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Ukrainian Parliament
simplifies state
procurement
procedure

On 17 May 2011, the Supreme Council of Ukraine adopted the law “On amending some Ukrainian state procurement acts.”

The mass media reported that the new law envisioned several innovations. The most important of them are described below.

First, the procedure of “buying from one participant” does not have to be authorized by the Economic Development Ministry, as was the case till now.

Second, the law no longer covers the money of state-run companies. According to the State Committee of Statistics, planned purchases are estimated at 40.2bn dollars in 2011. As much as 35.1bn dollars from this amount will go to state-owned companies and companies in which the share of the state exceeds 50 per cent. Under the new law, purchases from state-run companies will be regulated by future government decrees instead of laws.

A member of the Parliamentary Committee on Economic Policy, an MP of the ruling Party of Regions, Oleksiy Plotnikov, stated that the adopted law “is geared towards simplifying the process of procurement by companies in order to enhance competitiveness on both domestic and international markets.” According to him, this law will enable the safeguarding of “necessary conditions for making state purchases.”

For its part, the opposition urged President Viktor Yanukovich to veto the adopted law.

The deputy parliamentary speaker and an MP of the opposition Yuliya Tymoshenko Bloc (YTB), Mykola Tomenko, said that the amendments to the procedure of state procurement were primarily intended for concealing the turnover of state funds from the public. In particular, he stressed that the adopted amendments cancel the norms that envisioned the publication of information pertaining to tender procedures. According to Tomenko, access to information about a tender procedure gave an opportunity to challenge its legality. “How would one challenge the legality of tender procedures if this information is not published?” he wondered. The deputy speaker believes that the adopted amendments make fighting with predetermined winners pointless. “One can say that under this arrangement, it is actually impossible to compete with those companies which are preliminarily approved by an auction’s organizers,” he added.

For his part, a Yuliya Tymoshenko Bloc MP and an ex-minister of economy, Serhiy Teryokhin, noted that the approved amendments allowed purchases for the Euro 2012 football championship to be made without tender procedures. According to him, once the law is enforced, “all the funds which were allocated from the budget for this program will be used without tender procedures.”

Just to remind you, on January 19th, 2011, the Head of the State Financial Inspection, Petro Andreyev, announced that as a result of the implementation of the purchasing scheme from one buyer, used by Mykola Azarov’s Government, in 2010, 1.9 billion dollars were stolen from the state. In the main the misappropriations took place during the purchase of goods, services and labor in preparations for the Euro 2012 without tenders through the use of corrupt scams.

According to the Ukrainian media, companies tied to the vice prime minister and Minister of Infrastructure, Borys Kolesnikov, are involved in the implementation of the key projects related to “Euro 2012”. B.Kolesnikov rejects such allegations.

Land registry adopted
in first reading

The Ukrainian Parliament has adopted a draft law on the land registry in the first reading.

The draft law is intended to regulate the issues of keeping the registry and to clearly determine the procedure for registering a land plot with the state.

The draft law has been drawn up by MPs representing the Party of Regions, YTB and Our Ukraine-People's Self-Defense. According to the authors of the draft law, its implementation will ensure that the rights of property owners and land users are guaranteed, land relations are regulated and land resources are managed.

Just to remind you, in March 2011, President Yanukovich said that it was necessary to regulate the Ukrainian land market in 2012. "I would ask everyone who is involved in this – the government and the agricultural policy minister – to remember about their personal responsibility. By the end of the first six months [of 2011], draft laws that regulate the land market and the land registry should be adopted," he said.

The Vice President of the Gorshenin Institute, Oleksiy Leshchenko, has said that the creation of a land market in Ukraine was a very acute issue. "It is well known that the Ukrainian Parliament did not extend a moratorium on the sale of farmland, which had been imposed in Ukraine for many years of its independence. This means that a new market is emerging in Ukraine. Equal access to it is a key issue for the year and also the entire decade, which, according to different forecasts, will experience a very bad food crisis. Whether European or Russian investors will be admitted to this new market is an open question. At present, a legislative basis that will regulate the operation of this market is only in the works. The Ukrainian Parliament will have to adopt all the necessary laws," he noted. At the same time, Leshchenko did not rule out a possibility that the rules of the game in this market will be set to accommodate certain players. "In the near future, we will understand who these players are. According to certain information at our disposal, in addition to designated Ukrainian financial-industrial groups, Ukrainian land assets can be purchased by big businesses from Arab countries, for which special favorable conditions will be created," he concluded.

