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INTERNATIONAL POLITICAL**UKRAINE-EU****European Parliament adopts resolution on Ukraine.**

In the resolution of 24 May 2012, members of the European Parliament (MEPs) expressed their concern over trials in Ukraine which they believe do not meet European standards. They also urged the Ukrainian government to release «the prisoners who have been convicted for political motives», including the opposition leaders. At the same time, the document called for the issue of «political prisoners» to be resolved by the start of the electoral campaign. Furthermore, MEPs expressed their regret over the fact that a court had postponed a hearing of former Prime Minister **Yuliya Tymoshenko's** appeal against her prison sentence until the end of June 2012 and also called on the Ukrainian authorities to provide «political prisoners» with the necessary medical assistance and grant access to lawyers and relatives.

Commenting on the adopted resolution, the Ukrainian Foreign Ministry said: «One cannot but notice a certain level of emotions in the European Parliament's evaluations of the situation with the trials of individual representatives of the previous government, including that of Yuliya Tymoshenko.»

We shall remind you that on 22 May 2012 the Ukrainian Foreign Ministry's press secretary, **Oleksandr Dykusarov**, said that the adoption of the resolution on Ukraine by the European Parliament during a time when a court was preparing to hear Tymoshenko's sentence appeal could be an element of putting pressure on the judiciary and could lead to the undesirable politicization of this process.

In his turn, Ukrainian Prime Minister **Mykola Azarov** said that the resolution was political in nature. «The resolution was proposed by the European People's Party which has contacts with Tymoshenko and her faction belongs to this organization,» he was quoted as saying by Polske Radio.

The Ukrainian first deputy prime minister, **Valeriy Khoroshkovskyy**, said that the Ukrainian government was already familiar with the demands expressed in the resolution. «This position is not new,» he said. At the same time, Khoroshkovskyy added that in order to solve the problems discussed in the resolution, the Ukrainian legislation needs to be amended.

The Ukrainian pro-presidential Party of Regions believes that the resolution does not concern individual officials but the country in general. «This resolution does not target [Ukrainian President] **Viktor Yanukovych** and Azarov because they are not subjects of international law. This resolution is against Ukraine and against us all,» MP of the Party of Regions **Leonid Kozhara** stated.

The first deputy head of the opposition parliamentary faction Yuliya Tymoshenko Bloc (YTB), **Serhiy Sobolyev**, said that the adopted resolution was a verdict against the incumbent Ukrainian government: «As a matter of fact, we are currently in the situation when these are not even ultimatums –today this is a verdict against the government when they say that there are political prisoners, there is no supremacy of law, no fair trial and prosecutors act in a biased way».

In his turn, the deputy head of the opposition Fatherland party, **Hryhoriy Nemyrya**, pointed out that the resolution had been supported by all the key factions in the European Parliament, including Social Democrats, who are partners of the Party of Regions.

The director of the Western partnership and Russia programs at the Finnish Institute of International Relations, Arkadiy Moshes, believes that European politicians no longer have a reason to soften the rather acute perception of what is happening in Ukraine.

The scientific director of the School of Political Analysis, **Oleksiy Haran**, said that the resolution did not discuss Ukraine's potential membership of the EU but rather its European prospects. «This means that the door remains open for Ukraine. However, there is a close link to the situation in Ukraine and to the country's return to democratic principles,» he said.

Ukraine makes unprecedented concessions to EU, prime minister says

«We have made numerous concessions when it comes to an agreement on a free trade area. We opened our market to the EU countries, while the EU set up for us a 10-year transition period during which quotas on a number of products important for us will be cancelled. Ukraine does not have agreements of this type with anyone else, even with Russia,» Azarov said on 25 May 2012 during a meeting with a delegation of the political group The Alliance of Liberals and Democrats for Europe of the European Parliament.

On the same day, the French Foreign Ministry's press secretary, **Bernard Valero**, said that the EU did not consider the association agreement with Ukraine because of politically motivated trials in the country.

On 22 May 2012, the European Parliament's vice-president, **Jacek Protasiewicz**, who visited Yuliya Tymoshenko on 19 May 2012, told a correspondent of the Ukrainian news agency UNIAN that the former Ukrainian prime minister believed it was necessary to abstain from signing the EU-Ukraine association agreement «at least» until the parliamentary election scheduled for October.

Poland opposes political rallies during the Euro 2012 football championship, although it has no intention to support Ukrainian President Viktor Yanukovich.

Polish Prime Minister **Donald Tusk** believes that it is his country's responsibility to prevent political protests during Euro 2012. «This is a natural but not very convenient business... In general, I am inclined towards shaking everyone's hand,» Tusk commented on the visit of President Yanukovich to Warsaw for the opening of the football championship in Warsaw.

