



# Gorshenin *Weekly*

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**Viktor Yanukovich:  
Ukrainian Corrupt  
Officials are hiring  
foreign lobbyists**

**The President of Ukraine does not agree with the statements that the fight against corruption in Ukraine only targets the people that are in opposition to the current Government.**

The Head of State says the corrupt individuals, trying to avoid responsibility, are using various lobbying groups in the country as well as overseas with the purpose of discrediting the actions of the Ukrainian authorities. The President reminded that everybody should be held responsible for corrupt acts regardless of what political party they belong to.

Earlier V.Yanukovich accused the opposition in distributing the false information regarding Europe's reaction to the situation in Ukraine. 'They are lying through their teeth, distorting the facts, and hiring people in Europe, in the United State and in Ukraine to disorient the whole world and the Ukrainian community', - the President says.

Along with that, Deputy Head of 'Batkivschyna' Party **Grygoriy Nemyrya** has announced that the European politicians are more and more concerned about the situation in Ukraine. The Leader of 'Narodniy Rukh' **Borys Tarasiuk** said that the European parliamentarians were enraged with V.Yanukovich's statement that the Ukrainian opposition had 'hired' certain European politicians. According to him, for European politicians, accustomed to live by the laws and in a strict adherence with the rule of law, this is a very serious accusation.

The Ministry of Foreign Affairs (MFA) of Ukraine, in response to these statements expressed its surprise as to how Ukrainian opposition is interpreting European politicians' statements with regard to Ukraine. 'It surprises us that such politicians as B.Tarasiuk and G.Nemyrya recently took upon themselves the role of press secretaries and official interpreters of the leading European politicians', - said the Director of the Department of Information Policies of the Ministry of Foreign Affairs **Oleg Voloshyn**. In his words, any interpretations of the European politicians' statements made by the Ukrainian opposition invoke 'big doubt as to their authenticity'.

Also the MFA of Ukraine, namely the Embassy of Ukraine in France, has distributed the statement that the Leader of 'Batkivschyna' Party **Yulia Tymoshenko** is using criminal cases open against her with the purpose of increasing her party's popularity. In the statement issued by the Embassy, it says that the use of the European Union (EU) structures and parties in order to put pressure on Ukrainian judiciary is unacceptable.

As a reminder, there are two criminal cases pending against the former Prime Minister of Ukraine and she has been released on her own recognizance.

**Ukraine to Sign Free  
Trade Deal in 2011 -  
EU**

**The Free Trade Agreement between Ukraine and the European Union will be signed in 2011, the head of the EU negotiating group on free trade area, Philippe Cuisson, said.**

'Such an agreement would go in effect in 2013, and it will be a transitional period for Ukraine. We know that Ukraine will not be ready for this agreement right now and it is therefore necessary to resolve the issue of quotas and tariffs. The Free Trade Agreement (FTA) progress would take 5-10 years', - Ph.Cuisson said. He stressed that the Parties managed to reach agreements on almost all the issues, however the discussion continues on some of Ukrainian food products where EU is reluctant to lift restrictions.

Former Ukrainian President **Leoinid Kuchma** considers the conditions that EU offers Ukraine in course of the preparation to the free trade agreement as unacceptable. In particular, L.Kuchma said that based on the EU-offered conditions, the European market will remain closed for a number of Ukrainian agriproducts while the Ukrainian markets will stay open for commodities from the EU. 'What are we talking about, what free trade?', - L.Kuchma said. L.Kuchma believes that Ukraine can still compete with the EU in agricultural sector, but this is not the case for the hi-tech sector. That is why the former Ukrainian president predicts Ukraine would only loose from signing the free trade deal with EU.

We recall that Ukrainian President Viktor Yanukovych earlier called on analyzing the ways to expedite the EU-Ukraine FTA talks while protecting the national interests of Ukraine.

### **Ukrainian Opposition Contest Constitution Changes in Constitutional Court**

**Members of the Ukrainian Parliament form the 'NU-NS' and 'BYuT-Batjkivshyna' have filed a complain with the Constitutional Court of Ukraine challenging the changes to the Ukrainian Constitution regarding the extension of powers of the people's deputies.**

The opposition believe that changes were approved illegally as voting cards of the absent deputies were used.

