



Gorshenin *Weekly*

ISSUE #20(139) 06/17/2013

Content**1. Pick of the week**

Yanukovych: EU has no reason to deprive Ukraine of membership prospect...page 5.

Speaker: president ready to meet parliamentary faction leaders...page 5.

Ukrainian opposition parties Front for Change, Fatherland merge...page 5.

2. International political**Ukraine-EU**

Yanukovych: EU has no reason to deprive Ukraine of membership prospect...page 5.

Yanukovych meets OSCE secretary-general...page 6.

Ukraine- CIS

Yanukovych calls on Putin to deepen bilateral cooperation...page 6.

Belarusian president to visit Ukraine...page 7.

3. Domestic political**Authorities**

Speaker: president ready to meet parliamentary faction leaders...page 7.

Court obliges speaker to strip two MPs of seats...page 8.

Party of Regions offers tighter control on Internet...page 8.

Cherkasy ex-mayor suspected of abuse of office...page 8.

Opposition

Ukrainian opposition parties Front for Change, Fatherland merge...page 9.

Ukrainian opposition complains about government's political persecution...page 9.

Ukrainian opposition holds another rally as part of "Stand up, Ukraine!" nationwide protest campaign...page 10.

Ukrainian ex-speaker said behind opposition MPs leaving their party...page 11.

Ukraine's jailed ex-premier denied permission to see mother...page 11.

German doctors examine Ukraine's jailed ex-premier...page 11.

EU mission visits jailed ex-premier...page 11.

US company again takes Ukraine's jailed ex-premier to court...page 12.

Ukraine's ex-interior minister to set up new civil movement...page 12.

Ukrainian court dismisses opposition party's appeal against outcome of regional mayoral election...page 12.

4. Society

Ukraine downgraded 23 points on peacefulness rating...page 12.

5. Human rights

Human rights defenders: the referendum and the language laws jeopardizing human rights...page 13.

Cabinet drafts law on peaceful gatherings...page 13.

Journalist attacked in Kiev accuses far-right activists...page 13.

6. Economics

President insists on budget expansion despite revenue drop...page 13.

GDP continues to fall...page 14.

IMF mission chief to visit Ukraine in late June...page 14.

MPs to consider rising wine import tariffs, excise tax on beer...page 14.

S&P expects hryvnya devaluation...page 15.

S&P: Ukraine offers worst business environment...page 15.

United States worsens grain harvest forecast for Ukraine...page 15.

WTO members react to Ukraine's passenger car tariff...page 16.

Commodity trade deficit in January-April reaches 2.6bn dollars...page 16.

Ukraine blocks online payment system accounts...page 16.

7. Energy market

USA: Ukraine holds thirteenth largest shale gas reserves...page 16.

Turkey reluctant to support construction of Ukrainian LNG terminal...page 17.

Ukrainian nuclear energy operator gets new head...page 17.

Ukraine increased imports of reverse gas from Poland by 21% in May...page 17.

Ukraine planning to buy 18bn cu.m. of gas from Gazprom in 2014...page 18.

PICK OF THE WEEK

Yanukovych: EU has no reason to deprive Ukraine of membership prospect

President **Viktor Yanukovych** said on 13 June 2013 that he could not see a reason why Ukraine should be deprived of the EU membership prospect.

He made this statement at the summit of Central European heads of state in Slovakia.

Yanukovych also said that Ukraine had proven itself as an effective partner of the EU in many respects.

Also, he pointed out, both sides would benefit from signing the association agreement.

Speaker: president ready to meet parliamentary faction leaders

Parliament speaker **Volodymyr Rybak** said on 13 June 2013 that President **Viktor Yanukovych** had agreed to meet parliamentary faction leaders.

Rybak also hopes that parliament will resume its work on 18 June.

In the speaker's words, there are no reasons to disband parliament today and the president does not consider this issue.

Ukrainian opposition parties Front for Change, Fatherland merge

On 15 March 2013, the Ukrainian opposition held a congress at which the parties Front for Change, as well as Reforms and Order, merged with the Fatherland party.

The congress confirmed **Yuliya Tymoshenko as the party leader**.