At the same time, he stressed that he had no intention to support Yanukovich: «Let there be no such impression that we presumably support the current Ukrainian government in everything.»

European Parliament members suggest freezing assets of Ukrainian president's family

On 22 May 2012, the Ukrainian news agency UNIAN reported that during the

debate «The situation in Ukraine: Yuliya Tymoshenko's case» in the European Parliament, MEP **Michael Gahler**, who represents Germany's Christian Democratic Union, part of the European People's Party, said that President Yanukovich, his family and his friends were yielding more and more power. To support his statement, he pointed out that people from Yanukovich's entourage had been appointed to the posts of interior minister, head of the State Tax Service and the National Bank of Ukraine.

«The only thing which Yanukovich's son, family and friends want is to line their pockets,» Gahler said.

In his opinion, it is necessary to freeze their assets. «Cyprus is a good place from which one can start to expose these assets,» the MEP added.

His colleague from the European People's Party, Bulgarian MEP **Andrey Kovachev** said an obstacle to Ukraine's European integration was not the case of former Prime Minister Yuliya Tymoshenko but rather oligarchs who want to preserve Ukraine for their own enrichment.

UKRAINE-USA

US Senator urges Congress to impose sanctions against Ukrainian officials.

On 25 May 2012, the Ukrainian news and analysis website Lb.ua reported that Senator **James Inhofe** of the Republican Party had sent to the US Congress a draft resolution suggesting that Ukrainian President **Viktor Yanukovich** and Prosecutor-General **Viktor Pshonka** be **banned** from entering the country.

The draft resolution contains the following suggestions:

- to condemn Yanukovich's administration for the political persecution of former Prime Minister **Yuliya Tymoshenko**;
- to urge Yanukovich to immediately release Tymoshenko for medical reasons;
- to call on the Organization for Security and Cooperation in Europe (OSCE) not to recognize the planned Ukrainian chairmanship until Tymoshenko is released;
- to strongly recommend that the State Department recall the US ambassador to Ukraine until the former prime minister is freed from jail;
- to urge the State Department to impose visa sanctions on Yanukovich, Prosecutor-General Pshonka and other officials who are responsible for Tymoshenko's conviction;
- to call on NATO to suspend all cooperation agreements with Ukraine.

USA names main human rights problems in Ukraine

In an annual report of the US State Department, which was published on 24 May 2012, the conviction of former Ukrainian Prime Minister Yuliya Tymoshenko has been regarded as Ukraine's biggest human rights problem in 2011.

According to the report, the second most important problem in Ukraine is the government restriction on the freedom of assembly, while the third most important problem is the pressure which authorities put on mass media.

«Other serious problems include reports of police abuse and deaths in custody,

beatings, and torture of detainees and prisoners, and an inefficient and corrupt judicial system,» the report said.

UKRAINE-NATO

Ukrainian president takes part in NATO summit in Chicago

In his address to the summit held on 20-21 May 2012, Ukrainian President Viktor Yanukovich said that Ukraine was ready to continue its participation in the NATO-led mission in Afghanistan. In particular, the country was willing to help NATO with its strategic transport aviation. Additionally, the Ukrainian president reminded the summit participants that the government had already decided to send military aviation instructors to Afghanistan in August 2012. Yanukovich also reaffirmed Ukraine's readiness to join the Danish initiative The Coalition of Committed Contributors.

On 22 May 2012, a Ukrainian deputy parliament speaker and MP of the opposition parliamentary faction Yuliya Tymoshenko Bloc (YTB), **Mykola Tomenko**, said that the Ukrainian Foreign Ministry should explain the president's statement at the summit in Chicago. He is concerned this might mean Ukrainian participation in the military mission in Afghanistan. Tomenko believes that the government's readiness to take part in military operations shows its aspiration to clear its tarnished reputation on the international arena by means of involving Ukrainian citizens in developments in hot spots.

We shall remind you that on 20 May 2012, the head of Ukraine's mission to NATO, **Ihor Dolhov**, said that Ukraine would not participate in the development of the European missile defence system.

Ukrainian president holds several bilateral meetings on sidelines of NATO summit

Polish President **Bronislaw Komorowski** at a meeting with Yanukovich in Chicago has said that Ukraine's internal affairs pose a threat to its integration into the EU.

On 21 May 2012, a former Ukrainian foreign minister and MP of the opposition parliamentary faction Our Ukraine-People's Self-Defence, **Borys Tarasyuk**, said that around 60 heads of state participated in the NATO summit. The fact that Yanukovich had only a few meetings shows that not many leaders were willing to communicate with the Ukrainian president. Tarasyuk also stressed that «over the past six months, Yanukovich has not visited a single EU country, if we do not take into consideration the official events such as Davos and the Munich Conference,»

A number of Ukrainian mass media reported that during the summit, German Chancellor Angela Merkel passed by Yanukovich when he was talking to some politicians at the summit. She did not stop to greet him and after nodding — to either Yanukovich or to a politician who was standing next to him — kept walking.

