minister **Viktor Pynzenyk**, the recent changes to the 2012 state budget law increase the size of state guarantees by more than four times (up to 8.6bn dollars), which is a record level for Ukraine. "In case the government provides such guarantees, taking into consideration the current trend of budget execution, the public debt of Ukraine (direct and guaranteed) this year may come close to 75bn dollars and exceed 40 percent of GDP," the expert said. At the same time, Pynzenyk noted that guaranteed debt in the Ukrainian realities can be considered as budget deficit because it quickly becomes direct public debt.

DOMESTIC POLITICAL

UKRAINIAN AUTHORITIES

Ukraine's chief political forces decide on candidates for parliamentary election

At the end of July- beginning of August 2012, the major Ukrainian political forces held their congresses, which approved candidates who will run for parliamentary seats in October.

Journalists Tetyana Nikolayenko and Serhiy Leshchenko wrote in an article for the Ukrainian news and analysis website Ukrayinska Pravda on 30 July 2012 that during a congress of the pro-presidential Party of Regions, delegates had voted for a list of candidates without even knowing who is actually on the list. In the opinion of the authors, judging from those people who were included on the list, the "Donetsk" group has won the internal struggle in the Party of Regions. The top of the list does not include the names of people from the presidential administration headed by **Serhiy Lyovochkin** (many experts believe that he represents the RosUkrEnergogroup). At the same time, representatives of Donbass were prominently featured in the list. A few MPs from speaker Volodymyr Lytvyn's bloc were also placed at the top of the candidate list.

It is known that a number of experts and mass media outlets link the RosUkrEnergogroup with Russian President **Vladimir Putin**.

At the same time, journalist **Heorhiy Semenets** wrote in an article for the Internet website ORD that pro-Kremlin candidates could win parliamentary seats through the list of the Udar party headed by **Vitaliy Klitschko**. Semenets added that this process was supervised by the former head of the presidential administration, **Viktor Medvedchuk**. Putin is the godfather of his daughter. The Udar party's congress was held on 1 August.

Despite the fact that the Forward Ukraine party headed by **Nataliya Korolevska** was held on 1 August, as of 4 August the political force has not yet publicized its candidate list. A number of experts and mass media outlets believe that this party is a pro-government project, which is funded by the Party of Regions.

On 30 July, the united opposition Fatherland also organized a congress, which approved a candidate list. Many prominent opposition politicians were not included in the top of the list, which stirred criticism in the opposition circles. Two MPs even quit the Yuliya Tymoshenko Bloc parliamentary faction to protest against this.

President approves cancellation of tenders for state companies

According to the Lb.ua news and analysis website, on 2 August 2012, President **Viktor Yanukovich** signed a law that relieves state-owned enterprises from carrying out tender procedures when purchasing goods, work and services with internal funds. Tender procedures will be mandatory only for state-owned companies that make procurements with public money coming from national and local budgets.

In an article for the Dzerkalo Tyzhnya weekly as of 3 August, journalist **Andriy Marusov** said that one year ago, Yanukovich was against cancelling the tender procedure for state-owned enterprises because such an action “would conflict with Ukraine's international obligations regarding the adaptation of its legislation to the legislation of the EU, and therefore, it cannot be approved.”

According to ex-Minister of Economics **Bohdan Danylyshyn**, his actions that served as a basis for launching a criminal case against him have long been legalized. “With this law taking effect, public procurement as such can be considered as an ordinary bazar. The actions I've been prosecuted for have long been legitimized, plus the whole Euro 2012 [was held] without tenders. All these charges that they are bringing against me look really strange compared to what is being done today,” the former minister said.

Ukraine is accusing Danylyshyn of causing a loss to the state due to making procurement from a single participant. In January 2011, the ex-minister was granted political asylum in the Czech Republic.

On 1 August 2012, the government approved the state order for public procurement in 2012 for a total amount of 363m dollars.

Ukrainian speaker signs controversial language law

On 31 July 2012, Ukrainian parliamentary speaker **Volodymyr Lytvyn** signed the law on language policy. The document was submitted to President **Viktor Yanukovich** for signing.

On the same day, members of the opposition filed a lawsuit against Lytvyn and his first deputy **Adam Martynyuk** for violating the procedure of adopting a law and also for signing the clearly illegal document.