The congress also introduced the post of the chairman of the political council and a new governing body, the presidium of the political council.

The head of the Fatherland parliamentary faction, the leader of the Front for Change! party, **Arseniy Yatsenyuk**, was elected head of the political council. Fatherland MPs **Oleksandr Turchynov** and **Serhiy Sobolev** have been appointed first deputy and deputy political council heads respectively.

INTERNATIONAL POLITICAL

UKRAINE-EU

Yanukovych: EU has no reason to deprive Ukraine of membership prospect

President **Viktor Yanukovych** said on 13 June 2013 that he could not see a reason why Ukraine should be deprived of the EU membership prospect.

He made this statement at the summit of Central European heads of state in Slovakia.

Yanukovych also said that Ukraine had proven itself as an effective partner of the EU in many respects.

Also, he pointed out, both sides would benefit from signing the association agreement.

The same day, 13 June, Lithuanian President **Dalia Grybauskaitė** said that the case of one person could not slow down Ukraine's integration into the EU. She added though that the case of former Prime Minister **Yuliya Tymoshenko** could symbolize more widespread processes taking place in Ukraine.

On 13 June, Polish President **Bronisław Komorowski** said that there was "a huge chance for Ukraine to sign the association agreement with the EU at the Eastern Partnership summit in November". However he added that Kiev did not meet the conditions to the signing of the association agreement.

A day later European Commissioner for Enlargement and European Neighbourhood Policy **Stefan Fuele** confidently said that the association agreement with Ukraine would be signed at the Eastern Partnership summit in Vilnius.

The same day, 14 June, Russian presidential adviser **Sergey Glazyev** suggested that the signing of the association agreement between Ukraine and the EU would contradict Kiev's application for observer status in the Customs Union of Belarus, Kazakhstan and Russia.

According to an opinion poll carried out by the Gorshenin Institute in March 2013, 41.6 percent of the population believe Ukraine should integrate into the EU.

Yanukovych meets OSCE secretary-general

President **Viktor Yanukovych** met OSCE Secretary-General **Lamberto Zannier** on 11 June 2013.

Zannier told Yanukovych that he was pleased with cooperation with Ukraine as the country holding OSCE chairmanship.

Yanukovych said that as the OSCE chair country, Ukraine would facilitate international and regional cooperation and pay special attention to the settlement of conflicts, especially the Dniester conflict.

Earlier, on 5 June, Zannier said that the case of former of Prime Minister **Yuliya Tymoshenko** was affecting Ukraine's chairmanship of the OSCE. In his words, the Tymoshenko issue is the issue of the supremacy of law.

UKRAINE-CIS

Yanukovych calls on Putin to deepen bilateral cooperation

Kiev and Moscow have great potential for even deeper cooperation, Ukrainian President **Viktor Yanukovych** said on 12 June 2013 in his greetings to Russian President **Vladimir Putin** on the occasion of Russia Day.

Yanukovych also urged Putin not to stop on what has been achieved and continue effective joint work aimed at strengthening full-fledged cooperation.

Belarusian president to visit Ukraine

Belarusian President **Alyaksandr Lukashenka** will visit Ukraine on 18 June 2013, Belarusian First Deputy Foreign Minister **Alyaksandr Mikhnevich** said on 12 June.

In Kiev, he is expected to discuss bilateral trade cooperation. Last time Lukashenka visited Ukraine in February 2010 to attend the inauguration of Ukrainian President **Viktor Yanukovych**.

DOMESTIC POLITICAL

AUTHORITIES

Speaker: president ready to meet parliamentary faction leaders

Parliament speaker **Volodymyr Rybak** said on 13 June 2013 that President **Viktor Yanukovych** had agreed to meet parliamentary faction leaders.

Rybak also hopes that parliament will resume its work on 18 June.

In the speaker's words, there are no reasons to disband parliament today and the president does not consider this issue.

The presidential representative to parliament, **Yuriy Miroshnychenko**, said on 12 June that for a meeting with the president, the faction leaders should send their proposals regarding its duration and preferable agenda.