In the opinion of an MP of the pro-presidential Party of Regions, Oleh Nadosha, the Ukrainian government has lost a PR-campaign in the West when it comes to the case of former Prime Minister **Yuliya Tymoshenko**. «There are no reasons to consider this case political. However, currently it is a trump card being played in

Germany, for example,» he said.

Declaration on Ukraine read out at NATO summit in Chicago on 21 May 2012,

In the declaration, the leaders of NATO member states expressed their concern over the application of selective justice in Ukraine, politically motivated persecution, including that of the opposition leaders and also over the detention conditions of the jailed opposition leaders.

Furthermore, the declaration called on the Ukrainian authorities to ensure that the October parliamentary election is free and fair.

In the opinion of the deputy director-general of the Razumkov Center, **Valeriy Chalyy**, Ukrainian President **Viktor Yanukovych** received yet another signal from participants in the NATO summit that they were dissatisfied with the policy which he had been conducting.

A former Ukrainian defence minister and MP of the opposition parliamentary bloc Our Ukraine-People's Self-Defence, **Anatoliy Hrytsenko**, believes that despite the fact that Yanukovych had to personally listen to the NATO declaration on Ukraine, nothing in the actions of the Ukrainian government will change.

In his turn, the secretary of the parliamentary committee for national security and an MP of the pro-presidential Party of Regions, **Yuriy Samoilenko**, said that the NATO recommendations were not binding so Ukraine was not obliged to implement them. «I view this [declaration] as an attempt to interfere in our domestic affairs,» he said.

UKRAINE-RUSSIA-CIS

Ukrainian energy minister holds another round of gas talks with Russia's Gazprom

The news agency RBK has cited its own source in Gazprom as saying that Ukraine had not proposed anything new for the development of cooperation in the gas sector during the negotiations held on 21 May 2012.

At the same time, the Kommersant Ukraina newspaper cited its own source in the Ukrainian Energy Ministry as saying that the cost of the Ukrainian gas transport system (GTS) was the main issue for discussion. Russia insists that the price of the GTS does not exceed 4.2bn dollars, whereas Ukraine said the issue may be discussed only after an international audit of the system.

On 25 May 2012, Energy Minister Boyko said at a roundtable discussion in Kiev that it is a position of principle for Ukraine in the gas talks with Russia and that it had no intention to surrender its national interests.

On 25 May 2012, the Ukrainian news agency UNIAN cited its source in the Energy Ministry as saying that the price of Russian gas for Ukraine in the third quarter of 2012 will be approximately 432 dollars per 1,000 cu.m.

In the opinion of Gorshenin Institute's expert **Volodymyr Zastava**, Ukraine could

have defended its interests in the relations with Russia more actively but it is not ready for confrontation yet. He added that experts believed that there was a real possibility of changing the gas contract with Russia through court, but it is not happening.

You can find more details on page 19.

Ukrainian gas company suggests Gazprom sign additional agreement on use of storage facilities

On 18 May 2012, Naftohaz Ukrayiny officially informed Gazprom that in 2012 Ukrainian gas storage facilities would not stock up more gas than Ukraine requires for its own needs. At the same time, the company offered Gazprom to make use of the Ukrainian storage facilities for ensuring the fulfillment of its foreign contracts by signing an additional contract to this effect.

Previously, Naftohaz Ukrayiny paid its own money every year to purchase gas from Gazprom and to pump it into the gas storage facilities. This gas was subsequently used during a heating season for deliveries to Europe under Gazprom's contracts. In April 2012, Naftohaz Ukrayiny's subsidiary Ukrtranshaz said that only 17-18bn cu.m. of gas will be pumped into underground storage facilities. Normally, the company pumps 22-25bn cu.m. of gas by the beginning of a heating season.

On 25 May 2012, the Ukrtranshaz chief engineer, **Ihor Lokhman**, said that Ukraine could supply European companies with up to 15bn cu.m. of gas from its storage facilities. This volume represents around 50 percent of their general volume.

On 23 May 2012, the Gazprom deputy board chairman, **Vitaliy Markelov**, said that his company would store gas in its storage facilities this winter.

In the opinion of the director of the Institute of Energy Research, Dmytro Marunych, if Europe suffers from a drastic temperature drop and Gazprom sticks to its current policy, the company will not be able to avoid interruptions in gas supplies.

Kazakhstan joins competition for international global transit

The Gorshenin Institute's delegation took part in the Astana Fifth International Economic Forum on 22-24 May 2012.

In his opening speech Kazakh President **Nursultan Nazarbayev** has presented the New Silk Road project. The project was designed with a view to Kazakhstan's ambitions to become a player in international transit operations.