Presidential advisor **Maryna Stavniychuk** said that the adoption of the law

took place with an egregious violation of the law “On the procedures of the Verkhovna Rada”, and that “a considerable part of the law provisions contradicted articles of the Ukrainian constitution and international documents ratified by Ukraine”.

In response, one of the language law co-authors, MP of the pro-presidential Party of Regions **Vadym Kolesnichenko** criticized Stavnichuk's statement, saying that the presidential advisor had expressed her subjective opinion.

On 2 August, the National committee for morality issues asked the president to veto the law on language policy, as it contradicts the national interests of the Ukrainian people, poses a threat to civil peace and gives rise to separatist sentiments.

The law on language policy, which significantly expands the rights of the Russian language in a number of Ukrainian regions, was adopted on 3 July.

Commenting on the language law for the Gorshenin Institute, an MP of the opposition parliamentary faction Yuliya Tymoshenko Bloc, **Oleksandr Hudyma**, expressed the view that Yanukovich would not sign the document in the nearest future and would return it to parliament for amendments. “I believe that this law will be signed in October,” the lawmaker said.

UEFA thanks Ukraine for hosting Euro 2012

On 2 August 2012, UEFA President **Michel Platini** thanked Ukrainian Deputy Prime Minister **Borys Kolesnikov** for the impeccable organization of the Euro 2012 football championship in Ukraine.

Platini also asked the Ukrainian politician to express his sincere gratitude to the National agency for preparing to Euro 2012, which played an important role on the governmental level for ensuring that the tournament was held successfully and providing a system of measures and the required infrastructure for the Euro 2012 championship.

The results of a sociological survey conducted by the Gorshenin Institute in July 2012 suggest that the majority of the Ukrainian population (56.4 percent) believes that Euro 2012 can be considered Ukraine's success in foreign policy.

Traffic police say Ukrainian legislation sanctions violations of road rules by officials

Governmental convoys may violate the road rules since it is allowed by law, the deputy head of the State Traffic Police, **Volodymyr Reznikov**, said on 2 August.

On 2 January 2012, a convoy, which was going to the house of Ukrainian President **Viktor Yanukovich** and was escorted by a traffic police vehicle,

caused a traffic accident and did not stop. The mass media reported that a minibus with passengers had turned upside down and several vehicles had also been damaged as a result of the accident.

On 21 April 2011, an emergency vehicle from the presidential convoy crashed into a cab. This accident killed the cab driver and two passengers were seriously injured.

Ukrainian president dismisses security service's counterintelligence head

On 3 August 2012, Ukrainian President **Viktor Yanukovich** dismissed **Oleksandr Sedelnikov** from the post of head of the counterintelligence department the Security Service of Ukraine (SBU) and appointed him as head of the SBU directorate in Kirovohrad Region.

UKRAINIAN OPPOSITION

Election campaign kicks off in Ukraine. Opposition complains of pressure

The parliamentary election campaign started in Ukraine on 30 July 2012. The election to parliament scheduled to take place on 28 October this year.

Political parties can nominate their candidates both on parties' lists and on single-seat constituencies before 9 August.

On 1 August 2012 Ukrainian media reported about an arrest of **Luydmyla Nikitina**, the united opposition's election campaign manager in Mykolayiv Region. Nikitina is suspected of misappropriation and embezzlement of property through abuse of power. A crime like this is punishable with five to eight years in prison.

Petro Sabashchuk, who is going to run as an independent candidate at one of the constituencies in Zaporizhzhya, said on 2 August that after he submitted documents for registration, he was contacted by tax authorities and informed that a criminal case was launched against him.

On the same day, police in Mykolayiv detained six people for posting leaflets against the Party of Regions.

Court delays hearing on Ukrainian jailed ex-premier's energy business case

On 31 July 2012 a Ukrainian court changed the date of the sitting on the criminal case against former Prime Minister Yuliya Tymoshenko and the United Energy Systems company to 14 August 2012. The sitting was re-

scheduled following a request from the prosecution in order to have time to establish Tymoshenko's stance regarding her participation in the court's sitting via videoconference. Tymoshenko did not attend the sitting.