It is to remind that Ukrainian Parliament approved changes to the Constitution on 1 February 2011. According to the approved changes, the next parliamentary election will take place in October 2012 rather than in March 2011.

President **Viktor Yanukovych** believes that the Constitutional Court rules the changes compliant with the Constitution. 'I am certain the Ukrainian Constitutional Court will uphold the approved changes. This is going to be a purely formal issue,' - V.Yanukovych said.

The member of the Venice Commission, **Maryna Stavniychuk**, in her turn expressed the hope that the Ukrainian Constitutional Court, when making its verdict regarding the changes to the Constitution, would act in the legal framework. 'Despite the fact that the Constitutional Court in all issues, not only legal but also political, quite often recently took a political and legal position, it still would be desired if in regard to the issue of changes to the Ukrainian Constitution, the Constitutional Court acted solely in the framework, within the limit and on the basis provided by the Constitution', - M.Stavniychyk said. Stavniychyk recalled that the Venice Commission repeatedly said that the Constitutional Court shall work in the constitutional framework and shall resist all political or any other influence.

M.Stavniychyk also said that the Ukrainian government pay no attention to the Venice Commission's remarks. In particular, she said that the Ukrainian authorities did not address the Venice Commission's recommendations regarding the legal and court reform, the law on meetings, rallies and peaceful manifestations, development and approval of the Election Code.

### **IMF Makes Concessions to Ukraine**

**The Ukrainian Cabinet and IMF have managed to reach compromise on the majority of issues of the Memorandum on Economic and Financial Policies, Ukrainian Prime Minister Mykola Azarov said.**

M.Azarov was commenting on the meeting with the representatives of the IMF mission who wind up their work in Ukraine.

The head of IMF mission, **Thanos Aravintis**, said for his part: 'I think we have made significant progress in the negotiations and taken a great step forward in the past few days. We have reached agreement on almost all of the issues that we had'. Later

T.Arvinčis said that that Ukraine and IMF agreed on the schedule for gradual increase of the tariffs of gas. The IMF also expects that Ukraine will continue implementing the administrative reform and the law on the pension reform will take effect in March 2011.

We recall that the IMF mission came to Ukraine on 1 February 2011 to negotiate the second review of the Ukraine-IMF cooperation programme. We also recall that end of December 2010 IMF approved the decision to release the second credit tranch about \$1.5 billion.

### **The Head of the Ukrainian Parliament: Europe trusts Ukraine less**

**The Speaker of the Ukrainian Parliament Volodymyr Lytvyn announced that the level of trust towards Ukraine on the part of the European Community was dropping.**

'I am very sorry to hear such bitter comments regarding Ukraine. Along with that I think that it would be counterproductive to convince them otherwise. I think that the responsibility for this situation should be taken by all politicians and officials', - said the Head of the Parliament.

V.Lytvyn thinks that one of the reasons of such negative remarks is that there's no dialogue between Ukrainian politicians.

Earlier the acting Chairman of the OSCE **Audronius Ažubalis** said that the OSCE was counting on the speedy addressing of all issues with regard to the freedom of speech and democracy in Ukraine. In his words, international community is under the impression that there are certain problems in Ukraine concerning human rights and freedom of media.

Besides, the President of the European Parliament **Jerzy Buzek** is concerned about the limitations of freedoms in Ukraine. He also expressed his concern with regard to the criminal prosecution of opposition politicians.

Along with that, the First deputy Head of the Parliamentary Committee on European Integration, member of the Party of Regions, **Volodymyr Verchenko**, thinks that certain critical statements about the situation in Ukraine coming from a particular group of European politicians are only their personal opinions and not the reflection of the EU's position.