On 6 June, the president sent to parliament the text of his annual address on Ukraine's domestic and foreign policy. Yanukovych did not come to parliament in person. The opposition blocked the rostrum in protest and demanded a meeting with the president.

The leaders of the parliamentary factions Fatherland and UDAR, **Arseniy Yatsenyuk** and **Vitaliy Klitschko** respectively, insist that a meeting with the president should be public.

In the opinion of ex-Prime Minister **Yuliya Tymoshenko**, media representatives should be allowed to attend a meeting between the opposition and the president.

Yatsenyuk wants to discuss with Yanukovych Ukraine's progress in European integration, the situation with the state budget and police pressure on the opposition.

UDAR said on 13 June that the president should meet the factions in the parliament session hall on 18 June.

On 11 June, Yanukovych said that parliament should hold an extraordinary session if the opposition continues to block its work. Party of Regions faction head **Oleksandr Yefremov** earlier mentioned such a possibility.

Court obliges speaker to strip two MPs of seats

On 11 June 2013, a court obliged parliament speaker **Volodymyr Rybak** to strip MPs **Oleksandr Dombrovskyy** and **Pavlo Baloha** of their seats, ex-MP Yuriy Karmazin said on 12 June.

Parliament's representative to court, **Anatoliy Selivanov**, said on 13 June that parliament was going to appeal against this ruling.

On 8 February, the Supreme Administrative Court of Ukraine upheld **Yuriy Karmazin's** lawsuit to strip Pavlo Baloha and Oleksandr Dombrovskyy, elected in first-past-the-post constituencies, of their parliament seats and oblige the Central Electoral Commission to hold repeat elections in their constituencies. Later the Constitutional Court refused to consider the ruling of the Supreme Administrative Court.

Baloha earlier appealed against this ruling to the European Court of Human Rights.

According to opposition Fatherland MP **Andriy Pyshnyy**, the constitution does not authorize the speaker to strip MPs of their seats.

Pro-government Party of Regions MP **Vladyslav Lukyanov** said that Rybak must obey the ruling of the Supreme Administrative Court.

Party of Regions offers tighter control on Internet

The Kommersant Ukraina business daily said on 10 June 2013 that the Party of Regions had registered with parliament the bill tightening control over the distribution of information on the Internet. In particular, the document obliges providers to close access to websites promoting interethnic hatred, cruelty or violates civil rights and freedoms.

On 12 June, Party of Regions MP **Volodymyr Oliynyk**, who authored the bill, said that he was recalling the bill for reworking.

According to an opinion poll held by the Gorshenin Institute among young people in March 2013, 72.3 percent of them consider the Internet to be their main source of information.

Cherkasy ex-mayor suspected of abuse of office

The prosecutor's office of Cherkasy Region said on 10 June 2013 that Cherkasy ex-mayor **Serhiy Odarych** was suspected of committing abuse of office and inflicting losses on the budget worth 75,000 dollars.

On 11 June, a court refused to uphold the prosecutor's motion to place him under house arrest.

Earlier, on 24 April, the Cherkasy city council voted to terminate Odarych's mandate as mayor, with 40 votes for.

According to the news portal Lb.ua, the decision to dismiss a mayor requires the consent of two thirds of the city council. The Cherkasy city council consists of 60 councillors and the city head.

OPPOSITION

Ukrainian opposition parties Front for Change, Fatherland merge

On 15 March 2013, the Ukrainian opposition held a congress at which the parties Front for Change, as well as Reforms and Order, merged with the Fatherland party.

The congress confirmed **Yuliya Tymoshenko** as the party leader.

The opposition also demanded that Tymoshenko be released and announced her nomination as a presidential candidate for the 2015 election. The congress also called on all opposition parliamentary factions to support bills required for the European integration and help fulfill all conditions necessary for signing the association agreement with the EU.

The congress also introduced the post of the chairman of the political council and a new governing body, the presidium of the political council.

The head of the Fatherland parliamentary faction, the leader of the Front for Change! party, **Arseniy Yatsenyuk**, was elected head of the political council. Fatherland MPs **Oleksandr Turchynov** and **Serhiy Sobolev** have been appointed first deputy and deputy political council heads respectively.