Tymoshenko's defence lawyer, **Serhiy Vlasenko**, read his client's statement refusing to take part in the court's sitting via videoconference. Tymoshenko repeated this statement in writing on 2 August 2012.

Prosecutor **Viktoriya Kalyta** said that a videoconference is not possible without Tymoshenko's written consent.

The Yuliya Tymoshenko Bloc's press service said later that Tymoshenko's supporters and opponents clashed outside the court's building while the sitting was taking place.

Ukrainian authorities to limit visitors' admission to jailed ex-premier

The Ukrainian state penitentiary service and the administration of the hospital where Yuliya Tymoshenko is staying said on 2 August 2012 that they plan to limit access of visitors to the former prime minister while she is in the hospital in order to concentrate on Tymoshenko's rehabilitation.

The statement also says that Tymoshenko has had over 340 meetings between 5 August 2011 and 31 July 2012.

Ukrainian Deputy Health Minister **Rayisa Moiseyenko** also urged limiting the number of visitors to Tymoshenko.

On 30 July 2012 German doctors examined Tymoshenko. Doctor **Karl Max Einhaeupl** said that there was progress in the medical treatment of his patient. He added that for successful rehabilitation the patient needs eight weeks of calm.

Ukrainian jailed ex-premier refuses to meet ombudsman

Yuliya Tymoshenko's defence lawyer **Serhiy Vlasenko** said on 2 August 2012 that Tymoshenko does not want to meet the Ukrainian parliament's commissioner for human rights **Valeriya Lutkovska**.

According to Vlasenko, Lutkovska's recent statements demonstrate that "she either decided to serve devotedly the incumbent government overriding professional principles or she does not understand fundamental principles of the law".

On 19 July Lutkovska said that the rights of the jailed opposition figures, in particular, former Prime Minister Yuliya Tymoshenko and former Interior Minister Yuriy Lutsenko, were not violated.

Lutkovska plans to meet Yuliya Tymoshenko as soon as doctors lift limitations on visitors to the former prime minister.

Ukrainian jailed ex- minister's litigation to continue on 10 August

On 3 August 2012 a Ukrainian court postponed till 10 August the consideration of the case against former Interior Minister Yuriy Lutsenko charging him of establishing illegal surveillance.

The court approved a decision to this effect after Lutsenko's defence lawyers claimed that it is not possible to proceed with the hearings on the absence of the victim, **Valentyn Davydenko**.

Earlier, Davydenko sent a letter to the court saying he does not consider himself a victim and asked not to summon him to the court regarding this case.

Ukraine not challenged European court's ruling on ex-interior minister yet

The head of the secretariat of the government envoy to the European Court of Human Rights, **Nazar Kulchytsky**, said on 1 August 2012 that no appeal to the court's ruling regarding the former Interior Minister Yuriy Lutsenko's case has been submitted yet.

On 2 August, the Ukrainian parliament's commissioner for human rights, **Valeriya Lutkovska**, said that the ECHR's ruling regarding the former Interior Minister Yuriy Lutsenko has not yet taken effect, so she had no reasons to interfere into the situation.

On 3 July, the ECHR ruled Lutsenko's detention and arrest were illegal and declared presence of political motives behind Lutsenko's arrest.

HUMAN RIGHTS

Ukrainian prosecutor's office closes criminal cases against website, TV channel

On 3 August 2012, the Kiev prosecutor's office said that a criminal case launched against the Lb.ua news and analysis website over an alleged violation of the secrecy of correspondence of MP of the pro-presidential Party of Regions **Volodymyr Landik** had been closed.

Such a decision was taken based on the results of a check of the legality of the opening and investigating the criminal cases against mass media outlets and the Lb.ua website, in particular. The check was carried out upon a request from Ukrainian President **Viktor Yanukovych** and an order from Prosecutor-General **Viktor Pshonka**.

The prosecutor's office said that a violation of law by Lb.ua had not caused significant harm. It also pointed to the incoherent position of Landik, who made contradictory statements for the press on multiple occasions.

We shall remind you that photos of Landik's text message exchange were taken in the parliamentary chamber in November 2011 by an accredited in parliament Lb.ua journalist. Later, the pictures were posted on the Lb.ua website and the MP filed a complaint with the prosecutor's office. The prosecutor's office started an investigation and launched a criminal case eight months after Landik's initial request.