The Gorshenin Institute's delegation also said that Kazakh Prime Minister **Karim Massimov** said Kazakhstan was not ready to drop its national currency tenge for now.

As you know, Kazakhstan is a member of the Customs Union alongside Russia and Belarus.

The Gorshenin Institute's Political Programmes Director, **Yevhen Kurmashov**, has said that Kazakhstan joined a serious competition for international global transit

operations, as the project that the Kazakh President Nursultan Nazarbayev referred to as The New Silk Road has already been underway for several years now. "In practical terms this means that Kazakhstan wants to become the most attractive territory for transit of Chinese goods to markets in Europe. Huge money received from selling energy resources is now channelled into developing the country's transport infrastructure: both motorways and railways. Kazakhstan wants to become the most attractive transit territory for private companies and governments and spends serious resources to achieve this," Kurmashov said.

DOMESTIC POLITICAL

AUTHORITIES

Ukrainian opposition, majority clash in parliament over language bill

The draft law upgrading the status of regional languages and languages of ethnic minorities to the status of the official state language was submitted for parliament's review on 24 May 2012.

A fight between the opponents of the law – members of the opposition – and supporters of the law – members of the parliamentary majority – erupted when Party of Regions MP **Vadym Kolesnichenko** presented the draft law in parliament. Several members of parliament were injured as a result of the brawl. The review of the law was interrupted.

Earlier representatives of the Party of Regions said that the draft law poses no threat to the Ukrainian language. Members of the opposition insisted that the draft law in fact makes Russian the second official state language in Ukraine.

The Party of Regions' parliamentary faction leader, **Oleksandr Yefremov**, said on 25 May 2012 that the Ukrainian parliament has to complete the review and approve a decision on the draft law on the fundamentals of the state language policy.

The leader of the Front for Change party and MP of the Our Ukraine – People's Self-Defence Bloc, **Arseniy Yatsenyuk**, has said that the Party of Regions uses the issue of the second state language as an element of its election campaign. According to Yatsenyuk, "there is only one objective in bringing up the issue of the second state language, which is to distract public attention from important social issues." Yatsenyuk also said that President Viktor Yanukovich is personally liable for any developments around the language law. According to Yatsenyuk, this may become a reason for impeachment of the head of state.

Ukrainian parliament speaker **Volodymyr Lytvyn** suggested after the brawl that parliament be dissolved and an early election be held.

The editor in chief of the LB.ua news and analysis website, **Sonya Koshkina**, has said that the pro-presidential majority in parliament did not have 226 votes necessary to approve the law on 24 May 2012 anyways, and that the clash was organized just "to have a nice picture". Nevertheless, both members of the

opposition and the pro-presidential majority used the clash to promote their images, Sonya Koshkina's press article reads.

Parliament rejects draft law on national anti-corruption bureau

The draft law was put to vote on 23 May 2012. It provided for setting up the anti-corruption bureau as a body subordinate and reporting to parliament. The bureau was supposed to be a single body to counteract corruption and office crimes committed by senior officials.

The author of the draft law is an Our Ukraine-People's Self-Defence MP and the leader of the Front for Change party, **Arseniy Yatsenyuk**.

Currently, Ukraine has the National Anti-Corruption Committee which is a consultative and advisory body subordinate to the president.

The Ernst & Young's survey published on 23 May 2012 places Ukraine along with Columbia and Brazil among the world's most corrupt nations.

The Gorshenin Institute's public opinion poll shows that almost every Ukrainian faced corruption in their everyday life. When asked: "Did you personally, your relatives or friends had had to pay or to make gifts to people who were in a position to solve your problems?", in 2011 a total of **68.5%** of the respondents said "yes". In 2010, the share of respondents who answered this question positively was 68.8%, in 2009 – 65.8%, in 2007 – 67.2%.

Constitutional Assembly to begin work soon

The Constitutional Assembly's secretary, **Maryna Stavniychuk**, in an interview with the Dzerkalo Tyzhnya weekly has said that the first sitting of the assembly will take place no later than 20 June 2012. She also said that the first draft of proposed changes to the constitution may be submitted to parliament as early as end of 2012. In general, the assembly will have to work "from one and a half to three years", Stavniychuk said.

Dzerkalo Tyzhnya's article reads that the Ukrainian president's order on setting up the Constitutional Assembly instructs the assembly to establish a commission "for the constitutional order and procedures for approval and enactment of amendments to the Ukrainian Constitution".

Asked why the Constitutional Assembly needs a commission like this if the constitution itself clearly stipulates the procedure for its amendment, Stavniychuk replied: "You may know that there are several rulings by the Constitutional Court regarding these issues. The Constitutional Court's legal position in these rulings differs greatly [to what is provided by the constitution itself]. The assembly will have to look at the status of the procedure for amending the constitution". She added that there should not be any discrepancies regarding the issue.

