



# Gorshenin *Weekly*

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**Ukraine, EU agree on date for initialling association agreement. Ukrainian MPs drafting resolution to sign deal**

**Ukraine and the European Union intend to initial the association agreement in Brussels on 30 March 2012.**

At the same time, MPs of the pro-government Party of Regions registered in parliament a draft resolution "On adopting the association agreement including a deep and comprehensive free trade area between Ukraine and the EU".

The Kommersant Ukrayina newspaper reported that the document "calls on the EU and its member states to demonstrate political will and to ensure that the association agreement is signed as soon as possible". Furthermore, the deputy head of the Razumkov Center, **Valeriy Chalyy**, pointed out that the authors of the document had set an additional task for themselves. "The second goal is to implement the section on a free trade area even before the entire agreement is ratified. The document cites a corresponding norm of the EU," Chalyy said.

In the opinion of the deputy head of the opposition Fatherland party, **Hryhoriy Nemyrya**, in order to achieve real progress in the negotiations with the EU, it is necessary to decriminalize the articles of the Ukrainian Criminal Code under which former Prime Minister **Yuliya Tymoshenko** was convicted.

**Ukrainian parliament fails to vote on implementing resolution of Parliamentary Assembly of Council of Europe**

**The most recent resolution by the Parliamentary Assembly of the Council of Europe (PACE) has failed to garner enough support of the Ukrainian lawmakers.**

On 16 March 2012, parliament refused to back an inquiry authored by an MP of the opposition Yuliya Tymoshenko Bloc (YTB) parliamentary faction, **Serhiy Vlasenko**, regarding the implementation of paragraph 3 of the PACE resolution by Ukrainian President **Viktor Yanukovich**. As many as 126 MPs supported the document which questioned the president's steps towards releasing Ukrainian political prisoners such as former Prime Minister **Yuliya Tymoshenko** and former Interior Minister **Yuriy Lutsenko**. To pass, it needed 150 votes.

The same day, 16 March 2012, parliament planned to debate resolutions on the implementation of the PACE recommendations. However, the opposition MPs blocked the parliament rostrum. They demanded that a resolution on implementing the PACE recommendations be passed immediately and Tymoshenko be released from jail. Additionally, the YTB faction demanded that a draft law on reforming the gas transport system, which sanctions the privatization of the state-owned energy company Naftohaz Ukrayiny, be taken off the parliament's agenda.

The pro-government Party of Regions viewed these actions of the opposition MPs as a deliberate derailment of the adoption of resolutions on the PACE recommendations.

**European Court of Human Rights rules in former premier's case. Head of European Parliament's delegation requests meeting with opposition leader**

**The European Court of Human Rights has ruled that the Ukrainian government is obliged to provide former Prime Minister Yuliya Tymoshenko with medical treatment in a hospital.**

The Ukrainian news and analysis website Lb.ua reported that the verdict was handed down on 16 March 2012 within the framework of the 39<sup>th</sup> rule of the European court's code.

In his turn, Ukrainian Justice Minister **Oleksandr Lavrynovych** said that a decision on Tymoshenko's place of treatment was not within the scope of the European Court of Human Rights. "However, if the actual health condition requires treatment

in a hospital outside [a prison], then I see no obstacles for doing this. The legislation permits to do this," he added.

Earlier, on 15 March 2012, the chairman of the EU-Ukraine Parliamentary Cooperation Committee in the European Parliament,, **Pawel Kowal**, requested permission from Ukrainian Prosecutor-General **Viktor Pshonka** to meet with Tymoshenko.

**European politicians ask UEFA to influence situation in Ukraine**

**European politicians and diplomats have asked the UEFA to influence the situation in Ukraine.**

The Ukrainian news and analysis website Lb.ua reported that on 9 March 2012, representatives of the European politics wrote an open letter to the UEFA president, **Michel Platini**, in which they expressed deep concern over the political and judicial situation in Ukraine before the beginning of the Euro 2012 football championship.

The letter of the European politicians to the UEFA provoked a harsh reaction of the pro-government Party of Regions.

"I believe that these European MPs became victims of political blackmailing. They do not even understand what is happening and do not even read the documents they sign. Such nonsense can be produced only by a man who, at the very least, is leading an unhealthy lifestyle," the deputy head of the Party of Regions parliamentary faction, **Vadym Kolesnichenko**, said.

