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**Law on
decriminalizing
economic offences
sparks debate**

On 6 October 2011, the Ukrainian parliament adopted the first reading of a presidential draft law on decriminalizing economic offences.

Under the draft law, perpetrators of economic offences will no longer bear criminal responsibility but instead will face administrative sanctions such as fines.

According to the LB.UA news and analysis website the draft law concerns the offences laid out in the following Criminal Code articles: Article 201 "Smuggling" which deals with smuggling of goods; Article 202 "Violating terms of economic activity and financial activity"; Article 203 "Engaging in illegal economic activity"; Article 207 "Evading the return of revenue in foreign currency"; Article 208 "Illegal opening abroad or using of foreign currency accounts"; Article 214 "Violating terms of sale for precious metals and precious stones"; Article 215 "Forging postal service labels and tickets"; Article 217 "Illegal manufacture, sale or use of state hallmarks"; Article 218 "Bankruptcy fraud"; Article 220 "Concealing financial insolvency"; Article 221 "Illegal activity of a bankrupt entity"; Article 223 "Offering securities without the registration of their issue"; Article 225 "Deceiving customers"; Article 226 "Falsification of measures; Article 228 "Coercion into anti-competitive actions"; Article 234 "Illegal actions with privatization papers"; Article 235 "Violating mandatory requirements for the privatization of state or community property or enterprises and their further use."

We note that the president of the Gorshenin Institute, **Vadym Omelchenko**, has positively assessed the draft law on decriminalization of economic crimes. "The draft law in the revision as approved in the first reading, cancels a number of outdated provisions of the Criminal Code that in modern Ukraine are often used for corporate raids and pressure on business, contribute to corruption and, as a consequence, worsen the investment attractiveness of Ukraine," Omelchenko said. He also said that the approval of the law in general will have a positive impact on the domestic economic situation in Ukraine. Nevertheless, Omelchenko pointed out that the draft law does not provide for decriminalization of the criminal article used to sue the former prime minister and leader of the Fatherland Party, **Yuliya Tymoshenko**.

According to the deputy speaker and MP of the Fatherland party **Mykola Tomenko**, the article required to strip Tymoshenko of criminal responsibility may be added to the draft law during the adoption of its second reading, which will take place after a court delivers a verdict on the former prime minister.

"Parliament will take a decision but in most probability, it will take it after the verdict. She [Tymoshenko] will be declared guilty. However, after that, the amendment, which they have failed to approve in opposition bills, will be added to the presidential draft law," he noted. "Hence, the president will say that Tymoshenko has a criminal record but we have pardoned her under pressure from the international community. We granted her an amnesty by striking down an article as such," the deputy speaker opined.

Tomenko clarified that he had received this information from "unofficial sources".

A reminder that on 6 October 2011 Parliament rejected three draft laws put forward by the opposition that envisioned the decriminalization of the Criminal Code article used to press charges against Tymoshenko.

On the same day, the leader of the parliamentary faction of the ruling Party of Regions, **Oleksandr Yefremov**, said that opposition lawmakers can make their

suggestions regarding the decriminalization of the articles used to press charges against Tymoshenko and propose to add them to the presidential draft law, but the Party of Regions would not vote to adopt them.

It is well known that Tymoshenko is accused of overstepping her authority by signing gas contracts with Russia in 2009. It is believed that her actions inflicted losses of over 125m dollars on the state. More specifically, in 2009, the former prime minister single-handedly and without the approval of cabinet members approved directives for a Ukrainian delegation to sign gas contracts with Russia.

The judge overseeing the gas case, **Rodion Kireyev**, will start to announce a verdict to the leader of the Fatherland party, former Prime Minister Tymoshenko at 9.00 a.m. on 11 October. Following Kireyev's ruling, only participants in the trial and mass media representatives can be present in the court chamber when Tymoshenko's verdict is delivered.

The head of the Yuliya Tymoshenko Bloc (YTB) parliamentary faction, **Ivan Kyrylenko**, did not rule out that there might be "spilling of blood" near the court building during delivery of the verdict.

Gazprom, Dmytro Firtash removing obstacles for entering Ukraine's domestic gas market

The Naftohaz Ukrayiny national joint-stock company has lost control over the Ukrainian gas company UkrHaz-Enerho.

On 27 September 2011, the Supreme Economic Court of Ukraine ruled that Naftohaz Ukrayiny is no longer a co-founder of UkrHaz-Enerho.

A reminder that the UkrHaz-Enerho joint company was established in February 2006 as an intermediary for selling imported gas for domestic consumers in Ukraine. Naftohaz Ukrayiny and the Swiss-registered company RosUkrenergo (owned in equal parts by Russia's Gazprom and Ukrainian businessman **Dmytro Firtash**) each held a 50-per-cent stake in the company.