Stavniychuk firmly ruled out the allegation that the ultimate objective of setting up the Constitutional Assembly is to rework the constitution in order to allow parliament to elect the president. "It would be interesting to know if President **Viktor Yanukovych** shares this opinion," the Dzerkalo Tyzhnya weekly concludes.

Parliament approves budget resolution for 2013.

The document that parliament approved on 23 May 2012 provides for GDP growth at the rate of 4.5% in 2013, inflation forecast (December to December rate) of 5.9%, producer price index of 6.3%, and unemployment rate of 7%.

Staff reshuffles anticipated in Ukrainian cabinet.

Opening the meeting of the Council of the Regions on 24 May 2012, President **Viktor Yanukovych** called on Prime Minister **Mykola Azarov** to get rid of those ministers who willfully hamper the reforms.

Yanukovych also told Azarov that if the prime minister does not monitor the situation and does not dismiss the ministers, the president would do it himself.

Reforms to continue in Ukrainian army.

National Security and Defence Council Secretary **Andriy Klyuyev** said on 23 May 2012 that systemic reforms in the Ukrainian Armed Forces would start soon. According to Klyuyev, the ultimate goal of the reforms is to have a small but efficient army.

He also predicted that President Viktor Yanukovych would approve the new national military strategy and the new defence doctrine.

The head of the General Staff of the Ukrainian Armed Forces, **Volodymyr Zamana**, said that the Ukrainian army will complete transition to contract service in 2014.

Ukrainian parliament allows foreign troops in for international drills in 2012

On 24 May 2012, parliament approved the bill submitted by the president into law allowing foreign troops to enter Ukraine for international drills in 2012.

In particular, the law allows US, Russian and Belarusian servicemen to enter Ukraine.

The joint Ukrainian-Russian exercise Fairway of Peace was held in Ukraine's Crimea on 22-25 May 2012.

OPPOSITION

Former Ukrainian Prime Minister Yuliya Tymoshenko's defence is preparing to file a lawsuit against the first deputy prosecutor-general, Renat Kuzmin, with a London court.

On 21 May 2012, Tymoshenko's lawyer Serhiy Vlasenko said that his client had already signed all the documents necessary for submitting the case to the court. He explained that Tymoshenko demands that Kuzmin deny the statement that she had been allegedly involved in the killing of Ukrainian politician and businessman **Yevhen Shcherban** in 1996.

A court has postponed a hearing of the case against former Prime Minister Yuliya Tymoshenko over the operations of the United Energy Systems of Ukraine (UESU) until 25 June 2012.

The court made a decision to this effect on 21 May 2012 because Tymoshenko and her defence were not in attendance.

Prosecutor Maryna Kapinos said that the postponement of the trial in the case of the UESU company was intended to ensure that Tymoshenko's rights were respected and that she received required medical treatment.

Earlier, a court postponed until 26 June 2012 a hearing of Tymoshenko's appeal against the seven-year imprisonment to which she was sentenced for signing the 2009 gas contracts with Russia.

In the opinion of Tymoshenko's lawyer **Serhiy Vlasenko**, the postponement of the trial in the UESU case and of the hearing of the mentioned sentence appeal had to do with the fact that the Parliamentary Assembly of the Council of Europe (PACE) would be discussing a resolution on Ukraine during the same period of time.

European politicians visit jailed Ukrainian ex-Prime Minister Yuliya Tymoshenko.

On 25 May 2012, a group of members of the European Parliament (MEPs) visited Tymoshenko in hospital. The Ukrainian news and analysis website Lb.ua quoted the president of the political group Alliance of Liberals and Democrats, **Guy Verhofstadt**, as saying after the visit that the best solution of Tymoshenko's case would be its immediate consideration by the European Court of Human Rights (ECHR).

Earlier, on 22 May 2012, during a debate in the European Parliament, the EU commissioner responsible for enlargement and European neighborhood policy, **Stefan Fule**, said that the ECHR would be able to make a decision in Tymoshenko's case only after a Ukrainian court considers her appeal against the sentence.

On 23 May 2012, Tymoshenko's lawyer **Serhiy Vlasenko** said that in addition to Tymoshenko's appeal, the ECHR was sent an addendum which dealt with an alleged violation of her right to fair trial.

On 21 May 2012, Dr Anett Reisgauer from Germany's Charite clinic arrived in Ukraine for treating former Prime Minister Yuliya Tymoshenko.

Earlier, on 18 May 2012, the head of the German clinic Charite, Karl-Max Einhopf, said that Ukraine was unable to provide the former prime minister with the required treatment.