The party pointed out that all changes have been personally approved by Tymoshenko.

The Lb.ua news and analysis website said that MPs who sharply criticized Yatsenyuk have also been elected to the political council.

The Kommersant Ukraina business daily said that the new party regulations do not give Yatsenyuk, as the political council head, the authority to control party's work. According to the newspaper, Yatsenyuk's field of responsibility has three functions: to coordinate the work of the parliamentary faction, to organize the work of the political council and to represent the party in cooperation with other political forces.

The parties Civil Position and For Ukraine refused to take part in the merging process.

Civil Position's leader **Anatoliy Hrytsenko** and the head of the For Ukraine party, **Vyacheslav Kyrylenko**, are members of the Fatherland parliamentary faction.

Ukrainian opposition complains about government's political persecution

The Ukrainian tax police have started unjustified persecution of an MP of the opposition parliamentary faction Fatherland, **Iryna Kupreychyk**, Fatherland announced on 11 June 2013.

In particular, the opposition said that in May the tax police launched a criminal case against the daughter of the opposition politician, accusing the former of large-scale tax evasion without any adequate evidence. Kupreychyk's daughter is the head of a company called Nyva-Ahrotekh. The opposition argued that the MP had been already questioned twice as a witness in the criminal case.

Fatherland believes that such actions of the tax authorities represent a case of political persecution.

On 10 June, the Front for Change party announced that late on 9 June, two unidentified individuals damaged the property of the head of the party's branch in Donetsk Region, **Oleksandr Yaroshenko**. They entered the yard of his house and then smashed a window in the children room, and escaped. Surveillance cameras recorded that the unknown men wore balaclavas and were specifically looking for a window in the children room.

Front for Change said that Yaroshenko had already received threats, including threats of physical violence, in connection with his political activity.

The same day, 10 June, the Ukrainian opposition party UDAR said that unidentified individuals had set on fire a car which belonged to the head of its Brovary (Kiev Region) regional branch, **Roman Symutin**. The party believes that the arson is a continuation of the government pressure on the UDAR's branch in Brovary.

On 13 June, UDAR MP **Serhiy Kaplin** also spoke about government pressure. In May, he filed a lawsuit against Ukrainian Prime Minister **Mykola Azarov**, accusing him of inactivity, since the cabinet leader had not been responding to the lawmaker's requests.

Ukrainian opposition holds another rally as part of "Stand up, Ukraine!" nationwide protest campaign

On 13 June 2013, the Ukrainian opposition organized a rally in Mykolayiv as part of its nationwide protest campaign "Stand up, Ukraine!"

During the demonstration, the head of the Fatherland parliamentary faction, **Arseniy Yatsenyuk**, said that the opposition intended to hold nationwide protesters "Stand up, Ukraine!" on the country's Independence Day, which is marked on 24 August.

Additionally, Yatsenyuk said that a large-scale protest was planned in Kiev on 22 November.

The opposition estimated that the rally in Mykolayiv had attracted approximately 6,000-8,000 participants.

On 11 June, the head of the UDAR opposition parliamentary faction, **Vitaliy Klitschko**, proposed to suspend the protest campaign "Stand up, Ukraine!" during the summer period. His plan is to resume protests in the fall.

Earlier, in an article for the Lb.ua news and analysis website, jailed former Ukrainian Prime Minister **Yuliya Tymoshenko** called on the opposition to end the "Stand up, Ukraine!" protest campaign. Former Ukrainian Interior Minister **Yuriy Lutsenko** also backed the idea of ending nationwide protests.

On 14 June, the deputy head of the Fatherland faction, **Arsen Avakov**, said that after Tymoshenko's article, the opposition had decided to change the format of the "Stand up, Ukraine!" protest campaign. He added that, as previously, the opposition forces intended to organize rallies in different cities, although it now planned to do more work with the population before holding protests.

Ukrainian ex-speaker said behind opposition MPs leaving their party

A former Ukrainian parliamentary speaker, unaffiliated MP **Volodymyr Lytvyn** is responsible for opposition lawmakers leaving their factions, the deputy head of the Fatherland faction, **Serhiy Sobolyev**, said on 10 June 2013.

