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PICK OF THE WEAK**Ukraine signs memorandum on closer ties with Russia-led regional bloc**

On 31 May 2013, Ukraine signed a memorandum on intensifying cooperation with the Customs Union of Belarus, Kazakhstan and Russia.

The Ukrainian side was represented by Prime Minister **Mykola Azarov**, who signed the document.

The Lb.ua news and analysis website reported that the memorandum envisaged the participation of a Ukrainian representative in open sittings of the Eurasian Economic Commission, which is the executive agency of the Customs Union. The document also grants Ukraine a possibility to receive observer status in the Eurasian Economic Union after it starts its operation in 2015.

Prosecution prepared to bring murder charges against Tymoshenko

The Prosecutor's Office has enough evidence of former Prime Minister **Yulia Tymoshenko's** involvement in the murder of politician and businessman **Yevhen Shcherban**, First Deputy Prosecutor General **Renat Kuzmin** said in an interview with Forbes.ua on 27 May 2013. As he noted, the prosecution is ready to provide evidence to the court.

Kuzmin also said that the Prosecutor's Office has no plans to interview new witnesses in court anytime soon.

Tymoshenko against nominating single presidential candidate from opposition

Ex-Prime Minister **Yulia Tymoshenko** on 29 May 2013 said that he supports the decision of the United Opposition not to nominate a single candidate from the opposition for the first round of the 2015 presidential election. Tymoshenko expressed this opinion in article The Europe Day written for news and analysis website LB.ua.

The ex-prime minister called on the opposition leaders to sign already today a memorandum of no competition between the opposition candidates in the first round and unanimous support of the winning opposition candidate in the second round.

Tymoshenko also called on the opposition to stop the all-Ukrainian action "Rise Ukraine", and on the power to stop the "anti-fascist" movement. According to the former prime-minister, the anti-fascist initiatives of the power are intended to split Ukrainians during the presidential election.

INTERNATIONAL POLITICAL**UKRAINE-EU****Ukraine taking steps to satisfy EU requirements for association deal, says president**

Ukraine is sparing no effort to meet the criteria required by the EU to sign the

association deal, Ukrainian President **Viktor Yanukovych** said at a meeting with the European Parliament's vice-president, **Yatsek Protasiewicz**, on 30 May 2013.

In his turn, Protasiewicz thanked Yanukovych for his personal contribution to the preparation for signing the association agreement.

The same day, the EU official said during his presentation at the Second National Expert Forum, which was organized by Gorshenin Institute, that Ukraine currently had a colossal chance which she might miss. He added that the EU was actively assisting the Ukrainian authorities to avoid this. In particular, to this end the EU set up the Cox-Kwasniewski mission, thanks to which former Ukrainian Interior Minister **Yuriy Lutsenko** was released. With the same purpose the OSCE and the European Parliament also put forward recommendations regarding electoral legislation and reforming the judiciary. Ukraine only has to implement and follow through with them, Protasiewicz stressed.

For his part, the EU ambassador to Ukraine, **Jan Tombinski**, noted that Ukraine's chances for signing the association agreement were pretty slim without freeing its jailed former Prime Minister **Yuliya Tymoshenko**. According to the Ambassador, the EU may manage without Ukraine. 'The other issue is whether it will be beneficial to Ukraine. Will Ukraine be able to preserve its independence? This is what we should think about', - added Tombinski.

Earlier, on 29 May, Lithuanian Foreign Minister **Linus Linkevicius** stated that the EU was not ready at the moment to sign the association deal with Ukraine. Tymoshenko's release remains crucial for the signing of the document, he added.

On 28 May, the president of the European People's Party, **Wilfried Martens**, said that the EU will sign the association agreement with Ukraine only if Kiev satisfies all the requirements put forward by the EU, which include Tymoshenko's release.

The same day, 28 May, the EU commissioner for enlargement and neighborhood policy, **Stefan Fule**, said that the EU expected to sign the association agreement with Ukraine in November.

Coordinator of the movement "We are Europeans" **Dmytro Krykun** thinks that Ukrainians will forgive Yanukovych the extension of his mandate and authoritarianism if he completes Ukraine's integration into the EU. This is the opinion the expert expressed on 30 May at the Second National Expert Forum.

The results of a poll conducted by Gorshenin Institute in March 2013 suggest that 41.6 percent of the Ukrainian population believes that the country needs to integrate into the EU.

For more details, see page 21.

Ukraine implements European court's ruling on jailed ex-premier, says justice minister

Ukraine has essentially implemented the ruling of the European Court of Human Rights (ECHR) on jailed former Ukrainian Prime Minister **Yuliya Tymoshenko** by adopting a new Criminal Code, Ukrainian Justice Minister **Oleksandr Lavrynovych** said in an interview with the Ukrainian weekly 2000 on 30 May 2013.