On 21 May 2012, Tymoshenko's lawyer **Serhiy Vlasenko** said that the current Ukrainian legislation did not require any amendments to allow the imprisoned to receive medical treatment abroad.

On 24 May 2012, in an interview with the Ukrainian newspaper Segodnya, Ukrainian President **Viktor Yanukovich** said that he would have sent Tymoshenko abroad for medical treatment long time ago but it is not foreseen by the Ukrainian legislation.

Tymoshenko says government embezzles budget money for Euro 2012

On 25 May 2012, Yuliya Tymoshenko has sent another package of documents with evidence of corruption by the Ukrainian authorities to the Financial Action Task Force (FATF) and law-enforcement agencies in Europe. The documents uncover schemes developed by the Ukrainian officials with the aim of stealing budget funds allocated for Euro 2012.

“Nearly 80bn hryvnyas (10bn dollars) was allocated from the Ukrainian budget for the programme of Euro 2012 preparations, which is almost 10 times more than it was planned at the start of the preparations, and according to our findings, about 30-40 percent of this amount, was directed into corruption schemes, kickbacks, as people call them,” MP **Ostap Semerak** said.

In addition, Semerak noted that the General-Prosecutor's Office of Latvia opened a criminal investigation into the corruption schemes allegedly run by Ukraine to purchase two drilling rigs at overstated prices through companies owned by citizens of Latvia.

On 8 May 2012, Yuliya Tymoshenko signed a petition to the FATF stating “the need to investigate cases of corruption and money laundering by the regime of **Viktor Yanukovich**”, which, among other things, mentioned the purchase of two drilling rigs.

On 22 May 2012, TVi channel said in its news bulletin that the documents for the purchase of one of the rigs were issued retroactively.

HUMAN RIGHTS

Opposition demands resignation of ombudsperson Valeria Lutkovska.

On 21 May 2012, MP **Serhiy Sas** of the Yuliya Tymoshenko Bloc (YTB) said that the opposition started collecting signatures for the dismissal of Lutkovska from

the position of human rights commissioner. The opposition says Lutkovska must leave because she violated the oath.

Parliament Speaker **Volodymyr Lytvyn** noted that to collect signatures of 150 lawmakers is not enough to consider the resignation of the ombudsman. It is also necessary to set up a special parliamentary commission by a decision of at least 226 votes of MPs.

Lutkovskaya herself claims that she could not break the oath because she came into office just recently.

On 22 May 2012, MP **Yuriy Odarchenko** of the YTB appealed the appointment of Lutkovska in court. "The appeal is grounded on numerous violations of the regulations of the Verkhovna Rada during the election of the human rights commissioner on April 24 this year," the statement said.

Parliament preparing to consider stripping MPs of immunity.

On 24 May 2012, the parliament added draft law No.3251 on abolition of parliamentary immunity to the agenda of the parliament's sitting of 5 July 2012. Suggestions and corrections to the bill are accepted before 7 June.

During a debate on the document, head of the Yuliya Tymoshenko Bloc (YTB) parliamentary faction **Andriy Kozhemyakin** stated that the opposition would vote for the law only if it withdraws immunity not only from lawmakers but also from judges and the president. According to him, YTB and Our Ukraine-People's Self-Defense (OU-PSD) already prepared the respective bill.

Head of the Front for Change party, MP **Arseniy Yatseniuk** of OU-PSD also supports the idea of abolishing immunity not only for parliament members but also for judges and the president. In addition, in his opinion, it is necessary to pass a law that would define a procedure for impeachment of the president because "it is the only instrument that brings the head of state to responsibility."

At the same time, Yatseniuk said that the authorities are pushing ahead the issue of stripping MPs of immunity in order to persecute opposition members.

Head of the Party of Regions parliamentary faction **Oleksandr Yefremov** points out that the bill, which will be discussed on 5 July 2012, has already been assessed for its compliance with the Constitution, and if it is passed in the first reading in July, the document may be adopted in full already in the autumn of 2012. At the same time, he noted that "the law provides for limitation of parliamentary immunity within certain boundaries that are consistent with European standards."

Draft law No.3251 that restricts immunity of the president and members of parliament was registered in October 2008 by then MPs of the Party of Regions **Viktor Yanukovych** and **Oleksandr Lavrynovych**. On 7 April 2010, the Constitutional Court declared constitutional limitation of immunity of parliament members. However, according to the court's ruling, abolition of the president's immunity conflicted with the Constitution.

Amnesty International sees no progress in human rights protection in Ukraine.

According to a report published by this international human rights organization on 23 May 2012, tortures and other abusive treatment remained unpunished in 2011 as before.

Amnesty International experts believe that Ukraine preserves a climate of impunity for police abuse which is facilitated by structural weaknesses in law enforcement agencies, corruption, violations in investigations of crimes committed by police officers or complete rejection of such investigations. Impunity for police abuse is also furthered due to harassment and intimidation of individuals who filed respective complaints, as well as due to the fact that criminal proceedings were instituted only against lower ranks. Amnesty International underlines that there is also a threat to independence of judges in Ukraine.