On 2 August 2012, the press service of the Kiev prosecutor's office said that on 1 August the investigative unit of the Kiev tax police closed a criminal case against the director-general of the TV channel TVi, **Mykola Knyazhytskyy**, who was accused of tax evasion. It was also decided to return seized documents to the TV channel.

On 3 August 2012, the editor-in-chief of the Lb.ua website, **Sonya Koshkina**, said that its editorial office had not yet received the official documents confirming the closure of the criminal case.

In her opinion, the decision on closing the criminal cases against Lb.ua and the TVi channel was political.

"On the one hand, we are satisfied with the fact that we are no longer facing the threat of seven years behind bars, arrests and searches and with the fact that we can continue working as before. On the other hand, it is a pity that in the legal sphere, we are still vulnerable – as vulnerable as many Ukrainian citizens are in front of the arbitrariness of employees of law-enforcement agencies and corrupt courts," she noted.

"We are grateful for the support of Ukrainian and European politicians, Reporters Without Borders, Freedom House, the Independent Media Trade Union of Ukraine, and the National Union of Journalists of Ukraine and of many other colleagues. Also, first and foremost, we thank our readers for the support which we felt during this difficult time," Koshkina said.

"The decision to close the cases is also a positive signal for Ukraine in general because it is possible that those who tried to destroy us were pursuing more large-scale goals such as the ultimate undermining of the Ukrainian government and the closing of the path to democratic Europe for Ukraine," the Lb.ua editor-in-chief added.

We shall remind you that earlier Koshkina accused four high-profile officials of attacking Lb.ua. When the work of Lb.ua was suspended, the publication's home page featured pictures of the head of the Ukrainian presidential administration, **Serhiy Lyovochkin**; the first deputy prosecutor-general, **Renat Kuzmin**; the first deputy prime minister, **Valeriy Khoroshkovskyy**; and presidential advisor **Andriy Portnov**, subtitled "You should ask them where Lb.ua is gone".

Two of the above mentioned individuals belong to the so-called RosUkrEnergo group, which some experts link with Russian President **Vladimir Putin**.

Law enforcers say journalist's murder solved

The murder of the editor of the Kharkiv newspaper Novyy Stil (New Style), **Vasyl Klymentyev**, has been solved, the head of the Ukrainian Interior Ministry's investigative directorate, **Vasyl Farynnyk**, said on 2 August 2012.

The chief suspect is a former employee of a law-enforcement agency, **Andriy Kozar**, who is currently wanted. The main version of the crime is a murder motivated by the professional activity of the journalist.

On 11 August 2010, Klymentyev left home with an unknown man and never came back. A criminal case was launched under an article dealing with a premeditated murder.

International rights group urges Ukrainian MPs to rescind libel law

On 2 August 2012, the international organization Reporters Without Borders called on the Ukrainian Verkhovna Rada to revoke the libel law.

In the opinion of the organization, this document is directed against the independent mass media and promotes self-censorship by journalists. Reporters Without Borders believe that the adoption of the given law might result in criminal persecution of journalists for publishing articles about the activity of politicians and influential businessmen, which will threaten the work of the independent mass media.

On 19 July, an MP of the pro-presidential Party of Regions, **Vitaliy Zhuravskyy**, registered in parliament a draft law, which proposes to introduce criminal responsibility for circulating false information.

Ukraine banned criminal responsibility for libel in 2001 after the new Criminal Code came into force.

Ukrainian traffic police threaten with arrest to drivers who video film inspectors

In an official response of 20 July 2012 to a public inquiry, the deputy head of the State Traffic Police, **Volodymyr Reznikov**, said that the citizens who video film the work of traffic policemen might be fined, punished with community service or administratively arrested for 15 days.

Later, Reznikov said on the TV channel TVi that his words have been incorrectly interpreted by a number of mass media outlets. "Anyone can freely video film a policeman and a traffic policeman if these employees are carrying out their functional responsibilities, but not as part of operational and investigative activities," he added.

Security guards beat well-known journalist during Ukrainian pro-presidential party's congress

Before the beginning of a congress of the Ukrainian pro-presidential Party of Regions on 30 July 2012, bodyguards of a delegate beaten journalist **Mustafa Nayem**.

