

# Gorshenin *Weekly*



## II NATIONAL EXPERT FORUM "UKRAINE 2013. AGENDA" MAY 30, 2013

Parus business centre (Kyiv, 2 Mechnikova st.), 2 floor  
(entrance from Lesia Ukrainka bvd.)



Registration starts at 9 a.m.

**II National Expert Forum "Ukraine 2013. Agenda"** is a first level communication platform where politicians, experts, representatives of embassies and foreign missions, leading NGOs and journalists of the national and international media meet to discuss the prospects of Ukraine.

The Forum is organised by the GORSHENIN INSTITUTE

Three discussion panels will take place at the Forum:

- "POLITICS. NEW POLITICAL SEASON"
- "INTERNATIONAL POLITICS. SIX MONTHS BEFORE VILNIUS"
- "ECONOMY. REFORMS. MODERNIZATION"

Among the participants of the Forum are **Jacek Protasiewicz**, Vice President of the European Parliament; **Raisa Bohatyriova**, Minister of Health of Ukraine; **Jan Tombinski**, Head of the EU Delegation to Ukraine; **Vadym Pushkarov**, Chairman of the Board of the VTB Bank; **Oksana Prodan**, MP, UDAR Party; **Arsen Avakov**, MP; **Andrii Pyshnyi**, MP; **Nicholas Burge**, Head of Trade and Economic Section of the EU Delegation to Ukraine; **Volodymyr Ohryzko**, former Minister of Foreign Affairs of Ukraine; **Roman Shpek**, member of the National Bank of Ukraine Supervisory Board, senior adviser to Alfa-Bank; **Borys Tymonkin**, Chairman of the Board of the UniCredit Bank; **Boguslaw Chrabota**, Editor-in-chief of Rzeczpospolita daily (Poland); **Erik Nayman**, Managing Partner at Capital Times; **Oleh Ustenko**, Executive Director of the International Bleyzer Foundation.

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## PICK OF THE WEAK

### EU expects Ukraine to honour undertaken commitments

The European Parliament (EP) supports Ukraine's intention to sign the association agreement with the EU this autumn, but expects Kiev to honour the commitments it has undertaken to this end, the chair of the EP Committee on Foreign Affairs, **Elmar Brok**, said on 23 May 2013.

The same day, 23 May, the EU ambassador to Ukraine, **Jan Tombinski**, said after a meeting with jailed former Ukrainian Prime Minister **Yuliya Tymoshenko** that in order to sign the association agreement, Ukraine needed to satisfy the following three conditions: to resolve the issue of what the EU sees as selective justice, solve the problem of forming the judiciary and to reform electoral legislation.

### Ukraine preparing to receive observer status in Russia-led regional bloc

On 22 May 2013, the Ukrainian government approved a memorandum on the country's observer status in the Customs Union of Belarus, Kazakhstan and Russia.

The Ukrainian prime minister, **Mykola Azarov**, explained that the text of the document had been agreed with the Customs Union member states.

### Parliament sets up commission to probe 18 May incidents

On 23 May 2013, parliament set up a commission to investigate the clashes which took place in central Kiev on 18 May.

MP **Vitaliy Yarema** from the opposition Fatherland parliamentary faction will chair the commission, while MP **Andriy Pinchuk** from the pro-presidential Party of Regions will act as his deputy.

On 18 May, while the opposition was holding a rally and the Party of Regions an anti-fascist march, there was a clash between opposition representatives and a group of unidentified athletic young people.

Two journalists filming the scuffle were hurt.

## INTERNATIONAL POLITICAL

### UKRAINE-EU

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On 24 May, British ambassador to Ukraine **Simon Smith** said in an interview with the Interfax-Ukraine news agency that Tymoshenko's release would substantially boost Ukraine's odds of signing the association agreement.

On 20 May, German ambassador to Ukraine **Christof Weil** noted that Berlin backed the signing of the association agreement by Ukraine and the EU.

## **Cox-Kwasniewski mission to visit Ukraine**

On 26 May 2013, the EU mission headed by former Polish President **Aleksander Kwasniewski** and former European Parliament President **Pat Cox** will arrive in Ukraine. It will work in Ukraine until 28 May.

The Lb.ua news and analysis website reported that during their visit, Kwasniewski and Cox planned to visit jailed former Prime Minister **Yuliya Tymoshenko**, as well as to hold a number of meetings with representatives of the government and the opposition.

The Cox-Kwasniewski mission for monitoring court proceedings against the leaders of the Ukrainian opposition was launched in June 2012.

## **Ukraine's unaffiliated lawmaker appointed as co-chair of parliamentary committee for cooperation with European Parliament**

On 23 May 2013, the Ukrainian committee for parliamentary cooperation with the European Parliament held its first meeting.

An MP of the Fatherland opposition parliamentary faction, **Borys Tarasyuk**, said that prior to the meeting, the pro-government Party of Regions and opposition had agreed to elect two committee co-chairmen: Party of Regions MP **Serhiy Tyhyhko** and unaffiliated MP **Petro Poroshenko**.

However, according to the influential Ukrainian business daily Kommersant Ukraina, representatives of the Party of Regions attempted to disrupt the voting and left the room where it was held.

Despite this, the opposition said that one Party of Regions MP stayed at the meeting, which ensured a quorum. Members of the committee voted for the terms of electing co-chairmen and appointed Poroshenko as one of the committee heads.

The mass media also reported that the committee will not be able to hold meetings with the European Parliament until it elects a co-chairman from the Party of Regions.