### **Ukraine Starts Receiving US Nuclear Fuel**

**The President of the Ukrainian national nuclear operator Enrgoatom, Yuriy Nedashkovskyy, said that the US-based Westinghouse corporation started commercial supplies of nuclear fuel to Ukraine.**

Y.Nedashkovskyy said there are lots of nuclear fuel supplies expected in 2011. The fuel will be loaded in the reactors of the Zaporizhzhya and South Ukraine nuclear Power Plants. Y.Nedashkovskyy said that the cooperation with Westinghouse evolves successfully and the price parameters of Westinghouse fuel exceed those of Russian fuel due to extended operational lifetime.

Earlier, after signing an agreement with the Russian TVEL corporation, it was expected that all the Ukrainian nuclear power plants will use Russian fuel only, and in the future will switch to Ukrainian fuel as well.

We recall that the Ukrainian state-owned concern Nuclear Fuel signed an agreement with Russian TVEL corporation in October 2010 on construction of the nuclear fuel fabrication plant in Ukraine before 2013.

## **USA to Help Ukraine in Shale Gas Drilling**

### **Ukrainian Energy Minister Yuriy Boyko said that Ukraine is interested in involving US companies in drilling non-conventional gas.**

'Ukraine takes measures to start cooperation with transnational corporations to develop drilling of non-conventional gas in Ukraine. I would like to stress that we are interested in the cooperation with the USA in this sector,' – Boyko said.

Earlier, Ukrainian Prime Minister **M.Azarov** said that the Ukrainian Cabinet was intended to sign a memorandum on shale gas drilling with the US government. Ukrainian media report that Ukraine plans to provide US Department of energy with information on shale gas fields in Ukraine. American experts will review the information and conclude on perspectives of further exploration and drilling of gas deposits.

We recall that at the beginning of February 2011 M.Azarov told about Chevron's intentions to invest in drilling of shale gas in Ukraine. According to M.Azarov, Chevron is ready to invest on condition of political stability and stability of tax rules.

## **Ukraine ready to make concessions to Russia in Strait of Kerch delimitation – media Foreign Ministry denies concessions**

### **Ukrainian and Russian media report that Ukraine is ready to make a number of concessions to Russia in the issue of delimitation of the sea border.**

In particular, Ukraine is ready to accept Russia's proposals to be more loyal in delimitating the Strait of Kerch, the Sea of Azov and the Black Sea moving the border line towards the Ukrainian coast and also to provide guarantees of freedom of navigation through the Strait of Kerch to Russian ships. Many experts believe Kyiv opted for this compromise as Ukraine needs to finalize legal arrangement of its borders to proceed with the visa free dialogue with EU.

According to media reports, preliminary agreements with Russia were reached at private negotiations in Kyiv between a group of Russian diplomats led by Russian President's Special Representative **Aleksandr Golovin** and a group of Ukrainian experts led by Special Envoy **Viktor Kyryk**.

If the Strait of Kerch is divided as Russian representatives insist, Russia will use part of the navigable Kerch-Yenikale Channel where around 9,000 ships pass every year. Moreover, Russia will take over part of Ukraine's fish resources and perspective gas fields, experts say.

Ukrainian Foreign Ministry's Spokesman **Oleksandr Dykumarov** for his part denied the information regarding concessions to Russia in delimitation of the sea border. O.Dykumarov said Ukraine did not change its position on the issue.

## **'Ukrtelecom' will be sold for \$1.32 billion**

### **The company 'Epic Financial Consulting Gesellschaft' (Epic) has accepted the evaluation of the 92.79% of 'Ukrtelecom' shares and is ready to pay \$1.32 billion for them finalizing the deal by mid-March this year.**

Earlier the Head of the Board of Directors of 'Ukrtelecom' **Georgiy Dzekon** announced that the starting price of the state-owned stake in the amount of \$1.32 billion was way too high.

As a reminder, the tender for the state-owned stake was scheduled for December 28th, 2010, but there was only one application to participate in the tender, submitted by 'ESU'. Later, the Fund of State Property of Ukraine has offered 'ESU' to buy 'Ukrtelecom' for \$1.32 billion.

As a reminder, 'ESU' is a part of the Epic that represents the **George Soros** Foundation Quantum in Eastern Europe.