On 30 April, the ECHR ruled that the decision to arrest Tymoshenko was illegal. It also found that her arrest in the case over the 2009 gas agreements with Russia was politically motivated.

In the opinion of Lavrynovych, the ECHR judgment is insufficient for freeing Tymoshenko.

European court dismisses Ukraine's appeal in ex-judge's case

On 28 May 2013, the European Court of Human Rights (ECHR) announced that it had dismissed an appeal in the case Volkov vs Ukraine. Therefore, the ruling in the case is now final.

Earlier, on 9 January, the ECHR obliged Ukraine to restore **Oleksandr Volkov** to the post of judge of the Supreme Court of Ukraine. The court found that Volkov's right to fair trial and respect of privacy had been violated. Furthermore, the ECHR pointed out that during a parliamentary vote on the dismissal of Volkov, a few MPs had illegally voted for their missing colleagues.

Ukrainian Justice Minister **Oleksandr Lavrynovych** said that Ukrainian legislation contained no mechanism which would allow the government to restore Volkov to his post of a judge of the Supreme Court.

On 30 May, the head of the Supreme Court, **Yaroslav Romanyuk**, said in an interview with the influential Ukrainian business daily Komersant Ukrayina that Ukraine had to implement the ECHR judgment on Volkov.

Events to discredit Ukrainian government took place in Czech Republic, says first deputy prosecutor-general

A campaign to discredit the Ukrainian government and President **Viktor Yanukovych** has been organized in the Czech Republic, the Ukrainian first deputy prosecutor-general, **Renat Kuzmin**, said in an interview with the magazine Forbes Ukrayina on 27 May 2013.

He explained that there were intentions to accuse Yanukovych of organizing the murder of Ukrainian businessman and MP **Yevhen Shcherban**.

Earlier, the Czech Republic granted political asylum to former Ukrainian Economics Minister **Bohdan Danylyshyn** and the husband of jailed former Prime Minister **Yuliya Tymoshenko, Oleksandr**.

On 29 May, the Czech Foreign Ministry expressed surprise with Kuzmin's statement that the country had allegedly helped with discrediting the Ukrainian president.

UKRAINE-CIS

Ukraine signs memorandum on closer ties with Russia-led regional bloc

On 31 May 2013, Ukraine signed a memorandum on intensifying cooperation with the Customs Union of Belarus, Kazakhstan and Russia.

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The Lb.ua news and analysis website reported that the memorandum envisaged the participation of a Ukrainian representative in open sittings of the Eurasian Economic Commission, which is the executive agency of the Customs Union. The document also grants Ukraine a possibility to receive observer status in the Eurasian Economic Union after it starts its operation in 2015.

The same day, Ukrainian Foreign Minister **Leonid Kozhara** said that the government would in the nearest future officially publicize all details of the signed memorandum, and the text of the document would be posted online. The memorandum is technical in nature and is not legally binding, he added.

The head of the Ukrainian presidential administration's directorate for international relations, **Andriy Honcharuk**, and the presidential representative for foreign policy and integration processes, **Kostyantyn Yelisseyev**, hold a meeting with representatives of diplomatic missions which are accredited in Kiev. During the event, they informed foreign diplomats about the terms of the memorandum, as well as gave assurances that Ukraine remained committed to European integration even by deepening cooperation with the Customs Union.

The leader of the Ukrainian opposition parliamentary faction Fatherland, **Arseniy Yatsenyuk**, said that the Ukrainian government was flirting with the Customs Union to the detriment of European integration.

An aide to the Russian president, **Yuriy Ushakov**, stated that Ukraine's participation in the Customs Union as an observer would not bring Kiev any material benefits.

For his part, Russian Prime Minister **Dmitriy Medvedev** noted that by signing the memorandum, Ukraine had made the first step towards its integration into the Customs Union.

Lithuanian Foreign Minister **Linas Linkevicius** stated that the EU would consider the terms of the memorandum signed by Ukraine.

Earlier, on 30 May, Prime Minister **Mykola Azarov**, said that Ukraine did not intend to stop at observer status in the Customs Union. The government set up a working group, which is currently carrying out research on possibilities for Ukraine's joining a score of the Customs Union provisions, he added.

According to the EU Parliament Vice-President **Jacek Protasiewicz**, Russia may create obstacles on Ukraine's European integration path, as Kyiv is very important to Moscow. He said about that on 30 May at the Second National Expert Forum organized by the Gorshenin Institute.