In his opinion, this is evidenced by Lytvyn's knowledge of the number of statements from opposition MPs on leaving the Fatherland faction.

On 6 June, speaker **Volodymyr Rybak** announced that MPs **Vyacheslav Kutovyy** and **Volodymyr Kupchak** were leaving the Fatherland faction. After this, Lytvyn said that there were other requests from four more lawmakers who wanted to leave Fatherland.

The Lb.ua news and analysis website reported, quoting opposition representatives, that **Halyna Hordiyenko**, who headed the administration of the first deputy prime minister, **Serhiy Arbuzov**, was in charge of the work for the so-called "recruitment" of opposition MPs.

Ukraine's jailed ex-premier denied permission to see mother

Jailed former Ukrainian Prime Minister **Yuliya Tymoshenko** has been denied permission to see her mother outside the prison and the hospital where she currently undergoes treatment, the Ukrainian State Penitentiary Service reported on 11 June 2013.

Earlier, Tymoshenko asked the management of the prison to allow her to see her mother outside the prison facility or the hospital.

The State Penitentiary Service argues that under Ukrainian legislation, there are no grounds to honour Tymoshenko's request.

German doctors examine Ukraine's jailed ex-premier

Doctors of the German clinic Charite have examined jailed former Ukrainian Prime Minister **Yuliya Tymoshenko**, who is currently undergoing treatment in a Kharkiv hospital, the mass media reported on 10 June 2013.

According to the Lb.ua news and analysis website, prior to this, the German doctors saw Tymoshenko the last time back in February 2013.

The Ukrainian Health Ministry said on 11 June that during a medical examination, the German doctors noted that the former prime minister's health condition had improved. The German doctors also said that Tymoshenko did not need any surgery.

On 14 June, the opposition Fatherland party said that Tymoshenko's condition had dramatically deteriorated and asked German doctors to examine her.

EU mission visits jailed ex-premier

On 15 June, the heads of the European Parliament observation mission **Pat Cox** and **Aleksander Kwasniewski** visited **Yuliya Tymoshenko**.

They provided no commentaries following their visit.

On the same they Cox and Kwasniewski met Prosecutor-General **Viktor Pshonka**. The Prosecutor-General's Office reported that the sides discussed the reforming of the Ukrainian criminal justice system.

The Cox and Kwasniewski mission for monitoring trials over Ukrainian opposition politicians started in June 2012.

US company again takes Ukraine's jailed ex-premier to court

An American company called UTICo has re-submitted its lawsuit against jailed former Ukrainian Prime Minister **Yuliya Tymoshenko** to New York's federal court, the Ukrainian news and analysis website Ukrayinska Pravda reported on 9 June 2013.

Earlier, the UTICo company tried to make Tymoshenko to pay it 18.3m dollars. Yet, in December 2012, a court dismissed its motion.

On 10 June, Tymoshenko's lawyer **Serhiy Vlasenko** said that UTICo had already tried on multiple occasions to press charges against the former prime minister.

Ukraine's ex-interior minister to set up new civil movement

Former Ukrainian Interior Minister **Yuriy Lutsenko** has announced in an interview with the Lb.ua news and analysis website about his intention to set up a new civil movement.

He mostly relies in his plans on the generation of those who are 30 years old and older.

Earlier, Lutsenko also said that he did not intend to return to politics and had no plans to compete with the opposition leaders.

Ukrainian court dismisses opposition party's appeal against outcome of regional mayoral election

On 12 June 2013, a Ukrainian court dismissed an appeal against the results of a mayoral election in Vasylkiv, Kiev Region, which was filed by a mayoral candidate from the opposition UDAR party, **Serhiy Sabov**.

According to the court ruling, the plaintiff could not prove that the results of the election had been rigged during the processes of voting and ballot counting.

On 3 June, Vasylkiv's electoral commission declared a member of the pro-presidential Party of Regions, **Volodymyr Sabadash**, the winner of the mayoral race.