Later, in 2008, Naftohaz Ukrayiny demanded the liquidation of UkrHaz-Enerho. The key argument which the former used was based on the fact that when the latter was set up, Naftohaz Ukrayiny did not agree with the Energy Ministry of Ukraine on its share in it. On 1 October 2008, Kiev's economic court ruled to liquidate UkrHaz-Enerho. However, the court decision was challenged in a court of appeals. As a result of court proceedings, Naftohaz Ukrayiny was excluded from the list of UkrHaz-Enerho's founders. Yet, the court also turned down the request to liquidate UkrHaz-Enerho.

We would like to note that the court explained its decision to exclude Naftohaz Ukrayiny from the co-founders using the same arguments which the former laid out to demand the liquidation of UkrHaz-Enerho. In other words, the court based its ruling on the absence of an agreement between the Energy Ministry and Naftohaz Ukrayiny at the time when UkrHaz-Enerho was established.

In the opinion of experts and market participants, the loss of control over UkrHaz-Enerho will lead to serious negative repercussions for the Ukrainian gas monopolist.

First, Naftohaz Ukrayiny lost the right to demand around 250m dollars in dividends from the activity of UkrHaz-Enerho in 2006-07. These funds are de facto left in the hands of the second shareholder, RosUkrenergo.

Second, UkrHaz-Enerho has good chances of receiving considerable volumes of

natural gas, which it has been claiming since 2008, by going to court. In January 2008, UkrHaz-Enerho demanded that Naftohaz Ukrayiny give it back 9bn cu.m. of gas from underground gas storage facilities.

The main consequence of the ruling issued by the Supreme economic court is the creation of beneficial conditions for Gazprom to directly deliver Russian gas to Ukrainian companies.

It is well known that under the gas agreements signed in January 2011, Gazprom can import gas in Ukraine only through Naftohaz Ukrayiny. At the same time, the Ukrainian party has initiated an active negotiations process between Kiev and Moscow to revise existing gas contracts.

At the same time, the mass media quoted a source from Gazprom as saying that if the contracts are revised, Russia may propose to remove from a new agreement a provision establishing Naftohaz Ukrayiny's monopoly on the import of Russian gas. As a result, Ukraine may end up in a situation when Gazprom will start to sell gas directly to its subsidiaries such as Gazpromsbyt-Ukraina and UkrHaz-Enerho, which are licensed to sell 21bn cubic metres of gas per year, the mass media reported. Hence, as a number of experts and the mass media suggest, Gazprom may compensate for its losses if Ukraine cuts volumes of imported Russian gas.

We shall remind you that in January 2011, a Kiev district administrative court stroked down a resolution of the Cabinet of Ministers of Ukraine of 5 March 2008 under which a regional energy customs service could carry out customs clearance of imported gas exclusively for Naftohaz Ukrayiny.

It is noteworthy that the Ukrainian Energy Ministry declined to comment on the information circulated by the mass media that Gazprom might enter the Ukrainian domestic gas market. "Someone is simply flaring up passions," the Ukrainian energy minister's press secretary, **Oleksandr Kolodiy**, said.

Mass media: as consequence of restructuring, Naftohaz Ukrayiny may mean the loss of British assets, Ukraine may incur additional debt

As a result of restructuring, Naftohaz Ukrayiny may lose its British assets.

According to the mass media, as a result of an upcoming restructuring of the national joint-stock company Naftohaz Ukrayiny, the US corporation Merchant, which in 2006 was given the right to demand the repayment of debts owned to Gazprom, sent a letter to the Ukrainian government, the Energy Ministry of Ukraine and Naftohaz Ukrayiny on 30 October. British lawyers of the Merchant company wrote that the debt worth 24.7m dollars plus interest, which Naftohaz Ukrayiny owes to the corporation, will be taken out from the British assets owned by the Ukrainian oil and gas trader (Naftohaz Ukrayiny is a shareholder of the British company JKX Oil & Gas Limited).

Additionally, it turned out that the Merchant company also filed a lawsuit against Ukraine with the European Court of Human Rights. Hence, there is a possibility that Naftohaz Ukrayiny's corporate debts will be transformed into state debt.

Ukrainian-Russian gas talks continue without specific results

On 4 October 2011, a Ukrainian delegation visited Russia for another round of the negotiations on cooperation between Kiev and Moscow in the gas sphere.

The talks were conducted by Ukrainian Energy and Coal Industry Minister **Yuriy Boyko** and Gazprom's CEO **Aleksey Miller**.

"During the meeting, the productivity of the ongoing dialogue, which is geared towards the implementation of the previously achieved agreements, was stressed,"

a statement issued by Gazprom said about the outcome of the talks.