Ukrainian grain
supplies come to over
8m t

According to the Ukrainian State Committee of Statistics, as of 1 May 2011, there is over 8m t of grain on the Ukrainian market. Taking into consideration that it will not be possible to fully relieve the market of these supplies by a new season, Ukraine will have immense grain resources for export in the next season. If we include the carry-over supplies, the export potential for grain in the 2011-2012 marketing year is estimated at 22m-23m t. This is almost equal to the record export indicator in 2008-2009 marketing year.

At the president's
request, Party of
Regions MP
Ivanyushchenko
discusses investment
in Ukrainian nuclear
power industry in USA
– mass media

Party of Regions MP Yuriy Ivanyushchenko has paid a visit to the USA. According to the "Ukrayinska Pravda" news and analysis website, although he said that the official purpose of the trip was to meet a representative of the International Atomic Energy Agency (IAEA) regional office in New York, the main goal of his visit was to hold negotiations with the leadership of Westinghouse Electric Company, which specializes in nuclear technology. In particular, Ivanyushchenko had to discuss the construction of facilities for producing nuclear fuel in Ukraine. Overall, the parties planned to discuss a broad range of issues as to investing 50bn dollars into the Ukrainian nuclear energy sector.

"Ukrayinska Pravda" reported that during the negotiations, Ivanyushchenko said that he was empowered by President Yanukovich. Additionally, the U.S.

ambassador to Ukraine, John Tefft, was notified in advance that Ivanyushchenko had been entitled to hold such talks.

At the same time, "Ukrayinska Pravda" noted that Ivanyushchenko's visit to the USA coincided with the beginning of deliveries of nuclear fuel by Westinghouse Electric Company to Ukraine.

Ivanyushchenko received a U.S. visa as an official representative of Ukraine who had to visit the IAEA office in New York.

We would like to note that Ivanyushchenko has been on the "black list" of individuals who are banned from entering the USA. According to the "Ukrayinska Pravda" news and analysis website, he received this "non-admission" status after he submitted a fake diplomatic passport to the U.S. Embassy. The passport was issued to a Ukrainian deputy culture minister, while Ivanyushchenko did not hold such a position. The embassy considered such a step as an attempt to mislead the U.S. government.

Yet, Ivanyushchenko managed to receive a U.S. visa in April 2011. The mass media reported that he has hired the U.S. lobbying company Sidley Austin. Additionally, U.S. Senator Jim Webb, who represents Virginia, also lobbied for Ivanyushchenko.

GorsheninWeekly issue No 15 of 2 May 2011 provides more details on how Ivanyushchenko was granted a U.S. visa:

<http://gorshenin.eu/media/uploads//058/21/dc13fc36dce1.pdf>

Russia believes
Ukraine has to choose
between integration
into EU and CIS

On 18 May 2011, Russian President Dmitriy Medvedev said that he was not opposed to the integration of Ukraine into the European Union (EU). However, he added that if Ukraine chooses the vector of the European integration, it will be really harder for it to cooperate with the Customs Union (CU) of Russia, Belarus and Kazakhstan and with CIS states. "This is a different integration organization. It is impossible to be everywhere. One needs to be either there or here," Medvedev said.

Responding to the statement made by Medvedev, the leader of the Party of Regions parliamentary faction, Oleksandr Yefremov, stated Ukraine would independently decide in which organizations it should participate. "It is the right of a sovereign state to decide where it wants to be. Both the president and the government work proceeding from this. Ukraine will decide on its own how to act," he explained.

For his part, the secretary of the parliamentary committee on legal policy and a Party of Regions MP, Volodymyr Tolstenko, expressed the opinion that by calling on Ukraine to choose between a free trade area (FTA) with the EU and the CU of Russia, Belarus and Kazakhstan, Medvedev had pressurized the country. He added: "Previously, such statements were also made by representatives of the EU, in which they advanced ultimatum demands that were similar in style and form but of the opposite character. Ukraine should choose between Europe and Russia. I am certain that such statements made by both parties are unacceptable and inappropriate for us. To a certain extent, they are instruments of pressure that both sides apply to our country. To be more precise, it is blackmail," Tolstenko said.

Just to remind you, during a meeting with Ukrainian parliamentary speaker Volodymyr Lytvyn on 10 May 2011, the President of the European Parliament, Jerzy Buzek, said that Ukraine had to choose between setting up an FTA with the

EU or joining the CU. "Without any doubt, this will be your decision but the EU would like to become closer to Ukraine," he noted.

Ukrainian Parliament defines European integration as the country's key priority in foreign policy

Ukraine identifies priorities in foreign policy.

In particular, the Ukrainian Parliament has approved a resolution "On recommendation of parliamentary hearings On Status and Prospects for Development of Economic Ties between Ukraine and the EU (Free Trade Zone) and the Customs Union".

