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INTERNATIONAL POLITICAL

UKRAINE-EU

Government approves year-long action plan on European integration

On 13 February 2013, the government approved an action plan on Ukraine's integration into Europe for this year.

According to First Deputy Foreign Minister **Ruslan Demchenko**, the plan specifies the actions that need to be taken to strengthen cooperation in trade, justice and security and improve Ukraine's business and investment climate.

On 14 February, the chairman of the EU-Ukraine parliamentary cooperation committee in the European Parliament, **Pawel Kowal**, said that Ukraine had only a few months to make sure an association agreement with the EU gets signed.

Earlier, on 11 February, Kowal said in his video address to participants in the national expert forum organized by the Gorshenin Institute that 2013 would be a turning point in the relations between Ukraine and the EU.

On 15 February, President **Viktor Yanukovich** said once again that European integration is an unchanged priority for Ukraine's foreign policy.

Arnoldas Pranckevicius, foreign policy adviser to the president of the European Parliament, said that Ukraine should not expect any quality changes any time soon as far as European integration is concerned. According to him, should the integration into the EU be successful, Ukraine's economy will undergo fundamental transformations in 10-15 years. Pranckevicius said this at the national expert forum organized by the Gorshenin Institute on 11 February.

Ukrainian Foreign Minister **Leonid Kozhara** said in his statement at the forum that in the future Ukraine can have a free trade zone with both the EU and the Customs Union of Belarus, Kazakhstan and Russia.

EU to demand compensation from Ukraine for WTO tariff revision

On 12 February 2013, the EU Council instructed the European Commission to begin negotiations with Ukraine regarding a full compensation it would have to pay should it revise its tariff obligations towards the WTO, the RBK-Ukraine news agency has quoted a resolution of the EU Economic and Financial Affairs Council as saying.

Economics Minister **Ihor Prasolov** said that Brussels would soon host Ukraine-EU talks on the revision of WTO tariffs.

In mid-September 2012 Ukraine filed an application with the WTO to renegotiate 371 tariff lines. Despite the negative response by WTO member states, the Ukrainian authorities seem to be planning to press on with the revision plan.

UKRAINE-USA**US Congress to consider sanctions against Ukrainian officials**

On 13 February 2013, Voice of America quoted Senator **John McCain** as saying that the US Congress may consider possible sanctions against Ukrainian officials due to the violation of basic human rights and the state of democracy in Ukraine. He made a statement to this effect during a meeting with **Yevheniya Tymoshenko**, the daughter of the jailed ex-prime minister.

The senator also said that the US Congress and the government were very concerned by Russia increasingly interfering in the Ukrainian affairs.

On 12 February, a former US ambassador to Ukraine, **Steven Pifer**, told the LigaBusinessInform news agency that President **Viktor Yanukovich's** entourage overestimates Ukraine's importance for the West. In his words, a prospect of Ukraine joining the Customs Union will not make the West turn a blind eye to political repressions and corruption in Ukraine.

On 2 February, the pro-opposition TV channel TVi said that the former US ambassadors to Ukraine, Steven Pifer, **John Herbst** and **Bill Miller** advised Secretary of State **John Kerry** against meeting Yanukovich.

UKRAINE-CIS**Ukraine, Russia may set up bilateral gas consortium**

Ukraine and Russia have entered into talks on a bilateral consortium to manage the Ukrainian gas transport system, the Kommersant Ukraina business daily on 11 February 2013 quoted its sources as saying.

According to the daily, the Ukrainian side insists that the consortium be set up on the parity principle to manage the gas transport system without owning it. In exchange for the consortium, Kiev expects the price of Russian gas to go down to 280 dollars per 1,000 cu.m. The discount will in no way depend on Ukraine's accession to the Customs Union of Belarus, Kazakhstan and Russia.

According to Kommersant Ukraina, Kiev decided to agree to a consortium which does not involve Brussels after the European Bank for Reconstruction and Development tightened conditions for the issuance of a loan to modernize the gas transport system.

The EBRD said in response to a request by the Dzerkalo Tyzhnya weekly that it did not impose any new conditions on Ukraine regarding a loan to reconstruct the gas transport system. It said that it had simply expressed "in working order" its vision of reforms necessary for the gas market, in particular Ukrtransgaz.