The Government's commissioner for European integration **Valeriy Piatnitskiy**, who also took part in the forum, stressed that the signature of the memorandum with the Customs Union will in no way affect the further rapprochement between Kyiv and Brussels.

Senior Advisor of the Russian Embassy to Ukraine **Igor Sevastianov** said at the forum that the Customs Union offers Ukraine an equal cooperation, at the same time as the EU continually imposes conditions on Kyiv.

The head of the Bleyzer International Foundation **Oleg Ustenko**, who also took part in the discussion, stressed that the Customs Union may bring short-term benefits to Ukraine, first of all, thanks to the discount on gas, but at the same time, the EU offers not only an economic deal but also the institutional deal Ukraine needs.

In the opinion of the director of Gorshenin Institute's political programs, **Yevhen Kurmashov**, the signing of the memorandum with the Customs Union is a tactical victory of Ukrainian President **Viktor Yanukovych** in the foreign policy domain. The essence of the victory lies in the fact that the given document has no actual content, the expert added.

You can find the full text of the commentary on page 20.

Ukrainian president meets Russian counterpart in Sochi

On 26 May 2013, Ukrainian President **Viktor Yanukovych** accepted an invitation of his Russian counterpart **Vladimir Putin** and met in Russia's city of Sochi.

Yanukovych's press service announced about the meeting early on 26 May.

The heads of state held talks which lasted over four hours behind the closed doors.

After the negotiations were over, they did not make any official announcements.

In the opinion of the deputy director-general of the Kiev-based think tanks Razumkov Centre, **Valeriy Tchalyy**, if the presidents needed to hold a meeting face-to-face, then the issue had to do with big money. From his perspective, the sides could have discussed the following topics: the fate of the Ukrainian gas transportation system, the conditions for Ukraine's observer status in the Customs Union of Belarus, Kazakhstan and Russia, as well as Russia's participation in the privatization of Ukrainian companies.

Ukraine has no legal grounds for revising gas contracts with Russia, says premier

Ukraine has no legal grounds for revising the gas contracts with Russia, Ukrainian Prime Minister **Mykola Azarov**, said on 29 May 2013. A reduction in the gas price can be achieved only through negotiations, he added.

Talks on Moldova's breakaway region to continue in July

On 16-17 July 2013, Vienna will host the next round of negotiations for settling the Dniester conflict in the format of "five plus two" (Moldova and its breakaway Dniester conflict are the conflict parties; Russia, Ukraine and the OSCE are mediators, while the USA and the EU play the role of observers), the Ukrainian Foreign Ministry has said.

The most recent stage of the negotiations on the Dniester conflict settlement ended in the Ukrainian city of Odessa on 24 May.

UKRAINE-USA**USA launches probe into Ukraine's alleged non-compliance with intellectual property rights**

The USA has launched an investigation into Ukraine's alleged non-compliance of intellectual property rights, the Lb.ua news and analysis website reported on 31 May 2013, quoting the office of the US trade representative.

Earlier, the US trade representative office publicized a report, according to which Ukraine occupied the first place among the countries with violations of the right of American companies to intellectual property.

DOMESTIC POLITICAL**AUTHORITIES****Ukrainian pro-government party, opposition agree on repeat elections**

The Ukrainian opposition and the pro-government Party of Regions have reached principled agreement on holding repeat parliamentary elections, an MP of the opposition UDAR party, **Nataliya Novak**, said on 30 May 2013.

The sides agreed to hold the repeat elections on 27 October this year and only in five first-past-the-post districts where the Ukrainian Central Election Commission (CEC) had not been able to determine the voting results, she explained.

Earlier, the government also proposed to organize repeat elections in two other first-past-the-post districts. In February 2013, the Supreme Administrative Court of Ukraine stripped two lawmakers of their parliamentary seats and obliged the CEC to organize repeat elections in their districts.

The results of a survey conducted by Gorshenin Institute in March 2013 suggest that 61.9 percent of Ukrainians do not believe that an election can be a tool of citizen influence on the government.

Ukrainian Constitutional Court sets date for Kiev mayoral, council elections

On 30 May 2013, the Constitutional Court of Ukraine (CCU) ruled that the next elections of Kiev's mayor and councillors should take place in October 2015.

The influential Ukrainian business daily *Komersant Ukrayina* reported that a number of judges on the CCU did not agree with the ruling.

The opposition said that the CCU judgment authorized holding a snap mayoral election in Kiev. It also expressed its intention to seek an evaluation of the CCU judgment from the Venice Commission.

On 30 May, MPs of the opposition parties Fatherland and UDAR registered in parliament a resolution on scheduling snap mayoral and council elections in Kiev for 27 October this year.