The resolution says that the European integration is named one of Ukraine's priorities in foreign policy. The priority task for the short-term perspective is to complete negotiations and sign the Free Trade Zone Agreement with the EU and an integral part of the Association Agreement with the EU. The resolution also says that support for the development of economic and trade, scientific and technical, and investment cooperation between Ukraine and foreign countries based on mutual benefit is also part of Ukraine's foreign policy main principles. "This is a solid base for the development of interaction with the newly established Customs Union between Belarus, Kazakhstan and Russia both at multilateral and bilateral mutually beneficial basis", the resolution said.

According to the resolution, the Ukrainian Parliament is recommended to speed up activities to approve laws aimed at adaptation of Ukrainian legal frameworks to the EU's legal framework and WTO's norms and principles.

The Cabinet is recommended to continue active efforts to set up the Free Trade Zone between Ukraine and the EU and to sign and eventually implement a new agreement on setting up a free trade area within the framework of the CIS.

The deputy speaker of the Ukrainian Parliament, Mykola Tomenko, said that by approving these recommendations the Ukrainian Parliament has drawn a line under the discussions on Ukraine's accessions to the Customs Union with Russia, Belarus and Kazakhstan.

Foreign Minister: Ukraine intends to sign association agreement with EU in 2011

Ukraine plans to sign EU association agreement before end of 2011.

"We are working on finishing the Association Agreement before the end of this year, that is, during the Polish presidency in EU", Ukrainian Foreign Minister Kostyantyn Hryshchenko has said. Hryshchenko's Polish counterpart, Radoslaw Sikorski, confirmed the Ukrainian foreign minister's words.

The signing of the Free Trade Zone agreement in CIS frameworks suspended

CIS countries suspend signing of Free Trade Zone agreement.

The chairman of the CIS Executive Committee, Sergey Lebedyev, has said that the prime ministers of CIS countries at a meeting in a narrow circle acknowledged contradictions in the Free Trade Agreement and agreed to reconcile all the contradictions before the next meeting.

The discussion of the CIS Free Trade Agreement was earlier announced as the main issue on the agenda of the meeting of the prime ministers of CIS countries in Minsk (Belarus) on 19 May 2011. It was also expected that the document would be signed. The agreement is aimed at superseding the out-of-date agreement of 1994 and other numerous documents in this area.

The next meeting of the of the council of prime ministers of CIS countries, where the CIS Free Trade Agreement may be signed, is planned to take place in October 2011 in ST Petersburg (Russia).

Gas price to remain
same for Ukraine
without new
agreements – Russian
president

Russian President Dmitry Medvedev has stated that his country is ready to consider the issue of changing conditions for gas deliveries to Ukraine. According to him, when it comes to Ukraine, Russia does not have “a stubborn position – just the price on it, that's it.” However, the Russian president stressed that the existing agreements should be honored before specific decisions are made. “Why don't you propose what you think is right and we will consider these options. However, before some large-scale formats of cooperation are approved, those agreements that were signed a few years ago are still in force. This is obvious,” he stated.

According to a representative of the Ukrainian Energy and Coal Industry Ministry, Kostyantyn Borodyn, the Ukrainian party proposed to change the gas price formula in the gas contract that was signed by former Prime Minister Yuliya Tymoshenko in 2009. In particular, Ukraine would like to swap such components of the formula as gasohol and fuel oil for cheaper coal. Additionally, it proposed the incorporation of discounts tied to volumes of purchased gas and a season into the contract. The government believes that the gas price can in such a case come down to 200 dollars per 1,000 cu.m. .

It was expected that Gazprom's CEO Aleksey Miller will visit Kiev on 18-19 may 2011 to continue the talks. However, neither the Ukrainian nor Russian mass media reported whether such a meeting has been held and what its outcome is.

Just to remind you, in April 2010, Ukraine and Russia signed the Kharkiv agreements that extended the stationing of the Russian Black Sea Fleet in Crimea until 2042. In return, the Ukrainian party received a 30-percent discount on the price of Russian gas, which should not exceed 100 dollars for 1,000 cu.m. According to Medvedev, he and his Ukrainian counterpart, Viktor Yanukovich, thrashed out the Kharkiv agreements in the former's country ouse.

Earlier, Ukrainian Prime Minister Azarov said that Ukraine and Russia started negotiations on revising the gas price formula in Kiev. He added: “Our arguments have been heard. We proposed our approach, which envisions a change in the base price, which does not correspond to any conditions of the price formation, and, secondly, a change of the components of this formula. We proposed to include coal instead of gasohol.” Azarov is certain that the parties will agree on the revision of the gas price formula during the talks.