## **PROSPECTS FOR UKRAINIAN BUSINESS IN RUSSIA – EXPERT POLL**

### **Ukrainian business ready for work at Russian market – Experts**

The Gorshenin Institute held a round table discussion - Prospects for Ukrainian Business in Russia - on 8 February. Experts and businessmen discussed the most promising areas of cooperation for Russian and Ukrainian business.

**President of UPEC Industrial Group Anatoliy Girshfeld** considers that Ukrainian business has prospects in Russia in the knowledge-based industry sector while operations in raw material sectors may be hampered with strong government regulation. 'The government actively regulates the raw materials and associated industry sectors and it won't lose its hands on it. This is the main source of the budget income', - O.Girshfeld said. 'The state of the knowledge-based industry is a common problem to the entire post-Soviet space. That is why Russia has to allow entering its markets the companies developing in the knowledge-based industry, even in strategic sectors,' – A.Girshfeld said

**Head of Russian Embassy in Ukraine Economic Sector, Advisor Oleksiy Urin**, said that there are no obstacles for investing into raw materials sector. 'We are waiting impatiently. I am talking seriously', - Urin said. "Russia has been paying lots of attention to attract foreign investments over the last years. Unfortunately, as of today we see no serious flow of investments from Ukraine. Ukraine's share is hardly seen on the background of 110 billion dollars of annual investments to Russia. I believe this situation is absolutely not normal', - O.Urin said adding that distribution of investments by sectors shows that most of the interest is paid to the processing branch. 'This is fully in line with the course taken by our government to support the processing industry, to support hi-tech manufacturing', - the diplomat said supporting his words with figures: 'For instance, Russia's processing industry attracted 12 billion dollars during three quarters of 2010 (not only direct investments, of course, but also portfolio investments while the mining sector received only 8.6 billion dollars, as many as the trade sector'. According to O.Urin, this fact shows foreign investors' interest to higher conversion of product. 'In this regard, I would like to call on Ukrainian machine builders and industrialists to feel free entering the markets. A number of regions in the country offer good and very good investment conditions to foreigners. I believe they will be glad to meet the Ukrainian capital', - Urin said.

Head of MT-Invest Supervisory Board **Myroslav Tabakharnyuk** said that Ukrainian companies require a support from own government for active promotion to the Russian markets, similar to the support that Russian companies receive: 'Promotion is only possible with the governmental support and political and financial levels', - Tabakharnyuk said.

**The lawyer of the MAGISTERS International Law Firm Tetyana Khadzhevskaya** said that one of the obstacles for promotion of Ukrainian investments to the Russian markets is the tendency towards the limitation of market openness. 'If we are talking about export-oriented sectors, these markets are not quite open as there is a tendency for restricting through quotas, anti dumping duties and other economic gears to create not very favorable conditions to Ukrainian investments at the Russian markets', - T.Khadzhevskaya said.

## PROSPECTS FOR UKRAINIAN BUSSINESS IN RUSSIA – EXPERT POLL

**Head of DTEK Strategic Planning and Analysis Department Oleksandr Selyshchev** is certain that the Ukrainian business has a positive experience in investing into Russian economy, including the most attractive sectors. 'Can a Ukrainian company buy mines in Russia? Without a doubt it can, and this has already been done – there is a concern that owns not one but a number of mines in Kuzbass. We can say that they are doing this not only as a part of the integration with Ukrainian coke chemistry sector. This is a real single business – they build a port on the Baltics, develop mines, receive new licenses. And the Russians, primarily the local governments, speak very positively of them as of Ukrainian investors', - O.Selyshchev said. He added that the Ukrainian investor feels comfortably and continues to develop actively.

**Head of Renaissance Capital Corporate Communications Department Konstantin Golovinskiy** also sees prospects for Ukrainian business in Russia: 'A strong point of Ukrainian companies when entering Russia's markets is that they won't be surprised at what they see in Russia'. K.Golovinskiy believes this is why Ukrainian companies are well-prepared to work in Russia. 'Maybe, Ukrainian companies are even better prepared to work in Russia than Western companies – the latter will have to understand specific features of the market first,' – K.Golovinskiy said. He also recalled that Russia is 'a huge, first of all, consumer market, which is of course interesting to Ukrainian producers'.

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