On 31 May, MP of the Fatherland party **Oleksandr Chornovolenko** said that the opposition might block the parliamentary roster to protest against the CCU ruling.

The same day, 31 May, the head of the UDAR parliamentary faction, **Vitaliy Klitschko**, stated that the opposition had agreed on the single candidate for Kiev's mayor. However, he did not name the candidate.

According to the Lb.ua news and analysis website, under Ukrainian legislation, all scheduled local elections should be held on the same day once in five years. Therefore, the next scheduled elections should be organized in 2015. However, the terms of office of members of the Kiev city council who were elected during snap polls in May 2008 will expire in June this year. The tenure of the Kiev mayor expired in May 2012.

Ukrainian Constitutional Court refuses to consider alleged violations during parliamentary voting

On 28 May 2013, the Constitutional Court of Ukraine (CCU) refused to consider a case on non-personal voting in parliament.

In January, representatives of the opposition filed a lawsuit against a parliamentary decision to dismiss the former head of the National Bank of Ukraine, **Serhiy Arbuzov**. The opposition maintains that the ruling majority did not ensure personal voting during the consideration of this issue.

The opposition intends to file a lawsuit with the European Court of Human Rights.

Currently, Arbuzov serves as first deputy prime minister.

Ukrainian parliament to work until 2015, says pro-government party

The Ukrainian parliament of the current convocation will be able to work at least until the presidential election scheduled for 2015, the head of the Ukrainian pro-government parliamentary faction Party of Regions, **Oleksandr Yefemov**, said in an interview with the news service RIA Novosti on 28 May 2013.

He noted that the Party of Regions was ready for a snap election if parliament were not operational. However, a new election should be held only on the first-past-the-post basis, Yefremov stressed.

He added that the implementation of a 100-percent first-past-the-post electoral system might be decided through a referendum.

Venice Commission gives positive evaluation to Ukrainian constitutional amendments intended to reform judiciary

The Venice Commission has given a positive assessment to proposed amendments to the Constitution of Ukraine in the part dealing with reforming the country's judiciary, the secretary of the Venice Commission, **Thomas Markert**, said on 27 May 2013.

According to the Lb.ua news and analysis website, Ukraine sent for the consideration of the Venice Commission proposed constitutional amendments intended to reform the judiciary. The commission is expected to announce the results of its evaluation on 13-14 June.

Ukrainian Interior Ministry dismisses law enforcer in charge of police work at Kiev protest on 18 May

On 30 May 2013, the Ukrainian Interior Ministry announced that the deputy head of the Interior Ministry's main directorate for Kiev, who was in charge of coordinating the work of the police during the protests held in the Ukrainian capital on 18 May, had been dismissed from his post due to reaching the retirement age.

Additionally, the Interior Ministry reported that 15 law enforcers would face disciplinary sanctions for their failure to act during clashes on 18 May.

During the 18 May demonstration organized by the opposition in Kiev and an anti-fascist march, which was held by the pro-government Party of Regions, opposition representatives clashed with a group of unidentified young athletic people. Two journalists who were recording the clash were injured.

According to the mass media, individuals who attacked the journalists had previously taken part in protecting the public order during the Party of Regions anti-fascist march.

The injured journalists said that the attack had taken place in the presence of law enforcers, who had failed to protect them despite being asked to.

The EU, USA and a number of international human rights organizations expressed concern with the developments which had taken place in Kiev on 18 May.

On 21 May, Interior Minister **Vitaliy Zakharchenko** briefed parliament on the 18 May incidents. He said that the opposition was behind the scuffles in Kiev.

Zakharchenko's statement annoyed the opposition, therefore it demanded a repeat report on the 18 May disturbances by the Interior Ministry, as well as reports by the Security Service of Ukraine and the Prosecutor-General's Office.

On 30 May, Ukrainian President **Viktor Yanukovych** condemned the attack on the journalists and urged law-enforcement agencies to give a proper assessment to the incident.

Ukrainian MPs propose to approve pardoning procedure

On 29 May 2013, Ukrainian unaffiliated MPs **Yuriy Derevyanko** and **Oles Doniy** registered in parliament the draft law "On terms of pardoning".

Currently, a decision to pardon anyone can be made by a presidential order.

The authors of the draft law propose to specify the terms for the pardoning procedure in a separate law. The proposed draft law also envisages a larger number of people with the right to propose pardons. In particular, the bill proposes to grant the right to the ombudsman and relatives of the convicted.

Top Ukrainian court might be granted additional powers

Ukrainian President **Viktor Yanukovych** favors the expansion of powers for the Supreme Court of Ukraine (SCU), the SCU head, **Yaroslav Romanyuk**, said in an interview with the influential Ukrainian business daily *Komersant Ukrayina* on 30 May 2013.