Tymoshenko can be
detained – deputy
prosecutor-general

The Prosecutor-General's Office (PGO) has considered the possibility of arresting the leader of the opposition Fatherland party and the former prime minister, Yuliya Tymoshenko.

Deputy Prosecutor-General Renat Kuzmin said during a meeting of the temporary investigation commission of the Supreme Council of Ukraine, which was devoted to the probe into the 2009 Ukrainian-Russian gas contracts, that the PGO might change the preventive measure for Tymoshenko. He noted that “the investigator will be forced to resort to such measures if Tymoshenko and her lawyers obstruct the course of the investigation.” According to him, the PGO has actually completed the investigation into alleged power abuse that presumably took place when Tymoshenko signed the gas contracts in January 2009. At the same time, he added that the case could not be forwarded to a court since Tymoshenko and her lawyers dragged out the process of familiarizing themselves with the case materials.

In turn, Serhiy Vlasenko, Tymoshenko's lawyer and a YTB MP, stated that there were no grounds for arresting his defendant. According to him, the former prime minister is doing everything to facilitate the process of familiarizing herself with the case materials. “Tymoshenko does not abuse and will not abuse procedural law.

This [statement made by Kuzmin] is a dirty technology. There are no reasons for changing the preventive measure for Tymoshenko," he noted.

It is noteworthy that on 16 May 2011, the Kiev Pechersky district court turned down Tymoshenko's request to close the criminal case launched against her over the 2009 Ukrainian-Russian gas contracts.

Earlier, on 12 May 2011, the PGO refused to allow the leader of the Fatherland party to make a trip to the Ukrainian city of Kharkiv.

Just to remind you, the PGO launched a third criminal case against Tymoshenko in April 2011. She is suspected of abusing power, which presumably took place when she signed the gas contract with Russia in 2009. A temporary commission of the Supreme Council (Parliament) of Ukraine is currently investigating the documents which served as a basis for signing the gas contract.

PGO unwilling to conduct additional investigation into "gas case" against former members of Tymoshenko's government

The PGO has challenged the ruling on returning the case over the misuse of RosUkrEnergo's gas for further investigation in court. In particular, the PGO filed a complaint with a Kiev economic court about the ruling issued by the Kiev Pechersky district court that demands further investigation into the misuse of 11 bn cu.m. of gas, which was the property of the Swiss-registered company RosUkrEnergo, in 2009. According to Ihor Stepanov, who is a lawyer of a defendant in the same case and the former deputy board chairman of Naftohaz Ukrayiny, Ihor Didenko, the court sent back this case to the PGO to ensure that the pre-trial investigation has been thoroughly conducted. At the same time, he had a hard time naming the exact date when the appeal has been filed. Besides, according to him, the date when this case will be considered has not been set yet.

Just a reminder that on 26 April 2011, the Kiev Pechersky district court returned the case launched against the former first deputy director of Naftohaz Ukrayiny, Didenko, and the former head of the State Customs Service, Anatoliy Makarenko, who are suspected of embezzlement and illegal customs registration of natural gas belonging to RosUkrEnergo. Hence, the court granted a petition, which was submitted by the lawyers of the defendants. They asked the judges to revise the indictment after a criminal case against former Prime Minister Tymoshenko over the 2009 Ukrainian-Russian gas contracts was launched. The court explained its judgment by the fact that both criminal cases "study the same events and circumstances."

It is worth noting that earlier, Didenko asked the court to summon Tymoshenko to testify in the criminal case opened over the seizure of 11 bn cu.m. of gas from the RosUkrEnergo trader. According to him, it was Tymoshenko who issued clear written orders to accept 11 bn cu.m. of gas that belonged to RosUkrEnergo on Naftohaz Ukrayiny's balance. Didenko also noted that Tymoshenko and her Russian counterpart, Vladimir Putin, previously reached a deal to this effect during negotiations in Moscow in January 2009.

For her part, Tymoshenko, who is the leader of the Fatherland party, said that she was fully responsible for seizing 11 bn cu.m. of gas from RosUkrEnergo. "As the prime minister, I personally ordered Didenko, Makarenko and Turchynov to buy 11 bn cu.m. of gas from Gazprom and to keep RosUkrEnergo aside. They could not disobey the order of the prime minister. I am fully responsible and not those who executed the order. I acted in the interests and for the sake of my country," she said. Tymoshenko also noted that she intended to ask the EU to carry out a probe of the Ukrainian-Russian gas contracts signed by her.

YTB initiates probe into debt forgiveness to energy companies

The opposition demands that an investigation into the forgiveness of debts owed to Naftohaz Ukrayiny and the state budget be launched. The YTB parliamentary faction proposed to set up a temporary commission in the Supreme Council of Ukraine to investigate the case of debts for gas and electricity to the state budget. According to the head of the parliamentary committee for the fuel and energy complex, YTB MP Ivan Kyrylenko, the initiators of the proposal to set up such a committee would like to find out why the companies that supply energy have accrued debts to the budget and why they have been forgiven.