Nevertheless, the president of the Russian gas community and deputy speaker of the Russian parliament, **Valeriy Yazyev**, said that Ukraine will have to fulfill the existing contract even without cutting the price of gas. "Everything will be fine with Ukraine as Ukraine does not have a way out. Ukraine will take as much gas as contracted and will pay as required," Yazyev said.

When asked about possible outcomes of the talks between Ukrainian representatives and Gazprom management after the meeting between Ukrainian President Viktor Yanukovych and Russian the leadership in Zavidovo (on 24 September 2011), he said: "There are no reasons for us to cut the price". He also said that to have a positive solution to the issue, Ukraine shall join the Customs Union and Single Energy Space, and Naftohaz Ukrayiny shall integrate with Gazprom. "After this, of course, gas will be cheaper for consumers, this is 100% true," he said.

A reminder that on 24 September 2011, Ukrainian President **Viktor Yanukovych** paid a visit to Russia. During the trip, the head of the Ukrainian state met with his Russian counterpart **Dmitriy Medvedev** and Russian Prime Minister **Vladimir Putin**. Later, the Ukrainian mass media quoted Ukrainian Prime Minister **Mykola Azarov** as saying at a government meeting on 26 September that during President Yanukovych's meeting in Moscow, the head of state had reached a deal on lowering the tariffs for the transit of Russian gas through Ukraine to the level of cost price. For its part, Russia will reduce the gas price for Ukrainian needs in the budget and social areas.

It is also worth mentioning that on 7 October 2011 Putin said that if Ukrainian companies are admitted to extract gas in Russia, they would not be able to export it later. "They may be granted access to the gas transportation system but will not be given access to export routes, as it is only Gazprom who can export gas. They may be given access to gas extraction assets and to the gas transport system inside the country," Putin said.

As known, earlier the Russian side made numerous proposals to set up a joint venture between Gazprom and Naftohaz Ukrayiny where Ukraine would contribute gas extraction and gas transport assets and Russia would contribute gas fields of equivalent value.

Ukrainian, Russian presidents to hold economic forum

The Cabinet of Ministers of Ukraine is preparing to hold a Ukrainian-Russian interregional economic forum in Donetsk.

The Ukrainian Economy Ministry reported that the event is tentatively slated for 18 October 2011.

"The forum will be held under the auspices of the Ukrainian and Russian presidents," the statement said.

A reminder that the mass media earlier disseminated information that the two presidents would participate in the forum.

Ukraine may introduce protective duties on Belarusian sugar if Russia imposes restrictions on Ukrainian sugar exports

Ukraine is preparing reciprocal sanctions against the members of the Customs Union of Russia, Belarus and Kazakhstan.

On 5 October 2011, Ukrainian Agricultural Policy Minister **Mykola Prysyazhnyuk** said that Ukraine might impose protective duties on sugar exported from Belarus if the Russian Agricultural Ministry introduces restrictions on exports of Ukrainian sugar.

“Reciprocal measures directed against Russia have been already adopted. However, we have free trade with Belarus. Because it is in the Customs Union, it seems like we will be forced to impose protective tariffs on sugar coming from Belarus,” the minister said. At the same time, he stressed that Russia and Belarus are in the Customs Union and that “sugar from Russia can freely come to us through Belarus.” Russian sugar is not delivered on the Ukrainian market.

Russia once again lists advantages Customs Union offers to Ukraine

Joining the Customs Union of Russia, Belarus and Kazakhstan is economically beneficial, first and foremost, to Ukraine itself, Russian Prime Minister Vladimir Putin has said.

“I think that Ukraine accepts 10bn dollars from the IMF for 15 years as assistance. If it joined the Customs Union, the economic reward for Ukraine would be 9bn dollars per year,” the head of the Russian government stressed. According to him, “this is a straight win for the entire economy of Ukraine.”

Putin explained that Ukraine's entry into the Customs Union would ensure its access to the markets of the member states for agricultural products, metallurgical and pipeline products.

At the same time, the Russian prime minister opined that “no one will let Ukraine's agricultural products into the European market. Maybe they will sell a liter or two of milk but that's it.” Additionally, Putin said that if Ukraine does not become a member of the Customs Union, its “aviation industry will completely die out” and that shipbuilding will not develop.

The Ukrainian deputy prime minister and minister of infrastructure, **Borys Kolesnikov**, said for his part that Ukraine has clearly declared its choice for the European Union. Commenting on Russian Prime Minister Putin's statement that joining the Customs Union will bring economic benefits to Ukraine, Kolesnikov said: “Free cheese is only in the mousetrap. No-one should wait for carrots to come over. Every head of a state seeks to expand his sphere of influence like Russia is doing now. Ukraine is a member of the WTO and when the country joined this organization, we assumed certain obligations that we can not disregard now”.