The Lb.ua news and analysis website reported that the SCU had lost a number of powers as a result of the court reform implemented in Ukraine.

Government adopts army reform program

The Government of Ukraine on 29 May 2013 approved a state program for reforming the Ukrainian army in the period of 2013-2017.

As Minister of Defense **Pavlo Lebedev** reported, the program budget totals 16.4bn dollars to be financed with public funds and proceeds from sales of excess property by the Ministry of Defense.

According to a survey conducted by the Gorshenin Institute in September 2011, the majority of Ukrainian public (68.3 percent) believe that the Ukrainian army will not be able to defend the country in the event of a real military threat from other countries.

Candidate from the Party of Regions won the mayor election in Vasylkiv

On June 3, 2013, the electoral commission of Vasylkiv acknowledged **Volodymyr Sabadash** to have won the mayor election in Vasylkiv.

V.Sabadash outran his main adversary – candidate from UDAR party **Serhiy Sabov** – by 234 votes.

According to the parallel count of the votes conducted by the civic network “Opora”, the election was won also by V.Sabadash.

Member of the electoral commission from opposition **Liudmyla Lytvynenko** said that the results of the election had been falsified.

Sabov is going to contest the results of the election in court.

According to the chairman of the Committee of Voters of Ukraine **Oleksandr Chernenko**, the falsification of the minutes at the election has not been recorded, procedural infringements during the voting and the votes count could impact the results of the election.

The election of Vasylkiv's mayor was held on the 2nd of June. Both Party of Regions and the opposition have reciprocally blamed each other for attempts to falsify.

The Ministry of Interior reported that there had been no major disturbances of the public order in Vasylkiv during the voting.

Second National expert Forum conducted in Ukraine

On 30 May 2013 the Second National Expert Forum was held in Kyiv: “Ukraine-2013. Agenda”. The forum was organized by the Gorshenin Institute. Leading experts,

politicians, local and international diplomats and civil activists presented their view on the current situation in Ukraine in the national politics, international relations and economy.

The forum was divided into three thematic panels.

The first panel was entitled “Domestic politics. New political season”. In the course of the discussion, the participants discussed how the political landscape had changed in Ukraine, what are the challenges and threats, and an evaluation to the moods in the society was given.

During the second panel – “International politics. Six months ahead of Vilnius” - the participants discussed the chances of Ukraine to sign the Association Agreement with the EU and Ukraine's relations with Russia. Vice-President of the European Parliament **Jacek Protasiewicz** took part in the second panel, upon invitation of the Gorshenin Institute.

In the course of the third panel – “Economy. Reforms. Modernisation” – the experts focused on the major trends in the development of the Ukrainian economy, assessment of Ukraine's reform implementation and the prospects for Kyiv's cooperation with the international financial institutions.

OPPOSITION

Prosecution prepared to bring murder charges against Tymoshenko

The Prosecutor's Office has enough evidence of former Prime Minister **Yulia Tymoshenko's** involvement in the murder of politician and businessman **Yevhen Shcherban**, First Deputy Prosecutor General **Renat Kuzmin** said in an interview with Forbes.ua on 27 May 2013. As he noted, the prosecution is ready to provide evidence to the court.

Kuzmin also said that the Prosecutor's Office has no plans to interview new witnesses in court anytime soon.

On 29 May, **Oleksandr Tymoshenko**, the ex-premier's husband, said that he was willing to give evidence in the Shcherban murder case. In 2012 Oleksandr Tymoshenko was granted political asylum in the Czech Republic.

Tymoshenko against nominating single presidential candidate from opposition

Ex-Prime Minister **Yulia Tymoshenko** on 29 May 2013 said that he supports the decision of the United Opposition not to nominate a single candidate from the opposition for the first round of the 2015 presidential election. Tymoshenko expressed this opinion in article The Europe Day written for news and analysis website LB.ua.

The ex-prime minister called on the opposition leaders to sign already today a memorandum of no competition between the opposition candidates in the first round and unanimous support of the winning opposition candidate in the second round.

Tymoshenko also called on the opposition to stop the all-Ukrainian action “Rise Ukraine”, and on the power to stop the “anti-fascist” movement. According to the former prime-minister, the anti-fascist initiatives of the power are intended to split Ukrainians during the presidential election.

Tymoshenko also called on the oppositionists not to waste time for the dismissal of the current Government of **Mykola Azarov**.

On 31 May, leader of the Freedom parliamentary faction **Oleh Tiahnybok** said that the opposition will nominate a single candidate for presidency only in case of a one-round election.