At the same time, Kyrylenko noted that the parliamentary committee for the fuel and energy complex did not debate the draft law on forgiving debts to energy companies before it was submitted for voting in Parliament. "Speaker Lytvyn did not send the draft law to the committee," he explained.

Earlier a deputy head of the YTB parliamentary faction, Sergij Sobolyev, said Parliament almost secretly debated two draft laws that forgive almost 3.1bn dollars of debt to the state budget and Naftohaz Ukrayiny, which has been accrued by private companies, regional gas directorates, regional energy companies and consumers between 1997 and 2011.

Finance minister says Ukraine might look for IMF alternative

Ukrainian Finance Minister Fedir Yaroshenko has said that Ukraine will apply to other organizations if the IMF does not grant it a loan. At the same time, he did not specify which organizations Ukraine planned to apply for loans.

Just to remind you, on 16 May 2011, IMF Resident Representative in Ukraine Max Allier stated that Ukraine should launch pension reform and raise household gas rates in order to receive the next tranche of an IMF loan.

Additionally, he provided detailed requirements put forward by the IMF, which Ukraine needs to satisfy in order to receive another tranche. "First of all, it is pension reform and adjusting it to the requirements which were laid out in the memorandums signed back in July and December [of 2010]," Allier said. "The second requirement has to do with the adjustment of the tariffs on gas and heat supplies," he noted, adding that the IMF made certain concessions. In particular, it agreed to a more gradual increase in the household tariffs and to finding other mechanisms of reducing Naftohaz Ukrayiny's deficit, which is covered by the state budget and affects other general economic indicators in Ukraine."

It is worth noting that Ukraine should have received the next IMF tranche worth nearly 1.5bn dollars in March 2011. The allocation of funds was delayed due to Ukraine's failure to meet the requirements of the memorandum, which it has signed with the IMF.

Ukraine's international reserves exceed 39bn dollars

Chairman of the National Bank of Ukraine's (NBU) board Petro Poroshenko has said that the international reserves of Ukraine have exceeded 39bn dollars for the first time in its history. He stressed that with the increase in foreign currency reserves, the emission of the Ukrainian national currency, the hryvnya, corresponded to the main principles of monetary policy for 2011. According to him, the balanced policy pursued by the NBU and the government rules out a monetary contribution to accelerating inflation. "External shocks remain the major risks for inflation," Poroshenko opined.

Ukraine worst among countries in terms of competition

Ukraine has occupied 57th position in the world rating World Competitiveness Yearbook 2011, the information and news analysis website Lb.ua reported.

The rating was produced by the Swiss business school IMD. Only two states are below Ukraine in the rating – Croatia and Venezuela, which are ranked as No 58 and 59, respectively. Both the USA and Hong Kong top the list, while Russia is given position No 49.

It is worth nothing that according to a survey on corporate fraud and corruption in European countries, which was conducted by the Ernst & Young company, Ukraine is considered among the most graft-ridden states. In particular, as many as 91 percent of the businessmen interviewed pointed to pervasive corruption and bribery in Ukraine. This places the country in the 24th penultimate position in Europe, the Kommersant-Ukrayina newspaper reported.

Ukraine among world's largest buyers of luxury cars, presenting evidence of population's good purchasing power

Ukraine is the third in Europe among the countries purchasing the largest number of luxury cars.

Germany tops this list, followed by Russia, according to the director of the Kiev Office of the Konrad Adenauer Foundation, Nico Lange, during the presentation of the book "Ukraine in the World: Interesting Statistics." "The number of official dealerships of luxury cars in the state is a good indicator of purchasing power and also of the number of wealthy people," he said. However, Ukraine is ahead of Germany with the number of representatives of one of the most expensive cars in the world, Maybach. It has four dealerships, while Germany has three. According to him, such numbers are quite telling against the background of results of other research, which is described in the book. For example, Ukraine has the highest inflation rate in Europe (8.2 per cent), pushing ahead of Romania (7.86 per cent).

Just to remind you, according to the mass media, Ukrainian government officials own an entire auto park of elite vehicles worth at least 5.86m dollars.

Mps not obliged to personally provide information about income – Party of Regions

The Party of Regions has explained why Ukrainian law-makers will not provide information about their income.