The results of a poll conducted by the Gorshenin Institute in October 2011 suggest that only one third of Ukrainian citizens (31.9%) contacted the police in case of any illegal acts against them.

European Court of Human Rights calls on Ukraine to banish tortures

Ukrainian Justice Minister Oleksandr Lavrynovych said on 25 May 2012 that the European Court of Human Rights obliged Ukraine to urgently reform its judicial system to ensure elimination of torturing of detainees.

ECONOMICS**IMF mission arrives in Ukraine.**

During its visit to Ukraine (21-28 May 2012), the IMF mission will examine the economic situation in the country.

According to Deputy Prime Minister, Minister of Social Policy **Serhiy Tihipko**, the main obstacle to further cooperation between Ukraine and the IMF is the country's rejection of the fund's schedule for raising gas tariffs for households. However, Tihipko noted that the Ukrainian cabinet prepared alternative proposals and will present them to the IMF during the negotiations on this issue.

Ukraine finds solution to debt problems with Russian VTB Bank

On 23 May 2012, Ukrainian Minister for Economic Development and Trade **Petro Poroshenko** said that Ukraine found a solution to the problem of repaying the loan of 2bn dollars to the Russian company VTB Capital.

According to him, half of the amount will be refinanced. "It was decided to issue government bonds in the amount of 1bn dollars for a period of two years and at

an interest rate that is substantially below current market quotations,” Poroshenko said. At the same time, the minister partially confirmed the reports by news agency UNIAN that the refinancing plan for the remaining half of the loan provides for repaying 500m dollars and drawing in a new loan for the same amount.

As Kommersant Ukraina business daily reported, citing a source familiar with the details of the negotiations, technically Ukraine will first pay the entire amount of the loan to VTB Capital and only then will sign the agreement on a new loan and will place government bonds.

If the government successfully implements this scenario, the debt burden in 2013, when Ukraine should make principal payments on IMF loans, will be significantly reduced, according to Dragon Capital analyst **Yelena Belan**. As she noted, this year Ukraine has to pay 7.7bn dollars on its debt, including 5bn dollars on the IMF loan.

In June 2010, the Russian VTB Bank issued Ukraine a loan of 2bn dollars for a period of six months at 6.7% per annum with the right to prolong this facility three times for the same period. Later VTB transferred the receivables on the loan to VTB Capital. The deadline for repayment of the loan is June 2012.

World Trade Organization receives complaints against Ukraine

The news and analysis website Lb.ua reported on 25 May 2012 that the complaints were filed by Japan and South Korea protesting against Ukraine's plans to increase customs duties on imported cars.

Ukraine drops positions in global trade rankings

Ukraine ranks 86th in the world in terms of its involvement in global trading, losing five positions compared to 2010 (81st), according to a global trading report published by the World Trade Forum on 16 May 2012.

Ukraine continues delivering on military contracts with Iraq. Media report on possible disruption in weapons supplies.

Ukraine is preparing the second shipment of 62 armored vehicles (BTR-4) to Iraq, the news agency Interfax-Ukraine reported on 21 May 2012, citing its own sources.

On the same day, a number of Ukrainian mass media reported about the alleged failure of the delivery of the second batch of BTR-4 vehicles to Iraq due to some technical deficiencies in their firing systems that were discovered during the acceptance of the equipment by the Iraqi side.

In response to these reports, advisor to the director-general of UkrOboronProm Concern **Volodymyr Mazin** said that preparations for the transfer of armored vehicles to Iraq were going well. “Everything is going in line with the plan. I can tell you all that noise was made out of nothing,” he said.

Ukraine signed the contract with the Iraqi Defence Ministry on the supply of six An-32 aircraft and 420 BTR-4 armored personnel carriers in 2009. The first batch of armored vehicles was delivered to the Iraqi customer in the spring of 2011.

According to an expert of the Center for Research on Army, Conversion and Disarmament, **Serhiy Zgurets**, it is quite reasonable that the implementation of such a large contract shows “signs of a PR war because its successful implementation by Ukraine hurts the interests of the major manufacturers of military equipment”.

ENERGY MARKET

Ukraine to announce tender for development of two oil and gas fields on Black Sea shelf

Ecology and Natural Resources Minister **Eduard Stavytskyy** has said that at its May 23 meeting, the cabinet decided to announce a tender before 5 June 2012 for the development of Skifska and Foroska fields on the Black Sea shelf.

As Stavytskyy noted, the winner of the tender will be required to pay a bonus to the government. The minimum amount of the bonus will be determined by a separate government decree. He added that the tender conditions do not require any mandatory participation of the state in the development of the fields, and “the winner will decide on its own whether to engage any public company as a partner.”