We would like to note that the following individuals signed the open letter to the UEFA president: **Elmar Brok** (a member of the European Parliament and the Committee on Foreign Affairs chairman), **Walburga Habsburg Douglas** (the vice-president of the Parliamentary Assembly of the Organization for Security and Cooperation in Europe) and others.

**Ukraine to set up separate agency for European integration**

**The Ukrainian government will set up a new state agency responsible for European integration.**

The mass media reported that the head of the Ukrainian Foreign Ministry's Policy and Security Department, **Vasyl Filipchuk**, would be appointed as head of the new agency.

The new state agency will be established on the basis of the existing department of European integration of the government secretariat.

**Ukrainian prosecutor-general says new Criminal Procedure Code may be adopted by end of March 2012. Party of Regions MP distorts words of GRECO head**

**The Ukrainian parliament may pass a new Criminal Procedure Code (CPC) by the end of March 2012.**

"I believe that the Verkhovna Rada will adopt a law on the CPC with all the amendments in March... You know that this is a presidential initiative since the existing code was adopted over 50 years ago, and the new one is directed towards the establishment of a state based on the rule of law," Prosecutor-General **Viktor Pshonka** said on 14 March 2012.

According to him, the new CPC might come into force on 1 October 2012. At the same time, the prosecutor-general assumed that the new CPC "will not be received well by law-enforcement agencies".

On 6 March 2012, the presidential commission for strengthening democracy and asserting the supremacy of law said that “the CPC draft has the flaws which may override its positive features”.

We would like to note that the CPC draft does not contain a norm which would decriminalize Article 364, which deals with abuse of office, and Article 365 on exceeding authority. They were both used to convict former Ukrainian Prime Minister **Yuliya Tymoshenko**.

On 12 March 2012, MP of the Party of Regions **Serhiy Kivalov** quoted the head of the Group of States against corruption (GRECO), **Marin Mrchela**, as saying that the decriminalization of these articles made no sense.

Later, Mrchela denied this information. “The statements made by Mr Kivalov in the mass media are a gross distortion of what I have actually said,” he explained.

On 13 March 2012, an MP of the opposition Our Ukraine-People's Self-Defence parliamentary faction and the leader of the Front for Change party, **Arseniy Yatsenyuk**, registered a draft law which envisions amnesty for Tymoshenko and former Interior Minister **Yuriy Lutsenko**.

## **Opposition refuses to attend meeting of president with parliamentary, party leaders**

### **The Ukrainian opposition did not attend a meeting held by Ukrainian President Viktor Yanukovich with parliamentary factions on 13 March 2012.**

Earlier, the opposition parliamentary factions Yuliya Tymoshenko Bloc (YTB) and Our Ukraine-People's Self-Defence demanded an urgent meeting with the head of state. They planned to discuss the situation with democracy in the country, prospects for European integration, the verdicts handed down to the former government members and the deterioration of the social and political situation in Ukraine.

However, after the president set the time and place for the meeting, representatives of the opposition said that they would not meet with him if members of the parliamentary majority were also present. The opposition believes that such a meeting format will hinder a discussion of the issues it intended to raise.

In his turn, Yanukovich said that he had offered representatives of the opposition to meet on multiple occasions. “This is no the opposition to me or the government. This is the opposition to the people,” the head of state noted.

At the same time, the presidential representative in parliament, **Yuriy Miroshnychenko**, accused the opposition of unethical behavior. Additionally, he noted that the opposition would not have other chances for a meeting with the president in the nearest future.

The head of the Party of Regions parliamentary faction, **Oleksandr Yefremov**, said that Yanukovich was open to dialogue with the opposition. However, he added that the language of ultimatum was not suitable for this. Yefemov also noted: “...If the opposition were actually interested in a meeting, it would not miss such an opportunity”. In his opinion, “currently, the opposition is weak and fractured. It does not represent the force which can dictate conditions”.

**Nataliya Korolevska expelled from opposition parliamentary faction. Vitaliy Klitschko intends to run in election independently**

**The Ukrainian opposition has been fractured.**

On 13 March 2012, the leader of the Ukrainian Social-Democratic Party, **Nataliya Korolevska**, was expelled from the Yuliya Tymoshenko Bloc (YTB) parliamentary faction due to violations of the party discipline.

Korolevska said that her expulsion from the faction was a planned provocation.

Later, on 15 March 2012, **Vitaliy Klitschko**, said that the Udar party, which he heads, intended to run in the 2012 parliamentary election independently.