In particular, commenting on the fact that the law "On access to public information" has come into force, Party of Regions MP Olena Bondarenko stated that under the law, MPs do not belong to the list of information holders and are not obliged to personally provide information about their income. "The declaration [of an MP's income] is filed in the personnel office of the Supreme Council of Ukraine. Naturally, such inquiries [to present information on the income of MPs] should be directed to the apparatus of the Supreme Council," she noted.

Just a reminder, activists of the civil movement Stop Censorship earlier sent 450 inquiries to all members of the Ukrainian Parliament asking them to disclose their declarations. The inquiries were based on the law "On access to public information," which came into force on 9 May 2011.

For his part, speaker Lytvyn stated that inquires to disclose income should be addressed to all MPs rather than to the Secretariat of the Supreme Council of Ukraine. "Lawmakers should provide this information. These are private issues of the MPs, so there are problems when the Secretariat is asked about it," he explained.

On 19 May 2011, the public protest campaign Forward was staged near the parliamentary building.

The rally was attended by businessmen, students and representatives of various opposition public organizations. During the protest, the demonstrators adopted a resolution demanding that wages and pensions be raised, Prime Minister Mykola Azarov's Cabinet be dismissed, the authors of the so-called people's reforms be sacked and political and economic repression be stopped. These demands were forwarded to representatives of the government. The protesters promised to gather again on 14 June 2011 if their demands are not satisfied.

It is noteworthy that according to a survey by the Gorshenin Institute conducted in March, 2011, half of Ukrainians (48.5 per cent) are not ready to participate in any protest. At the same time, nearly the same number of respondents (45.3 per cent) expressed their readiness to take part in a rally. Over a third of Ukrainians (36.0 per cent) said that they would join a protest against increasing prices of goods and services. A quarter of respondents (25.8 per cent) would do it if their wages (pension, stipend) were not paid on time, while one in every five respondents would protest against either unemployment or the threat of it. As many as 17.1 per cent of the survey's participants would protest against a high level of corruption, 14.8 per cent would demonstrate against violations of civil rights and liberties, and 7.7 per cent would stage a rally against the political situation in the state. At the same time, over a quarter of Ukrainians (26.1 per cent) said that they would not participate in a protest regardless of its reason.

As many as 20 people
die in 2011 at hands of
police

Twenty people have died in Ukraine from the police since the beginning of 2011 and 51 in 2010, the news and analysis website Lb.ua quoted the Kharkiv Institute of Sociological Research and the Kharkiv Human Rights Protection Group.

According to Kharkiv's sociologists and human rights activists, over 780,000 Ukrainian nationals who were detained by the law enforcement bodies in 2010, were subjected to torture.

"Police violence is a systemic phenomenon, while only a few are punished for it. In recent years, the number of torture cases has gone up because when the new government came to power, the mechanism of public control over human rights was canceled," a lawyer of the Kharkiv Human Rights Protection Group, Andriy Didenko, said.

"Beatings in police units has turned into business. They detain a person and then extort through force a confession to a crime about which he had no idea. They make a record, summon the relatives of the detained and demand a certain amount of money. When the money is received, they tear up and throw away the record," an expert of the Kharkiv Center for Strategic Court Defense, Aygul Mukanova, added.

Ukrainian Health
Minister tenders his
resignation. Media
speculate on further
possible changes in
Cabinet staff

President Viktor Yanukovich Sacks Health Minister Ilya Yemets
"He is a brilliant specialist, he chaired one of the most advanced cardiosurgery centres. However, he failed to organize the ministry's work properly so that the ministry starts working efficiently and, what is the most important, to start implementing reforms that we planned and which are extremely necessary", President Yanukovich said commenting on Yemet's dismissal.

Ukrainian media report with references to sources in the ministry that Yemets

appeared to be too independent so “those who promoted him to the minister's post did not like this”.

The head of the parliamentary committee for health protection, MP of Party of Regions, Tetyana Bakhteyeva, explained the reasons for Yemets dismissal by the fact that on his side “there was no understanding of reforms, pilot projects were delayed, all the deadlines for submission of draft laws were overdue”.

Ukrainian media also say that according to a highranking source in the Party of Regions, “more to follow” in terms of staff changes.

The Check Republic expels two Ukrainian diplomats in response to declaring persona non-grata two representatives of the Czech embassy in Ukraine

Czech Republic expelled two Ukrainian Embassy staff members on 17 May 2011.

The Czech government has made this move in response to the expulsion of two Czech diplomats from Ukraine over espionage.