The political programme director of the Gorshenin Institute, **Yevhen Kurmashov**, doubted Moscow would ever heed Kiev's conditions. "First, this scenario does not include a political component of which the Kremlin is always mindful. Second, this formula is a far softer option than those previously suggested by Moscow to Ukraine," Kurmashov said, adding that Ukraine's accession to the Customs Union is still the main condition to the revision of the Russian gas price for Ukraine, and no-one stepped back on it.

Russia still wants Ukraine to pay penalty for unconsumed gas

On 15 February 2013, Gazprom's deputy head **Aleksandr Medvedev** said that Ukraine must pay in full a 7bn-dollar bill for the gas it contracted but did not buy in 2012. He also said that Gazprom was not going to discuss any changes to the existing gas contract with Ukraine. He said this in an interview with Financial Times.

According to Medvedev, although Ukraine had informed Russia in advance about its plans to buy less gas, it did not give it the right to buy less gas than was contracted, which is 42.5bn cu.m.

On 6 February, President **Viktor Yanukovich** said that Ukraine had been expecting support from the Energy Community, of which it is a member, in the talks on Gazprom's bill. However, he said that Ukraine had not received any reply from the Energy Community so far. On 8 February, Energy Community Secretariat director **Janez Kopic** said that Ukraine had not invited the secretariat to join the bilateral talks with Russia.

Germany now buying more Russian gas than Ukraine

Germany became the largest customer of Russian gas in 2012 after it bought 33.16bn cu.m. from Gazprom. Ukraine, which had held the status until then, was No 2 with 32.9bn cu.m. of purchased gas, the Kommersant Ukraina business daily said on 15 February 2013.

In 2012 Ukraine imported Russian gas worth 14bn dollars, the news and analysis website Lb.ua said.

Turkmenistan agrees to resume gas supplies to Ukraine

On 13 February 2013, Naftohaz Ukrayiny and Turkmengaz, the state energy companies of Ukraine and Turkmenistan respectively, signed a memorandum on broader cooperation in the oil and gas sector. This was done within the framework of Ukrainian President **Viktor Yanukovich's** visit to Turkmenistan.

According to Ukrainian Energy Minister **Eduard Stavytskyy**, the signed document provides for resumed supplies of Turkmen gas to Ukraine and the EU.

He said that Ukraine was going to transport gas across Russia, although he did not specify how Kiev was going to get Moscow's consent for this.

The Ukrainian Energy Ministry is planning to use the memorandum with Turkmenistan during the gas talks with Russia, according to the Kommersant Ukraina business daily.

Tajikistan preparing to request ex-premier's extradition from Ukraine

The Prosecutor-General's Office of Tajikistan is preparing an extradition request for former Prime Minister **Abdumalik Abdullajanov** who is now in Ukraine, the Interfax-Ukraine news agency reported on 13 February 2013.

Abdullajanov was detained at Boryspil airport on 5 February upon his arrival from the USA.

In Tajikistan, he faces charges of making an attempt on President **Emomalii Rahmon's** life in 1996 and being involved in a coup.

DOMESTIC POLITICAL

AUTHORITIES

Party of Regions says ready for snap election

On 15 February 2013, Party of Regions MP **Volodymyr Oliylyk** said that his party, in case the opposition continues the parliament blockade, was ready for a snap election. According to him, the presidential administration has not issued any instructions on a snap election yet.

Oliylyk said that the Party of Regions would insist on the first-past-the-post election system because the party-based system was no longer relevant.

Opposition Fatherland MP **Mykola Tomenko** said that the opposition would demand that a snap parliamentary election be held on a proportional basis.

The opposition has been blocking the rostrum since 5 February. They demand that MPs vote in person. If their demand is not met, they are ready to block parliament activities until the president appoints an early election.

On 11 February, Fatherland parliamentary faction leader **Arseniy Yatsenyuk** suggested that the Party of Regions might try to unblock the rostrum by force on the opening day of a new session, which is 19 February.

Case of two MPs stripped of statuses sent to Constitutional Court

On 14 February 2013, parliament speaker **Volodymyr Rybak** of the Party of Regions asked the Constitutional Court of Ukraine to give a legal estimate of the Supreme Administrative Court's ruling, which stripped **Pavlo Baloha** and **Oleksandr Dombrovskyy** of their MP statuses. Until the Constitutional Court rules on the case, the speaker intends to let the two act as MPs.

On 8 February, the Supreme Administrative Court stripped Baloha and Dombrovskyy of their MP statuses and obliged the Central Electoral Commission to hold repeat elections in their constituencies.