**Ukrainian MPs fail to elect new ombudsman**

**On 15 March 2012, Ukrainian MPs voted for a new human rights representative of the Verkhovna Rada.**

Neither of the two candidates for the post – the co-chairman of a Kharkiv human rights organization, **Yevhen Zakharov**, whose candidacy was proposed by the opposition Yuliya Tymoshenko Bloc (YTB), and the government envoy to the European Court of Human Rights, **Valeriya Lutkovska**, whose candidacy was put forward by the Party of Regions, - managed to garner a sufficient number of votes.

In the opinion of the deputy speaker and Yuliya Tymoshenko Bloc MP **Mykola Tomenko**, the fact that Lutkovska was not elected as the ombudsman demonstrates that not all the MPs of the pro-government Party of Regions support the policy of President **Viktor Yanukovich**.

On 20-24 February 2012, the Gorshenin Institute surveyed Ukrainian MPs. As many as 147 lawmakers participated in the poll. Its results suggest that almost a half of the MPs – 43.5 percent – believe that the parliamentary-presidential republic is an optimal system of government.

**Party of Regions merges with Strong Ukraine party. Serhiy Tyhytko opposes United Center's merge with Party of Regions**

**On 17 March 2012, the Party of Regions merged with the Strong Ukraine party during a party congress.**

At the same time, the Segodnya newspaper reported that the leader of the Strong Ukraine party, the deputy prime minister and the social policy minister, **Serhiy Tyhytko**, demanded that the party United Center headed by Emergency Situations Minister **Viktor Baloha** be not admitted into the Party of Regions.

After the merge, Tyhytko will be the deputy head of the Party of Regions.

In the opinion of the secretary of the National Security and Defence Council, **Andriy Klyuyev**, who had been in charge of the Party of Regions' electoral campaigns for a long time, either Tyhytko or the head of the Party of Regions parliamentary faction, **Oleksandr Yefremov**, may head the party's election HQ. He added that he would not be involved in the campaign.

**Party of Regions intends to propose draft law lifting immunity for MPs**

**The pro-government Party of Regions intends to rescind immunity for lawmakers.**

A draft law to this effect will be proposed for parliament's consideration within the next few days, the party's press service said.

At the same time, the head of the Party of Regions parliamentary faction, **Oleksandr Yefremov**, said on 16 March 2012 that parliament would be able to vote for draft law 3251 annulling immunity for MPs in the next two weeks.

For his part, the deputy speaker and Yuliya Tymoshenko Bloc MP **Mykola Tomenko**, said that the opposition was ready to vote for the rescinding of lawmakers' immunity on the condition that not only MPs but also the president and judges are stripped of their immunity.

**Ukrainian government begins to control broadcasting of regional mass media**

**Regional TV and radio companies receive broadcasting guidelines from a state committee.**

The Ukrainian publication Tsentr published a copy of the letter signed by the head of the State committee for TV and Radio Broadcasting, **Oleksandr Kurdynovych**, which had been sent to regional and local state-owned TV and radio companies and the state-owned TV and radio company Krym. The letter, which was marked "Urgent", was sent on 13 March 2012.

Kurdynovych asked to "urgently create or adapt existing formats of TV and radio programmes and to start to broadcast on 15 March 2012 a special series of programmes with the participation of leaders or representatives of local governments and prominent specialists and experts. The programmes should be devoted to 'the clarification and discussion of the social initiatives voiced by President **Viktor Yanukovych**". On 14 March 2012, the State TV and Radio Committee also sent regional broadcasting companies guidelines on the themes for evening news bulletins.

Later, Kurdynovych said that such letters are a normal practice in the operation of the State TV and Radio Committee. Its recommendations are binding since they are part of the state order. Kurdynovych explained that the letters with a list of suggested themes was an attempt of the committee to "help" regional state-run TV and radio companies.

**Ukrainian special services summon leading sociologists for questioning**

**The Security Service of Ukraine (SBU) has become interested in Ukrainian sociologists.**

The Ukrainian news and analysis website Lb.ua quoted the deputy head of the Institute of Sociology of the National Academy of Sciences of Ukraine (IS NASU), **Yevhen Holovaha**, as saying on 14 March 2012 that the SBU had summoned the entire IS NASU scientific board for questioning. According to him, a letter with a request to ensure the presence of the board members was signed by senior SBU investigator **Dashlyuk**. "The presence is mandatory. If you fail to show up without a valid reason, you may be forced to come," the letter stated.