Sabadash defeated his major rival, UDAR candidate Sabov, by 234 votes.

SOCIETY

Ukraine downgraded 23 points on peacefulness rating

On 11 June 2013, the International Institute for Economics and Peace published its annual Global Peace Index.

Ukraine holds the 111th position in the ranking. In one year, Ukraine lost 23 points: last year, Ukraine held the 88th place among 158 countries.

HUMAN RIGHTS

Human rights defenders: the referendum and the language laws jeopardizing human rights

On 11 June 2013, the Centre for Civil Freedoms published the ratings of the laws that are the most dangerous for human rights and freedoms.

The first place in the ratings is held by the law on the all-Ukrainian referendum adopted in November 2012.

In particular, the law cancels the obligatory approval of the referendum results by parliament. According to the human rights defenders, this document allows the authorities to control outcome of the all-Ukrainian referenda.

Among the most dangerous laws for the human rights the activists also mentioned the language law adopted in July 2012. According to the human rights defenders, this bill allowed the authorities to extend the influence of the Russian language in a number of regions of Ukraine.

Cabinet drafts law on peaceful gatherings

On 10 June 2013, Deputy Interior Minister **Viktor Rakushnyak** reported that the government, jointly with the presidential administration, drafted a bill on peaceful gatherings. The document will be submitted to parliament shortly.

According to the bill, not only offenders, but also the action organizers will be kept liable for order violations during manifestations. The document also provides for prohibition for participants to hide their faces behind masks or with hoods.

In a number of cities, including Kiev, actions of protest were held against the adoption of the law on peaceful gatherings conceived by the authorities.

Journalist attacked in Kiev accuses far-right activists

On 8 June 2013, a group of unidentified persons attacked the journalist, executive secretary of the Kiev City Organisation of the Media Independent Union **Heorhiy Erman**. According to the injured, five offenders threatened him with violence for his allegedly having insulted nationalists in his articles.

On 11 June, deputies from the Svoboda party stated that nationalists had not been involved with the incident. Svoboda consider the alleged nationalists' attack on the journalist to be a provocation by the authorities.

ECONOMICS

President insists on budget expansion despite revenue drop

President **Viktor Yanukovych** on 11 June 2013 said that there is a need for revising upwards key budget figures after the first six month of 2013.

As business daily Kommersant Ukraina earlier reported, citing data from the State Statistics Service, the growth rate of fiscal revenue has been slowing down.

According to the publication, the growth rate was 9.1 percent in January-March 2013, 5.5 percent in January-April, and only 2.4 percent in January-May. The government expects that the revenue growth in 2013 should reach 8.9 percent.

In the opinion of ex-finance minister, MP **Viktor Pynzenyk** of UDAR party, the slow growth of budget revenues indicates the need for a budget sequestration.

GDP continues to fall

Ukraine's GDP in the first quarter fell by 1.1 percent (nominal GDP was 37.73bn dollars), the State Statistics Service reported on 10 June 2013.

The Economics Ministry says the GDP decline is due to lower exports.

According to business daily Kommersant Ukraina, economic downturn in Ukraine has been in place for a third consecutive quarter. The State Statistics Service reported economic growth of 2.2 and 3 percent for the first and second quarters of 2012 respectively, while the third quarter brought a 1.3 percent drop in GDP, and in the fourth quarter Ukraine's economy contracted already by 2.5 percent.

Overall, the GDP growth in 2012 totaled 0.2 percent. Nominal GDP in 2012, according to revised data, amounted to 176.3bn dollars.

According to the government's optimistic forecast, the GDP growth in 2013 will reach 3.4 percent, while in the worst-case scenario the economy will grow by 2.5 percent.

The World Bank on 13 June confirmed its 2013 GDP growth outlook on Ukraine at 1 percent.

IMF mission chief to visit Ukraine in late June

The newly appointed head of the IMF mission to Ukraine, **Nikolay Gueorguiev**, will visit Kiev on 28 June 2013, First Deputy Head of the Presidential Administration **Iryna Akimova** announced on 11 June.

The appointment of Gueorguiev was announced on 4 June. Before him, the IMF mission to Ukraine was headed by **Christopher Jarvis**.