“I sincerely believe that Ukraine should keep on going to the European Union”, - Kolesnikov added.

Ukraine insists on including EU membership prospects in Association Agreement

Prospects for Ukraine's membership in the EU may become a stumbling block at the Association Agreement talks.

Media reports say that the Ukrainian party at the negotiations in Brussels has put forth a requirement that the Association Agreement between Ukraine and the EU, that is being developed now, should be time limited, namely only for 10 years. “As long as the EU party does not want to include in the Association Agreement a provision regarding Ukraine's full membership in the EU, we do not want the validity of the document to be unlimited in time and we want to reserve possibilities for reviewing this agreement some time later”, - a senior Ukrainian diplomat explained. According to the same reports, European diplomats are concerned with this position of the Ukrainian negotiators.

Also, the deputy chairman of the parliamentary committee for foreign affairs, MP on the Party of Regions, **Leonid Kozhara**, said that the Ukrainian parliament may refuse ratifying the Association Agreement if it bears no mentioning of Ukraine's membership in the EU.

A reminder that on 29 September 2011 Ukrainian President **Viktor Yanukovich** said that the mentioning in the Association Agreement of prospects for our country's future membership in the EU is principally important to Ukraine.

It is worth mentioning that at the round table discussion "Ukraine-EU: what's next?" conducted in the Gorshenin Institute on 5 October 2011 the director of the politics and security department of the Ukrainian Ministry of Foreign Affairs, **Vasyl Filipchuk**, said that the work on the EU association agreement passed the experts level and entered the political level. According to him, that the key issues will be resolved "during President Yanukovich's visit to Brussels to reach agreements on the Ukraine-EU Association Agreement". Filipchuk also said that the touchstone for Ukraine will be the resulting text of the association after the negotiations process is complete - "we will see how complete the text of the agreement would be in terms of those tasks for the sake of which we started negotiating this agreement". For details, see at page 14.

The Gorshenin Institute expert, **Volodymyr Zastava**, said that Ukraine's requirement to finally include a statement in the Association Agreement regarding Ukraine's future membership in the EU is clearly unrealistic. "The EU admits Ukraine's 'European ambitions' and is ready to make concessions. Nevertheless, today in Europe they are not ready to talk about specific prospects for Ukraine to join the EU both because inside the EU there is no common opinion regarding further expansion eastwards and because Ukraine itself is not ready to meet all the norms and standards of the European community", - Zastava said.

Zastava said that putting forth the requirement for future membership now speaks of artificial prolongation of the negotiations, that "for its part speaks of the absence of a common position regarding Ukraine's future European integration among the Ukrainian leadership". The expert recalled that when Poland signed the association agreement in 1991 they also did not speak about the EU membership: the agreement only included as an attachment a statement from one party regarding Poland's aspirations to integrate into the European community.

EU to allocate 470m euros to Ukraine for economic reforms

In 2011-13, Ukraine will receive 470m euros from the EU to implement economic reforms.

"A large portion of these funds will be directed towards the implementation of an agreement on setting up a free trade area," EU Trade Commissioner **Karel de Gucht** said on 3 October 2011. The European politician added that a free trade agreement "will become an example of cooperation with all the participants in the Eastern Partnership."

Ukrainian government expects IMF mission's visit in October 2011

A mission of the International Monetary Fund (IMF) will visit Ukraine at the end of October 2011.

"At the end of October (2011), we expect a visit from an IMF mission and this mission will definitely arrive," Deputy Prime Minister and Social Policy Minister **Serhiy Tyhytko** said on 5 October 2011.

At the same time, commenting on such contentious issue as an increase in gas tariffs for households recommended by the IMF, Tyhytko stressed once again that the government hoped to achieve a decrease in the price of Russian gas and thus

avoid the necessity to raise gas rates.

At the same time, the deputy prime minister said that to service Ukraine's debts, as much as 10.66bn dollars has to be allocated in 2011 and 15.17bn dollars in 2012.

As you know, the last time the Ukrainian government borrowed money from the IMF was in December 2010. Since then, Ukraine was supposed to receive three tranches for the total sum of 4.5bn dollars. However, financing is always postponed. Moreover, it is not only the financing that is postponed, but also visits by the IMF mission to Kiev. The last time an IMF mission was to visit was August 2011, but it was postponed for two months.

According to a member of the NBU council and an advisor to the Ukrainian president, **Roman Shpek**, Ukraine will receive the next IMF tranche in February 2012. "Based on my experience of cooperation with the IMF, which spans many years, I can say that the next tranche will be granted in February after they see the actual budget for the next year and the actual budget deficit," Shpek said.