The SBU said that 24 members of the scientific board were summoned for questioning in a case launched against the management of a branch company of the Institute of Sociology, The Center of Social Expertise, suspected of embezzlement. The criminal case was opened on 15 February 2012.

The information that the SBU summoned the sociologists for questioning shocked the public and stirred lots of criticism in the political and expert circles.

On the eve of 14 March 2012, President **Viktor Yanukovych** said that "a practice of summoning scientists en mass for questioning by the SBU is unacceptable".

For her part, the SBU press service's head, **Maryna Ostapenko**, admitted that the summoning of the entire scientific board for questioning was not a prudent move. In her opinion, such a decision could have been explained by the young age of the investigator.

In the opinion of the former director of the SBU archive (2008-10), historian **Volodymyr Vyatrovych**, “the fact of summoning the entire scientific board 'in a package' for questioning is a logical consequence of the approach to staffing: an appointment of KGB officers to management posts. They use Soviet methods of pressuring people and, first and foremost, the intellectuals whose right and ability to express themselves freely determine to a large extent a mood in the society”.

**Council of Europe  
voices concerns over  
ill-treatment at  
Ukrainian remand  
centres**

**Europe is concerned about ill-treatment of detainees at Ukrainian remand centres.**

The Council of Europe's Committee for Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) in its report published on 12 March 2012 expressed concerns over numerous cases of breaching detainees' rights in the remand centres in Kiev and Kharkiv. The alleged ill-treatment consisted in the main of punches, kicks or blows with batons at the time of apprehension or during subsequent questioning by police officers. In a number of cases, the alleged ill-treatment was of such a severity that it can easily be considered to amount to torture (e.g. infliction of electric shocks; asphyxiation with a plastic bag or gas mask; suspension in a hyperextended position; death threats with a gun put to the head).

The State Penitentiary Service of Ukraine said that “inspections carried out by the staff members of the Prosecutor's Office and the parliamentary human rights commissioner found no cases of tortures at the Ukrainian remand centres”.

Ukrainian Interior Minister **Vitaliy Zakharchenko** said for his part that after approving the draft of the new Criminal Procedure Code there will be no torturing of detainees at police stations. “I mean that there will be no possibility and no need to act this way (torturing detainees),” Zakharchenko said.

**Russia waiting for  
lucrative offer from  
Ukraine in return for  
gas price cut. Ukraine  
mulls buying gas from  
Germany**

**The gas stand-off continues.**

On 15 March 2012, President of the Russian Natural Gas Society, Member of the Russian State Duma **Valeriy Yazev** said that the negotiations on natural gas were still under way as Ukraine was not offering Russia anything in exchange for a reduction in the gas price. According to him, the fact that the signatory of the present agreements, ex-Prime Minister **Yuliya Tymoshenko** serves time in prison “is a matter of the Ukrainian justice, and I have no intention to comment on it, and our contract falls under international jurisdiction.” “Ukraine can always appeal to the Stockholm Arbitration,” Yazev said.

Earlier, on 14 March 2012, Ukrainian Prime Minister **Mykola Azarov** said that in case the gas negotiations with Russia end in failure, Ukraine may start buying Russian gas from German company RWE.

On 15 March 2012, Chairman of Gazprom **Alexey Miller** and Ukrainian Energy Minister **Yuriy Boyko** held a working meeting in Moscow. During the meeting, Miller invited Boyko to attend the ceremony for launching the construction of the South Stream gas pipeline in December 2012.

During the European Energy Symposium New Trends in 2012 held on 15 March 2012, Vice-President of the Gorshenin Institute **Oleksiy Leshchenko** said that Russia also greatly depended on Ukraine in the gas issue. “Ukraine is the world's largest consumer of Russian gas. It consumes 25% of Gazprom's total European



exports. The Ukrainian gas transport system pumps 75% of Russia's gas exports to Europe. Prior to the launch of the North Stream, this figure was 80%, and after the launch of the South Stream, if it happens after all, this figure will be 20%-25%," he said.

On 19 March 2012, President of Ukraine **Viktor Yanukovich** may go to Moscow to attend a summit of the member states of the Eurasian Economic Community (Belarus, Kazakhstan, Kyrgyz Republic, Russia and Tajikistan).