Central Electoral Commission deputy head **Andriy Mahera** believes the Supreme Administrative Court is setting a dangerous precedent. In his opinion, it is up to the Supreme Justice Council to evaluate the actions of Supreme Administrative Court judges.

The opposition says the judges who ruled that the MPs' statuses be cancelled should be dismissed.

Ukrainian media say state-run energy firm used shell companies

On 12 February 2013, Ukraine's pro-opposition TV channel TVi reported the results of a journalistic investigation into shell companies used by the state-run company Ukrtranshaz, which is a branch of the energy firm Naftohaz Ukrayiny.

The investigation revealed that in 2010-13 four companies with the same address in Donetsk won tenders for delivering equipment and services worth 310m dollars for Ukrtranshaz.

During the investigation the TVi journalists found out that much of the funds received by the shell companies had been transferred to the accounts of a company that had links to the youngest son of Ukrainian President **Viktor Yanukovych**.

After the Ukrainian mass media reported about the journalistic investigation, their editorial offices started to receive proposals to remove the report from their websites for big money, the Ukrainian news and analysis website Ukrayinska Pravda reported.

International watchdog names most corrupt sectors of Ukrainian economy

On 14 February 2013, the head of the Ukrainian office of Transparency International, **Oleksiy Khmara**, said that the state procurement sector was among the most corrupt in the country's economy. On average, a bribe for winning a tender is estimated at 30 percent of its value.

Khmara also said that value-added tax, licensing and intergovernmental transfers remained extremely prone to corruption in Ukraine.

In 2012, the government spent 55.7bn dollars on state procurement.

Ukrainian election watchdog says Kiev mayoral election should take place as soon as possible

On 15 February 2013, the head of the Committee of Voters of Ukraine, **Oleksandr Chernenko**, said that an election of Kiev's mayor should be held as soon as possible because there will be no legitimate authorities in the capital after 28 May. He voiced this opinion during a roundtable organized by the Gorshenin Institute.

He also believes that an election will take place in June or July at the latest.

The last elections of Kiev's mayor and the Kiev city council were held on 25 May 2008.

The former Ukrainian economics minister, MP **Petro Poroshenko** said that he was ready to become the single opposition candidate for the post of Kiev mayor. He added that he had already received proposals regarding this issue. Poroshenko said this in an interview with the influential Ukrainian weekly Dzerkalo Tyzhnya on 15 February.

Part of roof collapses at Chernobyl nuclear power plant

On 12 February 2013, part of the roof of turbine hall No 4 of the Chernobyl nuclear power plant collapsed. The damaged area is 600 sq.m., the Lb.ua news and analysis website reported.

On 13 February, the Ukrainian State Inspectorate for Nuclear Regulation reported that the accident caused no changes in the radiation background at the site and in the alienation zone.

However, the French construction companies Vinci and Bouygues, which participate in the construction of a new sarcophagus, have evacuated 80 of their employees.

The results of a poll conducted by the Gorshenin Institute in April 2011 suggest that the majority of Ukrainians (78.3 percent) believe that the Chernobyl nuclear power plant is dangerous.

OPPOSITION

Ukrainian court questions two witnesses in businessman murder case

On 14-15 February 2013, a Ukrainian court questioned two witnesses in the case over the murder of businessman and MP **Yevhen Shcherban** in 1996.

The Prosecutor-General's Office accused former Ukrainian prime ministers, **Yuliya Tymoshenko** and **Pavlo Lazarenko**, of organizing and financing the murder.

The court questioned on 14 February **Ihor Maryinkov**, who was acquainted with the organizers of the murder and had already testified in Shcherban's murder case. On 15 February, **Serhiy Zaytsev** also testified in court. He is a relative of Lazarenko's partner and aide, **Petro Kyrychenko**.

Maryinkov said during his testimony that Tymoshenko was allegedly supposed to transfer money for Shcherban's killing. He explained that one of the murder organizers told him about it.

Quoting Kyrychenko, Zaytsev said that the murder of Shcherban had been allegedly organized by Lazarenko and Tymoshenko. He added that Tymoshenko had paid 3m dollars for Shcherban's murder.

The lawyer of the former prime minister, **Serhiy Vlasenko**, pointed out that Zaytsev said in his testimony that Kyrychenko was the one who had ordered and paid for Shcherban's murder. Therefore, according to Vlasenko, Kyrychenko is the person who organized and ordered the killing.

A correspondent of the Lb.ua news and analysis website said that the witnesses sounded confused when delivering their testimony.

Tymoshenko did not attend the court hearing due to her health condition.