Nayem said that the incident took place after a convoy car of one of the congress participants cut in front of the journalist's motorcycle on the way to the venue where the event was held. When Nayem and the convoy vehicle came to the venue, the journalist approached it to ask who was driving the car. A bodyguard came from the vehicle and knocked a phone from Nayem's hands. After that, a second bodyguard picked the phone, deleted from it the video made by the journalist and returned it to Nayem.

The presidential administration said that the case about the beating of the journalist was submitted to a prosecutor's office.

ECONOMICS**Ukraine to pay 1bn dollars to IMF**

On 2 August 2012, Prime Minister **Mykola Azarov** announced that in September Ukraine will pay 1bn dollars to the International Monetary Fund (IMF). In addition, Azarov emphasized that Ukraine has no intention to raise natural gas tariffs for households, which is one of the IMF's main requirements that would give Ukraine the green light to receive another tranche of the loan. Azarov also said that the country has been managing without IMF loans for 2 years.

On 31 July 2012, First Deputy Prime Minister **Valeriy Khoroshkovskyy** met IMF Managing Director **Christine Lagarde** in Washington D.C. After the meeting, Khoroshkovskyy announced that an IMF mission will visit Ukraine in September.

Senior Macroeconomics Analyst at the Dragon Capital **Yelena Belan** believes that in any further negotiations on the resumption of financing to Ukraine, the IMF will stand firmly on their main requirements, demanding that Ukraine increase gas prices for households and observe fiscal discipline. "The Ukrainian authorities will make advance towards the IMF after the elections in order to quickly resume the funding from the IMF and thus to be able to get cheaper and larger loans next year," the expert said.

Ukraine growing budget outlays

On 1 August 2012, the Finance Ministry reported that the national budget expenditures in the first six months of 2012 increased by 13.3 percent year-on-year to 21.1bn dollars.

Ukraine intends to step up cooperation with World Bank

At a meeting with the World Bank's management in Washington D.C. on 31 July 2012, First Deputy Prime Minister **Valeriy Khoroshkovskyy** said that the Ukrainian government is ready to make all "necessary steps" to obtain loans from the World Bank, particularly to start the Second Programmatic Financial Rehabilitation Development Policy Loan Programme to the amount of 350m dollars and the Fourth Development Policy Loan Project for 500m dollars.

Ukraine records zero inflation in January-July

On 3 August 2012, Prime Minister **Mykola Azarov** said that according to the most recent data over the first seven months of the current year Ukraine has recorded zero growth of the consumer price index.

The 2012 national budget of Ukraine is based on the government's inflation forecast of 7.9 percent.

Economics Minister **Petro Poroshenko** says that a lower rate of inflation is not a positive development since inflation has been decelerating due to lower demand on the domestic market.

ENERGY MARKET

Construction of LNG terminal delayed

On 2 August 2012, Economics Minister **Petro Poroshenko** said that at his request the government postponed consideration of the feasibility study for construction of a liquefied natural gas terminal (LNG terminal) in Ukraine. The minister explained that he has comments to the document, but did not specify the details.

Ukraine attracts investors only for one gas field in Black Sea shelf

On 3 August 2012, Ukraine announced that two investors are willing to participate in the tender for the development of Skifske oil and gas field located on the Black Sea shelf. At the same time, no applications have been submitted for Foroske field.

Particularly, the first application for Skifske field came from LUKOIL Overseas. The second is a joint application from four companies, namely ExxonMobil, Shell, Petron and Nadra Ukrayiny. ExxonMobil is named in the application as the main operator.

Ukraine announced tenders for production sharing agreements (PSAs) on Skifske and Foroske areas on the Black Sea shelf two months ago, on 2 June.

As the Dzerkalo Tyzhnya weekly reported, according to the tender terms, the tender participation fee makes 125,000 dollars. The price of the tender documentation package is 1.25m dollars.

After signing a PSA, the investor should pay at least 300m dollars of special premiums to the state budget in a 10-day term.

Our contact information:

4, Vorovskogo street,
Kiev 04053, Ukraine
+38 044 230 4962
+38 044 230 4966 f



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