**Foreign experts find no palm oil in Ukrainian cheese. Russia withdraws 32 tonnes of Ukrainian products**

**The cheese war continues.**

On 15 March 2012, Chairman of the State Veterinary and Phytosanitary Service of Ukraine **Ivan Bisyuk** reported that the Ukrainian cheese which was first banned by Russia's Consumer Protection Service contains no palm oil. Bisyuk said that was cheese from Pyryatyn and Mena cheese factories and enterprises of Hadyachsy. According to him, the official results of the tests that will become a powerful argument in the cheese war are expected in 10 days.

Earlier, on 12 March 2012, Head of Russia's Federal Service for Consumer Rights Protection, Chief Sanitary Doctor of Russia **Gennady Onishchenko** said that the regulatory authorities in Russia have withdrawn from sales 32 tonnes of cheese produced in Ukraine, and more than 120 tonnes of cheese were banned at the Russian border. The official reason was that the Ukrainian cheese did not meet the Russian quality standards.

**Ukraine-IMF talks end in deadlock. Government asking US lobbyists to help resolve problem. Finance minister to visit USA for talks**

**The government has officially acknowledged that the negotiations with the International Monetary Fund (IMF) have reached an impasse.**

"I know nothing about US lobbyists, but it's certain that we've reached an impasse," Deputy Prime Minister, Minister of Social Policy **Serhiy Tyhypko** said on 14 March 2012.

According to him, the IMF insists on raising the gas tariffs for households but the Ukrainian government refuses to take such steps.

According to the Ukrayinska Pravda news website, the government of Ukraine has turned to a US lobbying and consulting firm, APCO, to obtain new tranches from the IMF without raising gas prices.

On the same day, 14 March 2012, Prime Minister **Mykola Azarov** said that Finance Minister **Yuriy Kolobov** will visit the United States to hold talks with the IMF before the end of March 2012.

On 15 March 2012, Deputy Economy Minister **Vadym Kopylov** said that Ukraine is holding talks with the IMF on restructuring its debt payments. "We are negotiating a restructuring of the debt payments due this year – 3bn dollars. We need to defer these payments for 10 years," he said. At the same time, the official suggested that the IMF would agree to concessions in the debt restructuring issue.

**Standard & Poor's revises outlook on Ukraine's ratings to negative. IMF worsens outlook on hryvnya rate**

**Financial institutions downgrade outlooks on Ukraine.**

On 15 March 2012, Standard & Poor's Ratings Services revised its outlook on the sovereign credit ratings on Ukraine to negative from stable. The negative outlook reflects the agency's view of increased risks regarding Ukraine's significant fiscal and external refinancing needs.

The agency also lowered Ukraine's long-term national scale rating to 'uaA+'

from 'uaAA-'. At the same time, S&P affirmed its 'B+/B' long- and short-term local and foreign currency sovereign ratings on Ukraine.

In response, Prime Minister **Mykola Azarov** called the agency's move biased. On the same day, the International Monetary Fund (IMF) worsened its forecast of the exchange rate of hryvnya for 2012 and 2013. In 2012, according to the IMF's revised forecast, the hryvnya will drop to 8.41 UAH/USD, while the previous forecast was set at 8.14 UAH/USD. The IMF worsened its 2013 forecast to 9.18 UAH/USD against the previous expectation of 8.44 UAH/USD.

**Ukraine's public debt continues to grow****In January 2012, the public debt of Ukraine increased by 163m dollars to 44.879bn dollars.**

According to the Finance Ministry, the foreign public debt of Ukraine in January increased by 111m dollars and totaled 24.618bn dollars as of 31 January 2012. Ukraine's liabilities on loans provided by international organizations for economic development grew by 73m dollars to 10.629bn dollars, loans granted by foreign governments – by 6m dollars to 1,347bn dollars. The debt not elsewhere classified in January increased by 33m dollars and totaled 10.641bn dollars.

During this period, the domestic public debt increased by 52m dollars to 20.261bn dollars.

The size of the publicly guaranteed debt in the first month of the year rose by 100m dollars to 14.599bn dollars.

The public debt by the end of 2012 should not exceed 52bn dollars.

According to IMF Resident Representative for Ukraine **Max Alier**, Ukraine still has a high level of “bad loans”.

**Cabinet values president's social initiatives at 3.13bn dollars****The government is expecting an increase in expenses on implementation of all the social initiatives set forward by President Viktor Yanukovich.**

“Let's say that the entire package of these social measures will cost approximately 25bn hryvnias (3.13bn dollars),” Prime Minister **Mykola Azarov** said on 15 March 2012. The prime minister noted that compared to all budget expenditures, the amount is not high to provoke inflation. According to him, the respective amendments to the budget will be submitted to parliament in early April 2012.