At the same time, according to Tiahnybok, if the power changes the electoral system and the presidential election is run in one round, the opposition parties will be presenting a single candidate.

According to the deputy chair of the Batkivschyna faction **Arsen Avakov**, the opposition has been unable to present a single candidate not because of Tymoshenko's position, but because of the unpreparedness of the opposition politicians themselves.

At the same time, Avakov said that Tymoshenko's statement is a political move to incite both the adversaries and the allies to take actions that would lead to a result.

Member of the Parliament from the Party of Regions **Anna Herman** thinks that Tymoshenko is losing popularity and by her statements, she is trying to seek attention.

Member of the Parliament from the Party of Regions **Volodymyr Makeienko** noted that by her statements, Tymoshenko is trying to prevent the opposition from uniting.

These are the opinions expressed by politicians on May 30, at the Second National Expert Forum organized by the Gorshenin Institute.

Opposition stages protest rally in Donetsk

The opposition on 31 May 2013 held a protest action named “Rise up, Ukraine” in Donetsk. On the same day, the Party of Regions held in Donetsk a rally in support of children.

According to the opposition, the authorities in every way prevented citizens from other cities from taking part in the Donetsk protest rally.

SOCIETY

Expert: number of employees' protests growing in Ukraine

2.5 times more protests have been recorded in Ukraine during the first trimester in 2013, compared to the respective period last year. Member of the board of the Ukrainian Helsinki Union **Volodymyr Chemerys** said that on May 30 at the Second National Expert Forum organized by the Gorshenin Institute. These actions, he said, are of a social rather than political nature. Chemerys stressed that in some regions the employees' actions are more massive than those of the opposition, however, these are not covered in the media.

President of TVi channel, political observer **Vitaliy Portnikov**, who also took part in the forum, expressed his opinion that Ukraine is pregnant with a social crisis, if not revolution.

HUMAN RIGHTS

Kyiv hosts gay pride march

On 25 May 2013, sexual minorities held a pride parade in Kyiv.

As reported, about 50 people took part in the parade, with half of the participants coming from other countries. The event lasted less than an hour. The parade was guarded by about 1 thousand police officers.

Attempts were made by representatives of the Orthodox Church and nationalist organizations to disrupt the march.

On 30 May MP **Iryna Berezhna** of the Party of Regions said that the Parliament may soon consider a draft law against discrimination of sexual minorities. Berezhna made the statement at the Second National Expert Forum organized by the Gorshenin Institute.

ECONOMICS

Government to make 2012 budget performance report on 7 June

The Parliament on 7 June 2013 will hear the Government's report on implementation of the state budget for 2012, Parliament Speaker **Volodymyr Rybak** announced on 30 May.

According to him, after hearing the Government's report, the Parliament will consider a draft budget resolution for 2014.

National Bank plans to restrict electronic money transactions

The National Bank of Ukraine (NBU) is going to limit the total amount of electronic money transactions to 3120 dollars per month.

As news and analysis website LB.ua reported on 30 May 2013, the NBU has already prepared a respective resolution.

According to the NBU, the volume of payments through the NBU's electronic payment system in 2012 exceeded GDP by more than 8 times, while payment card transactions amounted to more than 50 percent of GDP.

Ukraine pays 2.8bn dollars to IMF since year's start

Since the beginning of the current year, Ukraine has paid to the IMF 2.8bn dollars, the National Bank of Ukraine (NBU) reported on 28 May 2013.

According to news and analysis website LB.ua, this year Ukraine should pay 5.7bn dollars on its obligations to the IMF.

Rating agency Standard & Poor's on 28 May expressed doubts that Ukraine will be able to negotiate the standby program resumption with the IMF anytime this year.

S&P expects Ukraine's 2013 GDP growth at 0.5-1 percent

In 2013 the GDP growth in Ukraine could reach between 0.5 and 1 percent, news and analysis website LB.ua reported on 28 May, referring to the forecast made by rating company S&P.

According to S&P's forecast, Ukraine will see annual inflation of 2.6 percent, budget deficit of 5 percent of GDP, and current account deficit of 8.2 percent of GDP.

Moody's forecasts 10-15-percent hryvnia devaluation

The value of hryvnia against U.S. dollars by the end of 2014 will fall by 10-15 percent, news and analysis website LB.ua reported on 30 May 2013, citing the forecast made by agency Moody's Ratings.

The government expects that this year the average annual hryvnia exchange rate will be 8.4 UAH/USD.

Average exchange rates of commercial banks on 31 May amounted to 8.12-8.15 UAH/USD.