A reminder that Ukraine adopted pension reform, which entered into force on 1 October 2011, as part of fulfilling the requirements put forward by the IMF. Earlier, on 1 August 2010, the government introduced a 50-per-cent increase in natural gas tariffs for households.

It is noteworthy that an opinion poll carried out by the Gorshenin Institute prior to the increase in the gas rates in July 2010, suggested that only 41.2 per cent of the population was ready to pay for household services in full, 30.1 per cent of respondents were ready to cover part of them and 6.9 per cent of those polled refused to pay. Additionally, one in every five respondents (21.8 per cent) had difficulty answering the question how much he is ready to pay for household services after new tariffs are introduced.

Ukraine's gold reserves shrink

As of 1 October 2011, Ukraine's international gold reserves estimated at 35bn dollars.

According to the Lb.ua news and analysis website, the National Bank of Ukraine (NBU) posted this official figure on its website on 7 October 2011.

We shall remind you that as of 31 August 2011, Ukraine's gold reserves were estimated at 38.2bn dollars. Hence, during this period of time, Ukraine's reserves shrunk by 8.5 per cent, or by 3.2bn dollars.

It is well known that in July 2011, Ukrainian President **Yanukovych** said that by the end of 2011, NBU gold reserves would be worth 40bn dollars. The Ukrainian Finance Ministry reported that the government expected to receive two tranches from the IMF by the end of the year, which will go to the foreign currency reserves of the NBU.

European Business Association: investment attractiveness index falls drastically for first time in two years

The investment attractiveness of Ukraine has dropped to the level of the crisis year of 2009.

On 6 October 2011, the executive director of the European Business Association (EBA), **Anna Derevyanko**, said that Ukraine's index of investment attractiveness has dropped by 0.95 points to the level of 2.56 on a scale of five. This is where Ukraine stood in the third quarter of 2009.

"The trajectory in the fall of Ukraine's index of investment attractiveness from 3.39 in the second quarter of 2011 to 2.56 in the third quarter is an alarming signal that

demonstrates the insufficient confidence of investors in the economy and market of the country,” Derevyanko noted.

According to her, the reasons for the fall of the index can be divided into external (the global market instability since the world is on the threshold of the second wave of recession and crisis) and internal (the state of the US and European markets has an impact on the Ukrainian economy). At the same time, the EBA stressed rampant corruption, intensification of government pressure on business and the insufficient effectiveness of reforms as among the key internal causes.

EBA President **Thomas Fiala** warned that the index might fall even lower if the implementation of reforms is not expedited.

A reminder that Ukrainian President **Yanukovych** earlier promised that all the conditions for effective work of investors would be created in Ukraine.

Ukraine bans customs duties on wheat, corn exports

On 7 October 2011, the Ukrainian Parliament adopted the draft law “On approving rates of customs duties on individual types of agricultural products.”

The Lb.ua news and analysis website reported that in addition to the partial cancellation of duties on grain exports, the draft law initially envisages the imposition of a 3-per-cent customs duty on sunflower oil, rape and soy. At the same time, reporting on the project, the head of an ad hoc committee set up for this issue, MP of the Party of Regions **Vitaliy Khomutynnyk**, noted that the committee had completed it. In particular, the committee proposed to establish zero duties on export of wheat and corn and to leave those on barley at 14 per cent. Additionally, the provision on export duties on sunflower oil, rape and soy was revoked.

Hence, parliament cancelled export duties only on wheat and corn.

A reminder that starting from 1 July 2011, Ukraine imposed export duties on grain. Under current legislation, they will remain in force until 1 January 2012.

In particular, the duty on wheat is 9 per cent but should be no less than 17 euros per t. It is set at 14 per cent for barley but should be no less than 23 euros per t. The duty on corn is 12 per cent and should not drop lower than 20 euros per t.

Additionally, the Ukrainian Finance Ministry proposed to introduce customs duties for oilseed export starting from 1 January 2012.

Party of Regions advocates two-party system in Ukraine

The Party of Regions proposes to raise the electoral threshold for elections to the Supreme Council (Parliament) of Ukraine.

“Developed European countries have an electoral threshold of 5-7 per cent. It even reaches 10 per cent in some of them. Thanks to this, a certain system of state administration is set up which is called ‘two plus one.’ There are two powerful parties, one of which is in opposition, the other one is a ruling party. There are also several smaller parties which fight for power in their electoral districts. If we strive to have a civilized European system of administration, then we have to move in this direction,” the head of the Party of Regions’ parliamentary faction, **Oleksandr Yefremov**, stated. At the same time, he added

that new electoral legislation should present the electorate with an opportunity to directly elect a lawmaker “under the system of open lists or under the first-past-the-post system.”

“At present, the majority of MPs tend to think about the introduction of a mixed system in which half of parliamentarians are elected directly in multi-mandate districts,” Yefremov said.