In the Ukrainian Foreign Ministry they say that the conflict with the Czech Republic is now exhausted. “We believe that the incident is exhausted. We did not even think and will never plan any anti-Czech moves,” the director of the Ukrainian Foreign Ministry's information policy directorate, Oleh Voloshyn, has said. Voloshyn also said that the Czech Republic is Ukraine's important economic partner and a member state of the European Union whom Ukraine expects to further continue to support Ukraine's European integration aspirations. Voloshyn also said that cases like this are typical for international practice. Nevertheless, he stressed that the Ukrainian Foreign Ministry was surprised with the reaction of the Czech side at declaring two Czech diplomats persona non-grata over espionage. “We are disappointed with the reaction of the Czech party. This is something from the time of the cold war, tit for tat. They would be in prison now if they did not have diplomatic immunity,” Voloshyn said.

Just to remind You, Ukraine declared persona non-grata two staff members of the Czech embassy on 13 May 2011 accusing them with “using their diplomatic status or collecting information which is considered to be state secret”. In particular, the Ukrainian Foreign Ministry said that according to the State Security Service of Ukraine (SBU), in Ukraine Czech diplomats collected information related to developments of rocket and space systems that Ukraine was doing for Russia.

According to the Czech Foreign Ministry's spokesman, Vit Kolar, Ukraine breached diplomatic norms by making public the reasons for declaring persona non-grata and expulsion of two Czech diplomats. “If Ukraine wanted to expel two Czech diplomats for espionage, it could have done this in a diplomatic way, i.e., silently. However, Ukraine did not follow the rules. Why? Ask your government”, Kolar said.

Czech Foreign Minister Karel Schwarzenberg said, for his part, that the expulsion of two Czech diplomats is “most likely revenge” for giving political asylum to the former Ukrainian Economics Minister in Yuliya Tymoshenko's cabinet, Bohdan Danylyshyn, who is accused in Ukraine of abusing powers.

The Ukrainian Foreign Ministry rebuffs any connection between declaring two Czech diplomats persona non-grata and granting political asylum to Bohdan Danylyshyn.

Ukraine is against
political isolation of
Belarus

Ukrainian deputy foreign minister Pavlo Klimkin says Ukraine upholds closer ties between Belarus and Council of Europe.

“We have always supported the idea of Belarus moving closer to the Council of Europe. We believe that the isolation of Belarus in the context of the European processes is not the right way forward”, Klimkon has said.

Ukrainian State
Property Fund:
hundreds of state-
owned companies will
be put up for sale

State Property Fund of Ukraine (SPFU) initiates removal of about 700 companies banned from privatisation list.

“These are aircraft building companies, companies subordinate to the national space agency, salt-mining, liquor industry sector, manufacture and repair of railway technics, certain companies of the defence industry”, the head of SPFU, Oleksandr Ryabchenko, has said.

Ryabchenko also said that privatisation of energy sector companies will take place within the next two years. Energy generating companies Dniproenergo and Zakhidenergo as well as nine electricity distribution companies will be put on sale in 2011.

“We will sell them in packages each comprising four companies: one generating company and three oblenergo (regional electricity distributors); the next package of three companies will be put on sale in two months, and then – three more oblenegos”, Ryabchenko explained. According to Ryabchenko's forecasts, either all 11 or first eight companies will be sold. He added that the blocking shareholding (25 per cent +1 share) will remain the property of the state company Ukrainian Energy Company.

Russian businessman
Oleg Deripaska lost his
asset in Ukraine

State restores ownership over Zaporizhzhya Aluminium Plant.

The Kiev Economic Court of Appeals on 17 May 2011 satisfied the claim filed by the Prosecutor-General's Office regarding restoring of state ownership over the controlling block of shares of the Zaporizhzhya Aluminium Plant, owned by Velbay Holdings Ltd, which is controlled by the owner of Russian company Rusal Oleg Deripaska.

The Zaporizhzhya Aluminium Plant is Ukraine's sole producer of primary aluminium with production capacity of about 100,000 tonnes per year.

Two Ukrainian banks
may merger

Major merger is planned in Ukrainian banking sector: bank Finansova Initsiatyva may merger with VAB bank.

The preparation to the merger of the financial institutions was started in both banks after changes in VAB Bank stakeholders at the beginning 2011, the “*Ekonomicheskoye Izvestiya*” newspaper has reported with a reference to sources in the NBU. At that time over 84 per cent of VAB Bank stock was sold to a group of “international” investors, among which experts named Ukrainian businessmen Oleh Bakhmatyuk, who controls agricultural products production and processing companies AvangardCo (production of eggs) and Ukrlandfarming (owns over 300,000 hectares of arable land) and Leonid Yurushev – founder of the Ukrainian bank Forum, owner of the real estate development company Yaroslaviv Val and the Scandinavia company. The Finansova Initsiatyva bank also belongs to Bakhmatyuk's sphere of interests.

Banking sector players think that the consultations on the merger of the two banks could be started to seek prolongation of re-financing from the National

Bank of Ukraine for the Finansova Initsiatyva bank.