Ukraine considers imports of liquefied gas from USA

On 25 May 2012, Energy Minister **Yuriy Boyko** said that the issue of Ukraine's purchasing liquefied gas from the United States will be considered at a meeting of the Ukrainian-American Energy Commission in Washington D.C. next week (28 May – 1 June).

He added that at present the cost of liquefied natural gas at a hub in the State of Louisiana is about 80 dollars per one 1,000 cu.m.

Russia to toughen its policy towards Ukraine - experts

The Gorshenin Institute has hosted the round table discussion **New President in Russia. What will Happen to Ukraine?** on 24 May 2012.

The head of the Russian embassy in Ukraine's economic sector, advisor ALEKSEY URIN, has said that Ukraine may lose its importance to Russia's economy if no CIS Free Trade Zone Agreement is ratified. "Last year our bilateral trade reached a record-breaking level of 55bn dollars. Ukraine's export continued to grow in the first quarter of 2012. However, there are certain factors that could hamper our economic and trade relations," he said. In particular, Urin said that at the moment Russia does not understand whether Ukraine is going to ratify the CIS Free Trade Zone Agreement, and until then, there would be a certain "legal vacuum" in Russian-Ukrainian trade and economic relations. He also said that the investment climate in Ukraine was bad, drawing an example of the situation with the Zaporizhzhya aluminum plant. "Russian investors are frightened of situations like this", he said.

Urin said however, that Ukraine, as well as Russia, are interested in trade relations absolutely free of any barriers. "But as of today we have what we have", Urin said.

Our Ukraine party MP VIKTOR MATCHUK has said that the nature of cooperation between Ukraine and Russia dispels myths on the relations between the two countries, in particular the myth on the brotherhood relations between Ukraine and Russia. Matchuk illustrated his statement with an example of so-called "Kharkiv deal". According to Matchuk, Ukraine prolonged the term of the Russian Black Sea Fleet's deployment but in exchange received the same price of gas as before. Ukraine demonstrates its brotherhood feelings towards Russia but in Russia they dismiss public unions of Ukrainians.

The deputy director-general of the Razumkov centre, VALERIY CHALYY, has said Russia's constant attempts to force Ukraine to accept the CIS Free Trade Zone Agreement hampers cooperation between the two countries. According to Chalyy, Russia's position regarding Ukraine's ratification of the CIS Free Trade Zone Agreement does not fit the spirit of strategic relations between the two countries. "Hints like: the relations will get worse if you are not cooperative, does not meet our intentions to build strategic relations", Chalyy said.

Chalyy also said that the main reason why Ukraine did not ratify the CIS Free Trade Zone Agreement is the quality of the document. "The issue is not whether Ukraine wants to join the CIS Free Trade Zone or not, the issue is the quality of the document," Chalyy said.

Gorshenin Institute expert VOLODYMYR ZASTAVA has said that nothing will change in the Ukrainian-Russian relations until the end of the current year. "I dare to forecast that there won't be any changes before the end of this year, and this is still a question of what will happen next year," he said.

Zastava said that Vladimir Putin's current presidential term will pass in the tideway of collecting "the Russian lands" where Russia would like to have

Ukraine integrated into geopolitical unions like the CIS Free Trade Zone or the Customs Union. “Naturally, Russia wishes Ukraine joined both of them.” Zastava said, adding that Russia indicates that Ukraine’s future trade with CIS countries, which are very important to Ukraine and where Russia has strong influence, may depend on this decision.

Zastava also said that Ukraine might protect its interests in relations with Russia more actively, but right now Ukraine is not ready to confront Russia. He added that based on experts’ assessments, there is a real possibility to change the conditions of the gas contract with Russia in court, but this does not happen.

Zastava said that Ukraine reduced its foreign policy to maneuvering between Moscow and Brussels. “These are maneuvers for the sake of maneuvers. Tactics replaced strategy. And taking into account tense relations between the EU and Russia, the space for maneuvering is getting smaller and smaller”, Zastava said.

Party of Regions MP **VLADYSLAV LUKYANOV** has said that Russian President Vladimir Putin is becoming a tougher ruler and as a consequence, one should expect similar tougher policy towards Ukraine from his side.

Lukyanov said that the toughness and refusal from flexible decisions may have a negative effect on the relations between Ukraine and Russia adding that most of Ukrainians are looking for “good-neighborhood, brotherly relations with Russia”.

Lukyanov is certain that the price of Russian gas is a key factor that destroys Ukrainian-Russian relations.

Our contact information:

4, Vorovskogo street,
Kiev 04053, Ukraine
+38 044 230 4962
+38 044 230 4966 f



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<http://gorshenin.eu/>