On 15 February, prosecutor **Oleh Pushkar** said that the former prime minister no longer required medical treatment.

Ukrainian ex-acting defence minister says was forced to testify against jailed ex-premier

On 13 February 2013, the former Ukrainian acting defence minister, **Valeriy Ivashchenko**, who worked in the government of **Yuliya Tymoshenko**, said that investigators had forced him to testify against her and MP of the Fatherland party **Oleksandr Turchynov**.

He explained that he could talk about it only now after Denmark had granted him political asylum.

In April 2012, Ivashchenko was found guilty of exceeding his authority and sentenced to five years behind bars. In August, a court of appeal commuted his sentence to probation.

Court hearing in case of jailed Ukrainian ex-premier's company postponed

On 12 February 2013, a Ukrainian court postponed to 5 March a hearing in the case against jailed former Ukrainian Prime Minister **Yuliya Tymoshenko**, who is accused of exceeding her authority when she was the head of the corporation United Energy Systems of Ukraine in the 1990s. The decision was motivated by Tymoshenko's absence during the hearing.

In the opinion of the case prosecutor, **Viktoriya Kalyta**, Tymoshenko had no good reasons to miss the court hearing. She believes that the former prime minister is simply trying to avoid punishment and drag out the criminal proceedings.

Currently, Tymoshenko is undergoing treatment in a Kharkiv hospital.

Top Ukrainian prison agency refuses to free ex-interior minister due to health condition

On 11 February 2013, the Ukrainian Penitentiary Service said that the health condition of the jailed former interior minister, **Yuriy Lutsenko**, was satisfactory. It also noted that the former politician had none of the diseases from the list of illnesses that would allow them to release him from prison due to his health condition.

Ukrainian court starts considering lawsuit filed by boxer's party against speaker

On 26 February 2013, Kiev district administrative court will have a substantive hearing in the lawsuit filed by the UDAR party, led by world boxing champion **Vitaliy Klitschko**, against parliamentary speaker **Volodymyr Rybak**. A decision to this effect was taken by judges on 12 February.

UDAR accused Rybak of allowing MPs of the pro-presidential Party of Regions to vote for their absent colleagues on 11 January when lawmakers approved the candidacy of **Ihor Sorkin** for the governor of the National Bank of Ukraine. The speaker allegedly failed to ensure compliance with norms of the constitution.

On 14 February, 45 lawmakers asked the Constitutional Court of Ukraine to assess the constitutionality of **Serhiy Arbuzov's** dismissal from the post of head of the National Bank of Ukraine and Sorkin's appointment instead of him.

Ukrainian law enforcers search opposition MP's office

On 12 February 2013, Ukrainian law enforcers searched the Kharkiv office of opposition Fatherland party MP **Arsen Avakov**.

On 13 February, law enforcers also searched the office of unaffiliated MP **Valeriy Moshenskyy**.

PARLIAMENTARY ELECTION

Top Ukrainian election body cannot hold repeat polls in five problematic districts

On 14 February 2013, the head of the Central Electoral Commission, **Volodymyr Shapoval**, said that his agency could not at the moment hold repeat elections in five problematic districts. An appropriate law should be passed in order to organize repeat polls, he added.

Top Ukrainian election body identifies key problem in recent parliamentary polls

On 13 February 2013, the head of the Central Electoral Commission (CEC), **Volodymyr Shapoval**, said that the first-past-the-post component of the Ukrainian election system was the major negative aspect of the 2012 parliamentary election.

Election observers had all the grounds for harsh evaluations, he added.

The CEC head also noted that Ukraine needed a substantial reform of electoral legislation.

GONGADZE MURDER

Gongadze's widow appeals against Pukach sentence

On 13 February 2013, **Myroslava Gongadze** filed an appeal against the court verdict that sentenced to life imprisonment ex-officer of the Interior Ministry, Maj-Gen **Oleksiy Pukach** for the murder of her husband, journalist **Heorhiy Gongadze**.

According to lawyer **Valentyna Telychenko**, the appeal concerns only the incompleteness of the establishment of the crime motives. At the same time, Telychenko noted that the court correctly found the circumstances of the crime and gave the appropriate punishment.

On 29 January, the court found that on 17 September 2000, on the instruction of former Interior Minister **Yuriy Kravchenko**, Pukach abducted and murdered journalist Gongadze. According to the official story, Kravchenko committed suicide in March 2005.