Ukraine to receive 540m dollars ITA

This year Ukraine expects to receive 539.56m dollars in international technical assistance, the Ministry of Economy reported on 29 May 2013.

By the end of 2012, Ukraine received 485.21m dollars of technical assistance.

Ukraine's largest donors are the United States and the European Union.

Ukraine advances in global competitiveness ranking

The IMD, a Swiss research organization, on 28 May 2013 published its World Competitiveness Yearbook.

According to the ranking, Ukraine occupies 49th place out of 60.

In 2012, Ukraine ranked 57th among 59 countries.

Head of the Russian VTB Bank in Ukraine **Vadym Pushkarov** thinks that there is no policy of support for the domestic producers in Ukraine. According to him, Ukraine does not know how to deploy tariff barriers and use protectionism to protect the internal market and get priorities on the external ones.

The head of the trade and economic section at the EU Delegation to Ukraine **Nicholas Burge**, in his turn, expressed his doubt that the protectionism policy would be efficient for Ukraine.

Director for international and investor relations at SCM **Jock Mendoza-Wilson** noted that the essential challenge for the investors is the lack of the rule of law in Ukraine.

These are the opinions shared by experts on the 30th of May at the 2nd National Expert Forum organized by the Gorshenin Institute.

Balance of payments surplus in January-April reaches 2.7bn dollars

The balance of payments surplus in January-April 2013 totaled 2.747bn dollars, the National Bank of Ukraine reported on 29 May 2013. Over the same period of the previous year, the balance of payments surplus was 61m dollars.

According to news and analysis website LB.ua, the balance surplus was achieved thanks to debt raising, as in April Ukraine placed its 10-year Eurobonds in the amount of 1.25bn dollars at 7.5 percent per annum.

National bank grows gold reserves

As at 1 May 2013, the share of gold in Ukraine's international reserves exceeded 36.1 percent, the National Bank of Ukraine (NBU) reported on 28 May 2013. Ukraine occupies the 47th place in the world in terms of gold reserves.

The main supplier of monetary metal is global market.

ENERGY MARKET

Auditors evaluate Ukrainian gas transportation system at 26-29bn dollars – media reports

Audit firm Baker Tilly has completed the evaluation of the gas transportation system (GTS) of Ukraine, Minister of Energy **Eduard Stavytsky** reported on 27 May 2013. According to him, the price of the Ukrainian GTS will be announced after the adoption of the law on reform of state-run energy company Naftohaz Ukrayiny.

As reported by business daily Kommersant Ukraina, Baker Tilly has assessed the Ukrainian gas transportation system and underground gas storages (UGS) at 26-29bn dollars.

According to the publication, this amount should be used in negotiations with Russia on the creation of a joint venture. Ukraine may contribute its GTS and UGS into the joint venture. In exchange for a 50-percent stake in the company, the Russian side may provide a discount on natural gas of 12-15bn dollars and guarantee loading of the pipe.

European Commissioner for Enlargement **Stefan Fule** on 28 May said that Ukraine should decide on its own with whom and how to modernize its gas transport system.

On the same day, 28 May, **Oleksandr Yefremov**, chairman of the parliamentary faction of the Party of Regions, said in an interview with RIA Novosti that at present the Parliament does not have enough votes to pass the law on reforming Naftohaz.

According to news and analysis website LB.ua, the bill on reforming Naftohaz suggests unblocking the privatization of the Ukrainian GTS and lease of gas pipelines and storage facilities.

Vanco Prykerchenska asking court to approve settlement agreement with Ukraine

Vanco Prykerchenska has applied to court for approval of the settlement agreement between Ukraine and Vanco Prykerchenska with regards to the Kerch area of the Black Sea shelf, media reported on 28 May 2013.

It is expected that the hearing will take place on 6 June.

In October 2007, the Ukrainian government and Vanco International signed an agreement on oil and gas production in the Kerch area of the Black Sea. Later, Vanco International transferred all of its rights and obligations to Vanco Prykerchenska. That was the main reason for the government to terminate the agreement and launch international proceedings.

The memorandum on participating in the work of the Customs Union and the Eurasian Economic Commission is a tactical victory of Ukrainian President **Viktor Yanukovych** in the foreign policy domain. The essence of the victory lies in the fact that the agreement has no actual content.

This was said by the director of Gorshenin Institute's political programs, **Yevhen Kurmashov**.

“Ukraine will not receive as many rights and powers as it would with the full membership in the Customs Union. At the same time, the given memorandum does not impose any specific obligations on Ukraine. And this is the key issue in the relations between the Kremlin and the Ukrainian president,” the expert noted.

In his opinion, thanks to the developments which took place in Minsk, “the Ukrainian authorities will be given a little breather on the Russian track and will retain the possibility for further foreign policy maneuvers between Moscow and Brussels in the medium term”.