Previously, **Jerome Vacher** replaced **Max Alier** as IMF Resident Representative in Ukraine.

The Finance Ministry on 11 June reported that by the year end Ukraine has to pay another 1.4bn dollars on its debts to the IMF. According news and analysis website Lb.ua, this year Ukraine should pay a total of 5.7bn dollars to the IMF.

MPs to consider rising wine import tariffs, excise tax on beer

Representatives of the Party of Regions and the Fatherland party have registered in parliament a bill that raises import duties on alcoholic beverages, news and analysis website Lb.ua reported on 10 June 2013.

According to Lb.ua, the document suggests increasing duties on wines and vermouths to 1 euro per liter, and import tariffs on cognac, whiskey and brandy to 3.5 euros per liter.

The authors of the bill explain that their move is aimed at eliminating crisis in the domestic wine industry.

Earlier, Minister of Revenues and Levies **Oleksandr Klymenko** said that this autumn the government plans to submit to parliament its proposals as to the increase in excise taxes on beer. Currently, according to the minister, the government is holding talks with producers.

S&P expects hryvnya devaluation

The value of the Ukrainian hryvnya by the end of 2013 may drop by more than 10 percent from 7.99 to 9.00 hryvnias per 1 U.S. dollar. The forecast was voiced by rating agency Standard & Poor's (S&P) on 10 June.

According to S&P, the National Bank's resolution that extends compulsory sales of 50 percent of foreign exchange earnings by exporters will ease the pressure on the hryvnya only in a short term, while the regulator will have to spend its foreign exchange reserves on keeping the national currency stable.

As a result, the volume of Ukraine's international reserves is expected to decline this year from the current 24.5bn to 20bn dollars, S&P says.

As NBU Governor **Ihor Sorkin** said on 11 June, since the beginning of the year the amount of deposits in the local currency increased by 4.13bn dollars. In such a way, the growth of bank deposits in the national currency and a sharp decline in demand for foreign currency indicate increased trust of Ukrainians in the national currency.

According to news and analysis Lb.ua, Ukraine's central bank in January-May spent 625.5m dollars on supporting the hryvnya exchange rate.

S&P: Ukraine offers worst business environment

Rating agency Standard & Poor's (S&P) on 10 June 2013 said that Ukraine shows the lowest level of comfort for doing business and private sector development among peer countries with investment rating of B.

The agency compared Ukraine to Belarus, Georgia, Bosnia and Herzegovina, Lebanon and Argentina.

S&P noted that the main problems of Ukraine lie in the high level of corruption and the poorest conditions for starting and conducting a business.

United States worsens grain harvest forecast for Ukraine

Grain harvest in Ukraine in 2013 is expected to reach 54m tonnes (including 19.5m tonnes of wheat and 34.5m tonnes of fodder grain).

The forecast was disclosed in the June report of the USDA, news and analysis website Lb.ua said on 13 June.

Compared with the agency's May report, the grain harvest forecast dropped by 4.5 percent or 2.55m tonnes.

WTO members react to Ukraine's passenger car tariff

Turkey on 12 June 2013 announced to the WTO member states that it introduced a 23-percent duty on Ukrainian walnuts.

As reported by Reuters, according to Turkey's estimates, the tariff increase will bring additional 6.1bn dollars to the country's budget. Turkey expects to lose exactly the same amount due to the imposition by Ukraine of import duties on passenger cars.

According to the agency, the example of Turkey may be followed by Japan, the EU and other WTO members dissatisfied with Ukraine's introducing cars duties.

Ukraine on 13 April introduced a three-year special duty on imports of new passenger cars. According to a number of WTO member states, Ukraine imposed the duty without a reasonable basis.

Commodity trade deficit in January-April reaches 2.6bn dollars

In January-April the deficit of trade in goods amounted to 2.6bn dollars, the State Statistics Service reported on 14 June 2013.

Exports of goods over the first four months totaled 22bn dollars, while imports were 24.6bn dollars.

Ukraine blocks online payment system accounts

The tax police on 11 June 2013 performed a search in the Kiev office of WebMoney.UA, an instant online payment service.