It is worth mentioning that if the merger takes place, a bank with assets of 1.76 billion dollars will be formed. The new bank will be qualified to take a place among group one banks according to the NBU's classification.

Note:

The VAB bank now occupies 28th place based on size of assets with 0.92 billion dollars of assets.

The Finansova Initsiatyva bank is in 30th place based on size of assets with 0.84 billion dollars of assets.

Only a clear inciting agent can rupture diplomatic ties with Czech Republic – experts

In response to the expulsion of Czech diplomats from Ukraine, the Czech Republic blamed Ukraine for non-diplomatic behaviour and informed of an intention to act reciprocally.

The Gorshenin Institute has conducted an opinion poll asking experts about the effect of the diplomatic scandal on relations between Ukraine and Europe and on the prospects of Ukraine's European integration as well as the risks of diplomatic ties between the two countries being broken.

Member of parliament and first deputy head of the parliamentary committee for foreign affairs, Taras Chornovil, has said that the situation should be viewed only from the political angle. "The things that the Security Service of Ukraine (SBU) has presented raise huge doubts that this was an entirely political action rather than a spy scandal. This is not the first diplomat expelled from Ukraine, and usually they do it quietly. However, in this case they deliberately stirred up a scandal. It seems to me that this SBU's wired game was organized by Russia. I have already said many times about the 'Kremlin quartette' that Khoroshkovskyy [SBU chief] is a member of", Chornovil said. He also said that the Czech statements regarding Ukraine's non-diplomatic behavior and the reciprocal expulsion of diplomats are quite substantiated. "If there was a fact of a diplomatic scandal there, the Czech Republic would avoid making any statements. But statements were made from the Czech side, moreover, the statements were very nervous and it demonstrates that the Czech side feels offended. The expulsion of a Ukrainian representative in return is a classic situation, a mirror principle of symmetry in international politics. Also add here the fact that Ukraine is now blocking the appointment of the new Czech ambassador to Ukraine, so the nervous reaction of the Czech side is related not only to the expulsion of the diplomats but also to the fact that starting of June the work of the Czech diplomatic office in Ukraine will be blocked due to Ukraine's fault. This scandal goes far beyond Ukraine and SBU plays not in favour of its country. All these events lead to breaking the diplomatic relations with the Czech Republic. And this is not the right thing to play games like this with a member of the European Union. It is only a clear inciting agent working for a third party who can break diplomatic relations with the Czech Republic", Chornovil said.

Member of Parliament and deputy head of the parliamentary committee for European integration, Stepan Kurpil, agrees with his colleague that the diplomatic level of events would require no publicity. "In practical terms, if there are any suspicions of espionage, an exposure of foreign diplomats over espionage charges, when there are good relations between countries or there are intentions to keep good relations, expulsions like this do not take place publicly. However, if a country wants to show its protest against some actions by the other party, expulsions take a public form of a social campaign. I do not rule out that there is some reason in the statements made by Czech side.

Nevertheless, it is important to see the original documents about the actions of the Czech diplomats to be able to say something for definite and say clearly who backs this scandal. But it is absolutely clear that the Ukrainian government does not like the fact that political asylum was given to former Economics Minister Bohdan Danylyshyn. Based on this fact, an absolutely substantiated conclusion

can be drawn regarding political repressions and persecutions in Ukraine, if Ukrainian politicians are given political asylum in other countries,” Kupril suggested.

The head of the all-Ukrainian Ukraine-EU expert council, Oleh Rybachuk, has said that diplomatic espionage is a widespread practice, but making the recent case with the Czech diplomats public harms Ukraine's European reputation. “The case we are talking about is quite a regular diplomatic practice, when spies in different countries work under cover of diplomatic passports. Ukrainian intelligence service officers work in the same manner as well. However, this case would never become a big story if our ministries, and the SBU in particular, did not put it on the front pages of newspapers. Ukraine acted non-diplomatically and in a non-friendly manner in the way that this situation became a political story in the media and was broadly commented to the national audience. So it only confirms the fact that the problem was not in Czech intelligence service officers looking for our secrets but this was small and unconvincing revenge for giving Danylyshyn political asylum, Rybachuk said. He also said that the main purpose of the scandal was “the playing of a domestic Ukrainian political card”. “This was made very unprofessionally and unconvincingly, and Ukrainians do not understand why there is so much noise about this story. But Ukrainian experts understand that the Czech Republic is a member of the European Union, our ally, a friendly country, that the European Commissioner for Enlargement, Štefan Füle, is Czech and that this is not the right way to deal with partners. And here I agree with the Czech side that friends should not behave like this”, Rybachuk concluded.

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