Kurmashov stressed that Ukraine's observer status in the Customs Union and the Eurasian Economic Commission conveyed a crucial message: “In fact, it has altered the agenda and format of negotiations between Kiev and Brussels six months before the Vilnius summit. As we all know, the issue of releasing [jailed Ukrainian former Prime Minister] **Yuliya Tymoshenko** is among the key demands of Ukraine's European partners on its path towards the signing of an agreement on setting up a free trade area with the European Union. The Minsk agreement might be a foreign policy maneuver of official Kiev in the context of the approaching November summit in Vilnius. And one of the possible objectives of the given maneuver is to cool down the demands put forward by EU officials. This is actually an attempt to shift the emphasis in the bargaining which is currently taking place between the Ukrainian government and Brussels bureaucrats.”

“As paradoxical as it may sound, Brussels has played a crucial role in the process of Ukraine's attainment of observer status in the Customs Union,” the director of Gorshenin Institute's political programs observed.

The expert added: “Back at the beginning of 2013, the possibility that Ukraine would sign an agreement on a free trade area with the EU during the Vilnius summit was ruled out by even its most avid supporters and lobbyists in the European Parliament from among Polish MPs. The Kremlin also adopted an extremely tough position, rejecting any Ukrainian attempts to discuss cooperation with the Customs Union in a partial format, including the 'three plus one' format.”

From Kurmashov's perspective, the situation has recently changed. “Ukraine's prospects for signing the association agreement in Vilnius are again seriously discussed. European officials also took into consideration the success of the Cox-Kwasniewski mission. Russia, which over the past years has always toughened its stance on Kiev simultaneously with the European Union, also simultaneously eased its requirements. The concessions made by Russia, which granted Ukraine the right to enter the club of the Customs Union member states as a potential partner and observer, are the small price which Vladimir Putin is ready to pay at the moment in order to keep Ukraine in the area of Russia's strategic influence. This decision was made under the influence of many factors. But one of them is a dramatic change in the rhetoric on Ukraine by representatives of the European Union over the past few months,” the director of Gorshenin Institute's political programs concluded.

In March 2013 the Gorshenin Institute conducted a face-to-face survey. As many as 2,000 randomly sampled adults aged 18 years and older, living in all the Ukrainian regions, as well as in the cities of Kiev and Sevastopol were interviewed. Region, sex and the age of respondents were selected as quotas. The margin of error is +/-2.2 percentage points.

What direction for integration should Ukraine choose?

- European Union – 41,6%
- Customs union with Russia, Belarus and Kazakhstan – 34,7%
- Neither the EU nor the Customs Union – 15,0%
- Difficult to answer – 8,7%

If a referendum on Ukraine's joining the European Union occurred shortly, what would be your vote?

- Definitely positive – 21,8%
- Rather positive – 23,7%
- Rather negative – 15,4%
- Definitely negative – 19,7%
- Difficult to answer – 19,4%

What is the level of rapprochement between Ukraine and the European Union that you consider relevant? (respondents could choose several options of the answer)

- Cultural exchanges – 71,3%
- Visa-free circulation of individuals – 70,3%
- Common customs space – 50,2%
- Common foreign policy – 25,1%
- Common currency – 18,2%
- Common legislation – 8,2%
- Common army – 5,8%
- Common state authorities – 4,2%
- Other – 3,4%
- The rapprochement is not expedient – 4,8%
- Difficult to answer – 6,4%

What is the level of rapprochement between Ukraine and Russia that you consider relevant?

(respondents could choose several options of the answer)

- Visa-free circulation of individuals – 75,3%
- Cultural exchanges – 68,4%
- Common customs space – 58,3%
- Common foreign policy – 34,2%
- Common currency – 12,3%
- Common legislation – 10,1%
- Common army – 8,2%
- Common state authorities – 5,6%

- Other – 3,2%
- The rapprochement is not expedient – 5,2%
- Difficult to answer – 5,1%

What is your attitude to the visa liberalization between Ukraine and the European Union?

- Definitely positive – 74,3%
- Rather positive – 13,8%
- Rather negative – 1,6%
- Definitely negative – 4,1%
- Difficult to answer – 6,2%

Have you ever been to countries of the European Union, USA or Canada?

- Yes – 23,7%
- No – 74,8%
- Reluctant to answer – 1,5%

Founded in July 2010, Gorshenin Weekly is a weekly digest of expert analysis covering the most important political, social and economic events in Ukraine. It is the key source of information about opinion polls carried out by the Gorshenin Institute as well as the best professional commentaries on recent developments.

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