It is reported that during the search the police seized electronic media (servers) of the company, which led to blocking of accounts to the amount of 7.5m dollars.

As the Ministry of Revenues and Levies reported later, WebMoney's operations in Ukraine were in violation of the law.

According to media reports, WebMoney is suspected of money laundering. The company denies the charges.

On 14 June, the National Bank of Ukraine said that WebMoney Transfer has no right to conduct its operations in Ukraine.

ENERGY MARKET

USA: Ukraine holds thirteenth largest shale gas reserves

On 10 June 2013, the US Energy Information Administration published a report on the technically recoverable shale gas resources in the world.

According to the report, Ukraine is number three in Europe (taken apart Russia whose reserves are in Asia) and thirteen in the world for the shale gas deposits.

These have been assessed at 3.6 trillion cu.m.

Turkey reluctant to support construction of Ukrainian LNG terminal

On 12 June 2013, Turkish ambassador to Ukraine Mehmet Samsar stated that his country refuses to provide access to its straits for tankers with the liquefied gas destined for the Ukrainian LNG terminal.

According to the ambassador, transit of such tankers is too dangerous for Turkish straits and towns.

In 2012, media reported that Turkey had agreed to allow through its straits up to eight tankers with liquefied gas monthly for the LNG terminal that the Ukrainian authorities are planning to build in the Black Sea coast.

Ukrainian nuclear energy operator gets new head

On 12 June 2013, the government assigned Mykyta Konstantinov as the acting president of the state-owned company "Enerhoatom".

With another decree, the government dismissed **Vissarion Kim** from the post of the president of Enerhoatom.

Earlier, the prosecutor's office reported that Kim was suspect of abuse of office.

Konstantinov heads the Strategic policy and nuclear energy complex department at the Energy Ministry.

As First Deputy Prime Minister **Serhiy Arbuzov** said on 13 June, the issue of assigning an acting president had been addressed at the government meeting on 12 June, but no specific assignment had been considered.

Ukraine increased imports of reverse gas from Poland by 21% in May

On 12 June 2013, Ukrtransgaz company reported that Ukraine had imported 129m cu.m. of gas from Poland in May, which is 27m cu.m. or 26.5 percent up compared to last April.

On 13 June, Energy Minister **Eduard Stavytskyi** said that Naftohaz Ukrainy had purchased only 320-350m cu.m. of gas from Gazprom in May.

According to the Economics Ministry, the average customs price of the imported gas to Ukraine was 405,45 dollars per 1,000 cu.m. in May, which was 2.3 percent less compared to April.

Ukraine started importing gas from Europe in November 2012. German RWE is the gas supplier. The gas supplies are made via Poland and Hungary.

On 14 June, the news portal Lb.ua reported, quoting RWE, that gas supplies to Ukraine via Slovakia may start shortly (the most cost-effective route for Kiev).

Earlier, on 10 June, the Kommersant Ukraina business daily reported that the Russian Gazprom offered RWE discounts for the gas in exchange of renouncing from gas supplies to Ukraine. According to the publication, RWE waived this offer.

Ukraine planning to buy 18bn cu.m. of gas from Gazprom in 2014

On 13 June 2013, head of Naftohaz Ukrayiny **Yevhen Bakulin** stated that in 2014, the company was planning to buy about 18bn cu.m. of gas from Gazprom, or even less.

He said that Naftohaz Ukrayiny should notify Gazprom before 1 July 2013 about the gas purchases for the next year.

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.

Gorshenin Weekly is available in Russian and English.

Gorshenin Weekly has over 700 subscribers in the EU, the USA, Russia, Ukraine and other countries. Its regular customers are representatives of the embassies, the European Commission, the European Parliament, the US Department of State, leading international analytical centres, Ukrainian and international mass media.

If you wish to subscribe to Gorshenin Weekly please send your request to the following e-mail address: weekly@gorshenin.eu.

Our contact information:

18b Mala Zhytomyrska st.,
Kiev 01001, Ukraine
+38 044 230 4962
+38 044 230 4966 f



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