According to news and analysis website Lb.ua, during his last statement, Pukach

promised to admit his guilt only when ex-President **Leonid Kuchma** and former head of the presidential administration **Volodymyr Lytvyn** join him in the prisoner's dock.

MEDIA

Reporters Without Borders fear censorship on Inter TV channel

Reporters Without Borders, an international non-governmental organization that advocates freedom of press and information, on 14 February 2013 expressed its concern that head of the Ukrainian presidential administration **Serhiy Lyovochkin** became a co-owner of Inter TV channel, one of Ukraine's most watched TV stations.

Reporters Without Borders said that they will hold the head of the presidential administration responsible for any drastic change in the channel's editorial policy.

On 14 February, online publication Telekrytyka reported that **Yehor Benkendorf**, who headed the First National TV Channel UT-1, was appointed new head of Inter TV station. Well-known journalist and broadcaster **Yevgeniy Kiselyov** was vested with the responsibility to supervise the channel's news service.

UNIAN's editorial board demands management dismissal

On 13 February 2013, the editorial staff of news agency UNIAN addressed agency's owner **Ihor Kolomoyskyy** with a request to dismiss UNIAN's director-general **Vadym Osadchyy** and chief editor **Mykhaylo Hannytskyy**. The editorial staff claims that the agency's management is responsible for posting on UNIAN's website on 11 February false news about members of the Fatherland party **Oleksandra Kuzhel** and **Serhiy Vlasenko**, who is also a lawyer of former Prime Minister **Yuliya Tymoshenko**.

With regards to the current situation in the news agency, the editorial staff also appealed to European institutions and international organizations. In a commentary to the Dzerkalo Tyzhnya weekly, Osadchyy said that it was not his decision to post the controversial news on the website, as he was instructed to do so by a higher authority.

On 16 February, the editorial staffs of Dzerkalo Tyzhnya weekly, its website ZN.UA and Ukrayinska Pravda news and analysis website announced their decision to boycott UNIAN's news feed.

ECONOMICS

Ukraine gets no deal from IMF, talks to continue in March

On 12 February 2013, the IMF mission completed its visit to Ukraine, which started on 29 January. The negotiations between the sides yielded no agreement on launching a new stand-by programme for the country. However, head of the fund's mission **Christopher Jarvis** noticed "significant progress" in the talks.

Among the key challenges faced by Ukraine's economy Jarvis named a rising budget deficit, widening current account deficit, declining foreign exchange reserves, and slowdown of the economic growth. According to the IMF, in the absence of corrective policies, the GDP growth in Ukraine in 2013 will not exceed 1 percent. As the IMF mission chief noted, large subsidies on gas and heating for households continue to undermine Ukraine's budget and its balance of payments.

The next visit of the IMF mission to Ukraine is scheduled for March 2013.

Cabinet preparing partial increase in gas prices – media reports

As Forbes.ua reported on 13 February 2013, citing its own sources, the Ukrainian government is readying to raise natural gas prices for some households. As the article says, the increase will concern those who consume above 5,000 cu.m. of gas annually. Additional revenues to the budget are estimated at 750m dollars.

Yanukovych wants to appoint business ombudsman

President **Viktor Yanukovych** on 11 February 2013 instructed the government to study the question of introducing the institution of ombudsman for protection of businessmen's rights.

Investments in Ukraine drop by almost 11 percent

Foreign direct investments in Ukraine in 2012 reached 4.129bn dollars, which is 431m dollars or 10.6 percent less than in 2011, news and analysis website Lb.ua reported on 14 February 2013, citing data from the State Statistics Service.

Ukraine's balance of trade deficit up in 2012

Last year imports in Ukraine exceeded exports by 15.85bn dollars. As compared to 2011, the balance of trade deficit grew by 1.6bn dollars, news and analysis website Lb.ua reported on 14 February 2013, quoting statistical data.

ENERGY MARKET

Government renews agreement with Vanco

The Ukrainian government on 11 February 2013 abolished its decree that terminated the production sharing agreement with company Vanco International.

In April 2006, Vanco International won a tender for production of oil and gas in Prykerchenska oil and gas field on Ukraine's Black Sea shelf. In October 2007,

Vanco International transferred all of its rights and obligations to Vanco Prykerchenska, set up in August 2007. That was the main reason for the government to terminate the agreement and launch international proceedings.

Environment Minister **Oleh Proskuryakov** on 30 January 2013 announced that the Stockholm Arbitration Court approved the amicable agreement between Ukraine and Vanco Prykerchenska.

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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