A reminder that on 3 October 2011, parliamentary leaders and leaders of party factions initiated a meeting with Ukrainian President **Viktor Yanukovych** to discuss the adoption of the new law “On electing Ukrainian MPs.” During the event, the head of the working group which was set up to draw up a new electoral law, Ukrainian Justice Minister **Oleksandr Lavrynovych**, shared with the meeting participants information on the draft law. During the meeting, it was decided that Parliament should continue to work on the draft law within Parliament.

Later, the head of the Party of Regions parliamentary faction said that the draft law will be considered right after the Venice Commission draws up its report on this document (which is scheduled for 17 October 2011). At the same time, Yefremov did not rule out the possibility that Parliament might approve the first reading of the document as it is aware of the content of the report to be released by the Venice Commission. This step might be taken so the second reading of the bill incorporates all the comments made by the commission.

In his turn, the presidential representative in parliament, MP of the Party of Regions **Yuriy Miroshnychenko** said that the presidential draft law on electing MPs would be registered in Parliament within the next few days.

We shall remind you that the draft law on electing MPs, which was sent to the Venice Commission for consideration, envisions a raise of the electoral threshold during parliamentary elections from 3 per cent to 5 per cent and the introduction of a mixed electoral system.

It well known that the Venice Commission and the EU insist on the adoption of the draft law after the former releases official conclusions.

Kiev opens host stadium for Euro 2012

The Olimpiyskiy national stadium - Ukraine's main stadium for Euro 2012 - opened on 8 October in Kiev.

President Yanukovych has started the inauguration ceremony.

A reminder that on 27 September 2011 UEFA President **Michel Platini** said that Ukraine is practically ready for the European football contest. Platini was visiting Ukraine with an inspection visit. According to Platini, in Ukraine there are no serious problems with the preparation to the tournament.

President Viktor Yanukovych pays state visit to Greece

Ukrainian President Yanukovych visited Greece on a state visit on 6-7 October 2011.

It is worth saying that this is the first state visit of the head of the Ukrainian government to Greece since the diplomatic relations were established between the two countries in 1992.

In the framework of the visit Yanukovych met Greek President **Karolos Papoulias**, Hellenic parliament speaker **Philippos Petsalnikos**, opposition

leader **Antonis Samaras** and took part in the Ukrainian-Greek business forum in Athens.

Upon the results of the visit, Ukraine and Greece signed a number of bilateral agreements on aircraft traffic, protection of confidential information, cooperation on the sphere of health protection.

**Saudi Arabia
withdraws recognition
of Ukrainian
university diplomas**

The Saudi Arabian Ministry of Higher Education decided to withdraw recognition of diplomas issued by Ukrainian universities.

The head of the certificate equivalency department in the Ministry of Higher Education, **Abdullah bin Ali Al-Qahtani**, has said that "delegations of the Saudi Ministry of Higher Education paid a number of visits to Ukrainian universities within the past few years to assess the quality of education". He also said that delegations reported numerous violations in the universities where foreign students are accepted with very low grades, even at medical universities".

Al-Qahtani added that any Saudi studying at a university not included in the recommended list should transfer to another university within six months.

We note that the Ukrainian Ministry of Science and Education plans to raise the number of foreign students in Ukrainian universities to 50,000 people.

**Spent sources storage
to be built in
Chernobyl Exclusion
Zone in 2013**

The central storage facility for spent sources of radiation will be commissioned in the Chernobyl Exclusion Zone in 2013.

The head of the State Agency for the Exclusion Zone, **Volodymyr Kholosha**, said that the storage facility is designed to accommodate up to 21,000 items of spent sources per year. "This will enable us to collect everything in one place within the next 15 years", Kholosha said.

Kholosha said that Ukraine has already invested 31.4m dollars in the infrastructure of the Vektor complex – the site where the spent sources storage will be built. The storage site area is 150 hectares and may be extended if necessary.

Kholosha stressed that the site will accommodate spent sources only from Ukraine.

According to Kholosha, disposal of spent sources will mainly be funded from the Ukrainian state budget, as many companies which own such sources are bankrupt.

**Ukrainian police
admits to not being
ready for serious
operations**

The Ukrainian police appeared to be not ready for special operations like the storming of the criminal hideout in Odessa.

"Our units appeared to be absolutely not ready for the storming that took place. We collected the required ammunition item by item. The main reason for this is the lengthy absence of training and scrapping of special police squads", - the Ukrainian Minister of Internal Affairs, **Anatoliy Mohylyov**, said on 5 October 2011. Mohylyov was speaking in Parliament at hearings on reforms in the Interior Ministry.