Earlier, First Deputy Head of the Presidential Administration **Iryna Akimova** said that the total set of the initiatives, excluding a mortgage programme, would cost about 2bn dollars. At the same time, according to Akimova, the president's social initiatives will not be an obstacle to further cooperation between Ukraine and the IMF.

**President expects parliament to pass law on luxury tax****President Viktor Yanukovich is confident that parliament will pass the law on luxury tax.**

“The work is under way. This bill will be definitely brought in, reviewed and adopted,” he said on 11 March 2012.

The Party of Regions said that they fully support the initiative on introducing a tax on luxury.

It is worth mentioning that the government plans to channel expected proceeds from the new tax into implementation of new social initiatives voiced by the president.

The European Business Association points out that the wealth tax should be applied to property and passive incomes such as dividends and royalties, rather than salaries.

## **Parliament passes Customs Code**

**On 13 March 2012, the parliament adopted a new version of the Customs Code, which was revised on the basis of proposals by President Viktor Yanukovich.**

Earlier, Yanukovich vetoed the Customs Code that was adopted by parliament on 3 November 2011, and made suggestions for its improvement.

Chairman of the parliamentary committee on finance, taxation and customs policy, MP **Vitaliy Khomutynnyk** of the Party of Regions predicts that the new code will take effect approximately on 1 May 2012.

According to the Lb.ua news and analysis website, the new Customs Code provides for the transfer of the authority to issue regulations from the Customs Service to the Finance Ministry. Also, the document decriminalizes commodity smuggling, making it an administrative violation. In addition, the code reduces the value of goods that can be brought by citizens into the customs territory of Ukraine without paying taxes through land and sea entry points from 1,000 to 500 euros, and many other things.

On the whole, taking into account the proposals by the president, 148 amendments were introduced to the document.

First deputy head of the parliamentary committee on finance, taxation and customs policy, MP **Serhiy Teryokhin** of the Yuliya Tymoshenko Bloc says that amendments not only by the president but also by the Party of Regions were introduced to the code, which violates the procedure of adopting bills.

“In fact, only few amendments from the president were introduced. Among them are the norms that allow imports of goods worth 500 euros and that allow cars to be temporarily brought to Ukraine for one year. By the way, the lawmakers quietly made an amendment that significantly increases the period of stay of expensive yachts in the territorial waters of Ukraine – from six months to three years. It turns out that after registering a boat in Cyprus, it is possible to moor it in Ukrainian ports for three years and not to pay taxes,” Teryokhin said.

At the same time, the Dzerkalo Tyzhnya weekly, reports that the annual tax collection plan of the customs has been increased to 877m dollars.

## **Parliament changes rules of public procurement in energy sector**

**On 13 March 2012, the parliament passed a government bill regulating procurement in certain sectors.**

The document defines a special procedure of public procurement for suppliers of natural gas, heat and electricity, drinking water, drainage, provision of services for using railway infrastructure, functioning of municipal electric transport, provision of services at bus stations, ports, airports, telecommunications, and oil refining.

In the explanatory note to the bill, the Economics Ministry says that the document is based on international experience, and takes into account recommendations from European experts. The main objective of the bill is to introduce a more flexible regime of public procurement for customers that operate in certain areas of the economy.

At a meeting with leaders of pro-presidential parliamentary factions held on 13 March 2012, President **Viktor Yanukovich** said that parliament will receive a package of laws which aim at “restoring order in the management of public finance, particularly in the area of procurement in certain sectors of economic activity.” “We are talking about improvements in the law on public procurement. We know that it needs to be improved, and this should be done,” Yanukovich said.

At the same time, according to the opposition, the essence of this document is to cancel tender procedures in all sectors of procurement.

In particular, deputy parliament speaker **Mykola Tomenko** of the Yuliya Tymoshenko Bloc said that the bill envisages withdrawal of strategic industries from the authority of the law on public procurement, “everything that concerns oil, gas, electricity, in a word, large businesses, which operate under control of the authorities.”

In addition, Tomenko draws attention to such legal innovations as allowing a public authority or local government to cancel tender procedures for any operation on the basis of a special decision.

“The Verkhovna Rada hasn't seen a more corrupt bill,” the deputy speaker said.

At the same time, according to media reports, the bill was welcomed by EU and World Bank experts.

### **Parliament to allow privatization of public thermal power stations**

**On 13 March 2012, the parliament passed in the first reading a bill which lifts the ban on the privatization of thermal power plants.**

According to the explanatory note to the bill, it is proposed to lift the ban on privatization of thermal power plants for further implementation of the programme on their technical modernization by attracting private investment through their leasing or concession.

According to the document, 13 thermal power plants may be withdrawn from the list of state-owned objects.

### **Ukraine cuts grain export**

**Ukrainian Agriculture Minister Mykola Prysyzhnyuk has said that Ukraine would export less grain this marketing year (July 2011 – July 2012).**

“It would be good if we export 20-21m tones of grain,” Prysyzhnyuk said on 13 March 2012.

Earlier Prysyzhnyuk said that thanks to very good harvest in 2011 (about 57m tones) Ukraine would sell abroad up to 27m tones of grain, however later this forecast was reduced.

Ukraine has faced a problem of reducing fertility of its soils. According to Deputy Minister of Agriculture **Mykola Bezuhlyy**, the content of humus in Ukrainian soil 100 year ago was 5-6% while now it is only 2-3%. "This is the price we pay for inorganic farming," Bezuhlyy said. He added that the problem may be solved by imposing a legal requirement to maintain the quality of soil.

**Akhmetov's top managers say investment climate worsened in Ukraine over the last year**

**Managers of Rinat Akhmetov's SCM Holdings say the investment climate has deteriorated in Ukraine.**

"There was a good start and one year ago we would give the government a good mark, but a year ago reforms lost their target and speed. Reforms need political stability, and it was a year ago that political risks appeared in Ukraine," SCM Director of International and Investor Relations Jock Mendoza-Wilson said on 15 March 2012.

Experts and media in Ukraine describe Akhmetov as part of President **Viktor Yanukovich's** inner circle.

Also, media reports say that during Turkmen President Gurbanguly Berdymukhamedov's three-day-visit to Ukraine, Yanukovich discussed with him a contract for supply of 300 tones of pipes of large diameter to Turkmenistan by the Metinvest company, which is controlled by Rinat Akhmetov.

**President Yanukovich signs law banning tobacco commercials. Parliament approves first reading of law prohibiting smoking in public places**

**Ukraine toughens smoking ban.**

President **Viktor Yanukovich** has signed the law banning the advertising of tobacco products on 13 March 2012. The ban covers all mass media and also prohibits demonstrating trade marks of tobacco companies at sponsored events. The law will take effect in six months after the publication date.

On the same day, the Ukrainian parliament approved in the first reading a law toughening anti-tobacco legislation. In particular, the law suggests prohibiting smoking in all public catering facilities, outdoor and indoor sports facilities and cultural institutions. The draft law obliges owners or tenants to fully prohibit smoking in their premises or arrange alternative places for smoking.

Nevertheless, Ukraine challenged with the World Trade Organization the law approved in Australia on 9 November 2011 which bans using images of trade marks and symbols of tobacco companies on cigarette boxes.

It is worth saying that according to the State Statistics Service, Ukraine does not export tobacco products to Australia.

**New staff reshuffle takes place at Security Service of Ukraine**

**President Viktor Yanukovich appointed new Head of Counter-Terror Centre at the Security Service of Ukraine on 16 March 2012.**

The Counter-Terror Centre is now chaired by the Security Service's first deputy head, **Petro Shatkovskyy**.

## **Moldovan MPs elect new president**

**On 16 March 2012, Moldovan lawmakers elected the head of the Superior Council of Magistrates, Nicolae Timofti, as the new president.**

Sixty-two Moldovan MPs backed him, which is one vote more than required by the constitution. The Communists boycotted the election.

In the opinion of the director of the Gorshenin Institute's political programme, **Yevhen Kurmashov**, "the emergence of Timofti's figure as a Moldovan presidential candidate surprised not only many international observers, who follow political process in the post-Soviet space, but also many Moldovan citizens".

The full text of the expert's commentary can be found on page 15.