A reminder that two policemen were killed and another four injured in a shootout with three criminals suspected of contract murders on the night of 30 September 2011 in Odessa Region.

Two of the criminals were killed later on 1 October 2011 in a private hotel in Odessa. The third criminal escaped and the police are now looking for him. The storming of the private hotel appeared to be the largest police operation in the history of independent Ukraine as not only automatic weaponry, but also heavy weapon – grenade launchers with cumulative charges and even armoured vehicles - were used.

One civilian was reportedly killed in the storming of the hotel, but this information was not officially confirmed.

It is also worth mentioning that the faction of the Yuliya Tymoshenko Bloc in Parliament demanded an investigation into the actions of the police and Security Service of Ukraine to disarm dangerous criminals, but the Party of Regions refused to support the initiative.

Scandal erupts with the Chairman's of Parliament security guards

Security guards of the Chairman of Parliament Volodymyr Lytvyn break rear-view mirrors at cars are slow to give way to the premier's escort.

A video clip from the "Exclamation mark" programme was made public on the internet on 4 October 2011 showing as if the Ukrainian Prime Minister **Azarov's** security guards breaking rear-view mirrors which were slow to give the way to the premier's escort cars. Also, from the video clip one can hear security guards talking to drivers using foul language.

Nevertheless, Azarov's press service said that the security guards of the head of the cabinet have no link to the incident with the escort.

"We checked this information and according to the data that we received from the prime minister's security service, the person features on the video tape has never worked in the premier's security service", the head of the department of information and public communications of the Cabinet of Ministers of Ukraine, **Dmytro Andreyev**, said. He also said that the incident will be investigated as necessary.

Later the Chairman of Parliament **Volodymyr Lytvyn** said it was his guards to be involved in the incident.

Ukraine may soon approve new military doctrine

The draft of the new military doctrine will soon be presented at a meeting of the National Security and Defence Council of Ukraine.

Ukrainian Defence Minister **Mykhaylo Yezhel** told this to journalists on 5 October 2011.

A reminder that the Ukrainian government approved the new military doctrine on 13 April 2011. Later, in June 2011, the Cabinet of Ministers of Ukraine re-approved the military doctrine to address the proposals made by the National Security and Defence Council.

It is worth mentioning that the existing procedure requires the military doctrine, as a strategic programme-setting document in the area of national defence and security, to be approved by the Ukrainian president after endorsement by related government agencies, the Cabinet of Ministers and the National Security and Defence Council.

The doctrine is defensive in nature and views the provision of security through the lens of Ukraine's non-aligned status. "Ukraine adheres to a policy of non-alignment and considers it to be an important factor in easing the tensions in

the military and political environment of the region,” the document stated.

The doctrine also expanded the list of domestic threats to homeland security. The previous draft identified the unsatisfactory condition of the Armed Forces and the activity of extremist and separatist organizations as the biggest domestic threats. Now, interference into domestic affairs of the state by means of “the influence on information, economic pressure, financial and moral support of certain political forces and non-government organizations” is also recognized as a threat.

It is also worth mentioning that the poll conducted by the Gorshenin Institute in September 2011 showed that a clear majority of Ukrainians (68.3%) believe the army will not be able to protect Ukraine in the event of a real military threat from other countries.

Russia, Ukraine discuss joint anti- missile defence system

Russia and Ukraine hold talks on joint anti-missile defence system.

“We are now in talks with the Ukrainian party regarding joint tasks for the anti-missile defence system”, - the commander of the Russian space forces, Lieutenant General Oleg Ostapenko, said on 3 October 2011.

When asked about using the Ukrainian radars in Sevastopol and Mukacheve, Ostapenko described the facilities as outdated.

A reminder that Ukraine had earlier expressed intentions to take part in the European anti-missile defence system if the USA and Russia fail to reach an agreement.

**UKRAINIAN PRESIDENT WILL RESOLVE KEY ISSUES WITH EU ASSOCIATION
AGREEMENT AT PERSONAL MEETINGS – experts**

The Gorshenin Institute has held a round table discussion "Ukraine-EU: what's next?", where experts discussed the prospects for Ukraine-EU relations and main outcomes of the Warsaw Eastern Partnership summit.