## **Russia complains of Ukraine hampering efforts to strengthen Black Sea Fleet**

**Russians say Ukraine blocks attempts to strengthen capacity of the Russian Black Sea Fleet.**

An advisor to the Russian Chief of General Staff, admiral **Igor Kasatonov**, on 14 March 2012 reported complications during negotiations with Ukraine regarding renovation of the Black Sea Fleet's naval ships. According to Kasatonov, Ukraine's stance is that the technical features of new ships significantly outstrip capacities of the old ones, "Ukraine supports the opinion that the technical parameters of new ships significantly exceed capacities of the old ones". "They say this is a separate system and a separate subject for negotiations, so some of the issues are almost blocked," Kasatonov said. He also said that the same issue existed for aviation and other military hardware.

When asked if things changed after Ukrainian Defence Minister **Dmytro Salamatin's** visit to Moscow on 7 March 2012, Kasatonov said "Not yet, I believe".

“The emergence of **Timofti's** figure as a Moldovan presidential candidate surprised not only many international observers, who follow political process in the post-Soviet space, but also many Moldovan citizens,” the director of the Gorshenin Institute's political programmes, **Yevhen Kurmashov**,

“One can claim with certainty that by proposing Timofti's candidacy, the Alliance for European Integration in the Moldovan parliament was putting everything at stake. If Nicolae Timofti did not receive a positive result, parliament would be dissolved and a snap parliamentary election would be called in the country again. Considering the current ratings of political forces in Moldova, a return of the Communists headed by **Vladimir Voronin** looked like the most probable scenario. It means that the leaders of the Alliance faced the threat of an actual loss of power, while Moldova faced suspension of the economic reforms by the Alliance and **Vladimir Filat's** government,” the expert said.

Kurmashov noted that Timofti's candidacy was a result of a very difficult compromise which had been reached by the leaders of the Alliance for European Integration.

“Each of them has own political interests that often contradict the interests of the coalition partners. The presidential ambitions of **Marian Lupu**, the aspiration of Vladimir Filat to single-handedly manage the country's economy and also **Mihai Ghimpu's** unique vision of the state political direction – the Alliance leaders sacrificed to a certain extent all this in order to prevent a snap parliamentary election.”

The Moldovan political crisis, in the form in which it had been going on for the past two and a half years, was ended. However, the competitive politics in Moldova continued and overall this is very good for a new democratic country. On the one hand, the constitution grants the president a rather broad specter of powers and possibilities. De jure, he is the main person in the country. However, is it a puzzle whether Timofti intends to use these possibilities to a full extent. For now, his election seems similar to a well-organized strategic combination of the Alliance leaders with the goal of reproducing themselves in power,” Kurmashov explained.

The Gorshenin Institute expert ruled out that the influence of the Lupu-Filat-Ghimpu triumvirate would be weakened after the election of the new president.

“Considering the specifics of the Moldovan politics of the recent years, it is difficult to imagine that the Lupu-Filat-Ghimpu triumvirate and also less public figures such as the deputy speaker of the Moldovan parliament, **Vlad Plahotniuc**, will lose influence on the decision-making in domestic and foreign policy after the election of the new president. Yes, over the years in power, the Alliance has accumulated a colossal number of contradictions and its different representatives have a high level of distrust to each other. However, the Alliance leaders proved this week that they were capable of making crucial decisions together at extreme moments,” Kurmashov stressed.

In his opinion, among all the Alliance leaders, it is Mihai Ghimpu, the head of the Liberal Party of Moldova, who is the closest to the newly elected president.

“In contrast to Filat and Lupu, Mihai Ghimpu and Nicolae Timofti have been representing the Moldovan political elite since the beginning of the 90s. It goes without saying that unlike the Liberal Party of Moldova's leader, Timofti has never been a professional politician in the direct sense of this word. However, the similarity of their political views and stances is obvious. Ghimpu and Timofti are supporters of the European integration through the Romanian gates, which stands in contrast to Vlad Filat who believes that the path to the EU is not through Bucharest but rather through Brussels,” the expert noted.

At the same time, Kurmashov believes that the Communists, who are political opponents of the Alliance, have very slim chances for a swift reciprocal reaction. “The Communists have been defeated in parliament and it is likely that they will lose on the street, even if they manage to mobilize rapidly. Vladimir Voronin and his supporters can blame only their former party colleagues from Igor Dodon's socialist group of lawmakers, who gave Nicolae Timofti the voices he lacked to be elected as the president,” the expert concluded.

We shall remind you that on 16 March, the head of the Superior Council of Magistrates, Nicolae Timofti, was elected Moldova's president. Sixty-two Moldovan MPs backed him, which is one vote more than required by the constitution. The Communists boycotted the election.

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