The director of the politics and security department of the Ukrainian Ministry of Foreign Affairs, VASYL FILIPCHUK, has said that the work on the EU association agreement has passed the experts level and entered the political level and that the key issues will be resolved at negotiations personally by the president of Ukraine. The Foreign Ministry is now involved in the organization of President Viktor Yanukovich's visit to Brussels to reach agreements on the key political issues of the Ukraine-EU association agreement. "The work at the expert level is now complete. Now work is gradually coming to the political level and we are working to organize the Ukrainian president's visit to Brussels where he would meet the EU's leadership and where agreements should be reached on the key political issues which are now associated with our agreement", Filipchuk said. Filipchuk also said that the touchstone for Ukraine will be the resulting text of the association after the negotiations process is complete. "In October we will receive answers to a number of issues of our concern, we will see how complete the text of the agreement would be in terms of those tasks for the sake of which we started negotiating this agreement", - Filipchuk added. He also said that at the Eastern Partnership summit in Warsaw one step was taken towards solving the political problem of the association agreement related to the wording of the future visa-free regime. "For the first time ever the language that is used in the documents signed by the EU was changed to remove mention of the long-term perspective for introducing the visa-free regime", Filipchuk said. He also said, however, that regardless of all the efforts of Poles and other countries-partners in the EU they failed to overcome the existing scepticism regarding the EU enlargement policy and opening a European perspective to other European countries which want to become part of the EU, in particular Ukraine and Moldova which earlier formally declared their intentions. Filipchuk also said that discussion has been ongoing within the European Union for more than 10 years on whether the EU shall proceed with the enlargement to the East or shall it fix its borders at the Ukrainian border and offer Kiev privileged partnership but not membership of the EU. "That is why we were working on the association agreement to put a full stop in this discussion and open new prospects to Ukraine and the entire region to enable us to become a part of the European house after we satisfy all the criteria", - Filipchuk said. He also said that despite the fact that the Eastern Partnership programme was copied from the model of relations that already exist between Ukraine and the EU, Ukrainian authorities welcomed this project as this was a step towards opening possibilities for having absolutely new relations with the EU not only to Ukraine but to other countries in Eastern Europe.

The chairman of the Ukraine-EU community expert council, OLEH RYBACHUK, said that talks to reconcile between the parties provisions of the EU association agreement are finished, but the political situation in Ukraine may jeopardize the signing of the deal. "The agreement will be ready for signing. In technical terms, our negotiators finished the way they have been making all these years. The principles of the political association are agreed. The problem is that for the last year – year and a half Ukraine was moving in the opposite direction", Rybachuk said at the round table discussion. Rybachuk also said that all the countries of the European Union and the USA are unanimous in their position that "it is inadmissible when criminal law is used in attempts to assess a political decision". Rybachuk stressed, however, that the experts believe it unreasonable to postpone signing the agreement indefinitely.

The deputy director general of the Razumkov centre, VALERIY CHALYY, quite on the contrary said that this year the Ukraine-EU association agreement may only be initialized, but the signing will be postponed till the parliamentary election in Ukraine in October 2012. “The agreement may be initialized in December, but the signing may be shifted till after the election. We may have the Free Trade Zone in place in 2013, but the agreement will not be ratified in national parliaments. Not everything depends on diplomats”, Chalyy said. He also said the very fact that the Eastern Europe summit took place in the current situation is already a good sign. “The summit did take place and this is already a positive fact for the EU. To bring 27 leaders to one place when every country has its own problems – this is good,” – Chalyy said.

The director of the Kiev centre for political studies and conflict management, MYKHAYLO POHREBYNSKYI, said that the ratification of the Ukraine-EU association agreement will depend on the format of relations between Europe and Russia. “Looks like initializing will take place soon followed by signing and, finally, ratification by parliaments. I think this will take place as well, however indeed this does not depend on Ukraine and its behaviour, this will depend on the format of relations between Europe and Russia and on the political course to be proclaimed by the old-new president of Russia”, Pohrebyskyi said. Pohrebyskyi is convinced that the Ukrainian government may not follow the EU's advice for some time but this won't affect signing the association agreement as “Europe needs this more than Ukraine”. According to Pohrebyskyi, Europe's interest is not to let Ukraine fall into Russia's sphere of influence. “In fact, Europe does not assume any serious obligations under these agreements”, he said. Pohrebyskyi added that modern Europe is building like a modern empire, and an empire exists only when it keeps on growing. “The EU cannot stop expanding, otherwise it will start decreasing in size and will eventually die”, Pohrebyskyi said. He also disagreed that Europe in its actions is governed by European values. “I totally disagree here, I believe that such talk about values is only a smoke curtain”, Pohrebyskyi said.

The director of the Konrad Adenauer foundation in Ukraine, NICO LANGE, said that the EU's position towards the Tymoshenko case is motivated not by an interest in the person on trial, but with a requirement to comply with European standards. “For the European Union the problem is not in Tymoshenko herself. Earlier the EU made a lot of comments regarding human rights and democracy, but they all were ignored. Now the situation in relations with Ukraine is such when specific statements on specific cases are made. For the EU, closer ties with Ukraine are not possible if standards are not complied with. The EU is very serious when saying that”, - Lange said. “Some people in the EU have the impression that Ukraine wants to join the EU by not complying with standards”, Lange added.

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