The committee consists of 16 MPs: seven from the Party of Regions, four from the opposition Fatherland party, two from UDAR, one from the far-right All-Ukrainian Freedom Association, one from the Communist Party of Ukraine and unaffiliated MP Poroshenko.

## **European Council to check Ukraine's implementation of European court decisions on murdered journalist, ex-interior minister**

On 4-6 June 2013, the European Council will discuss the implementation by Ukraine of the rulings of the European Court of Human Rights (ECHR) in cases of former Ukrainian Interior Minister **Yuriy Lutsenko** and murdered journalist **Heorhiy Gongadze**, the mass media reported on 24 May, quoting the European Council.



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In February 2008, the ECHR ruled that Ukraine did not ensure a proper investigation into the killing of Gongadze. In November 2012, the court decided that the Ukrainian government had violated the law by arresting Lutsenko before his trial.

## UKRAINE-CIS

### Ukraine preparing to receive observer status in Russia-led regional bloc

On 22 May 2013, the Ukrainian government approved a memorandum on the country's observer status in the Customs Union of Belarus, Kazakhstan and Russia.

The Ukrainian prime minister, **Mykola Azarov**, explained that the text of the document had been agreed with the Customs Union member states.

On 21 May, the Ukrainian governmental envoy for cooperation with the CIS, **Valeriy Muntiy**, said that on 29 May the Supreme Eurasian Economic Council might decide on granting Ukraine observer status in the Customs Union.

He added that observer status could be considered as a preparatory step towards the country's further integration into the Customs Union.

On 24 May, Prime Minister Azarov declared that Ukraine's observer status in the Customs Union would not affect the chances of the country to sign the association agreement with the EU.

### Russia does not rule out gas price cuts for Ukraine

On 24 May 2013, the president of the Russian Gas Association, **Valeriy Yazev**, said that Gazprom might reduce the gas price for Ukraine. He explained that such a step might be taken if there is a threat of losing the Ukrainian market.

According to the State Statistics Service, Ukraine imported 2.29bn cu.m. of gas worth 987m dollars from Russia in March. The average price of Russian gas reached 425.6 dollars per 1,000 cu.m.

Ukraine imported 26.16m cu.m. of gas worth 10.2m dollars from Europe in March. Its average price stood at about 390 dollars per 1,000 cu.m.

### Russia lowering gas transit through Ukrainian territory

In the first quarter of 2013, the volume of Russian gas transit through Ukrainian territory was 20.29bn cu.m. Year on year, the volume of transited gas dropped by 4.2bn dollars.

The Ukrainian state-run oil and gas trader Naftohaz Ukrayiny received 695m dollars for transiting Russian gas during the first quarter of 2013. Year on year, the company's profit for transit decreased by 156m dollars, the Lb.ua news and analysis website reported on 21 May, quoting Naftohaz Ukrayiny.

### Crimean Tatars demand expulsion of Russian consul in Simferopol

On 23 May 2013, Crimean Tatars held a protest near the Russian Consulate-General in Simferopol against what they perceived as Russian consul **Vladimir Andreev's** insulting remarks.



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On 24 May, the first deputy head of the Crimean self-styled government Majlis and a member of the Crimean parliament, **Refat Chubarov**, said that Crimean Tatars would demand the expulsion of Andreev from Ukraine.

Earlier, Andreev said that it was an obvious fact that Crimean Tatars had betrayed Russia during the World War II. At the same time, he stressed that this was Moscow's official position.

After Andreev's statement, the Ukrainian Foreign Ministry asked the Russian Foreign Ministry to give an official assessment to the statement made by the general consul.

On 23 May, the Russian Foreign Ministry said that Andreev's remarks regarding Crimean Tatars were wrong.

On 24 May, Andreev said that he had tendered his resignation.

The results of a poll carried out by the Gorshenin Institute in May 2010 suggest that over a half of the Ukrainian population (52 percent) believes that Ukrainian schools and universities teach inaccurate facts about the World War II.

## UKRAINE-USA

### Ukrainian first deputy prosecutor-general cannot receive US visa

The Ukrainian first deputy prosecutor-General, **Renat Kuzmin**, said in an interview with the Ukrainian daily Segodnya on 23 May 2013 that he could not receive a new American visa.

He explained that after the US government cancelled his multi-entry visa, he applied for a new one at the US embassy in Ukraine, but was denied it.

In December 2012, the USA cancelled Kuzmin's visa without giving any reasons.

### Ukraine, USA launch joint rocket fuel processing facility

On 21 May 2013, Ukrainian President **Viktor Yanukovich** and US ambassador to Ukraine **John Tefft** attended the opening ceremony of a facility for processing solid propellant rocket motors and chassis.

The facility was launched into operation on the basis of the Pavlohrad chemical plant (Dnipropetrovsk Region).

The construction of the facility was carried out as part of a joint Ukrainian-US project. The USA provided 90 percent of the funding.

## DOMESTIC POLITICAL

### AUTHORITIES

### Parliament sets up commission to probe 18 May incidents

On 23 May 2013, parliament set up a commission to investigate the clashes which took place in central Kiev on 18 May.



MP **Vitaliy Yarema** from the opposition Fatherland parliamentary faction will chair the commission, while MP **Andriy Pinchuk** from the pro-presidential Party of Regions will act as his deputy.

On 18 May, while the opposition was holding a rally and the Party of Regions an anti-fascist march, there was a clash between opposition representatives and a group of unidentified athletic young people.

Two journalists filming the scuffle were hurt.

Media reports said the attackers on the journalists were previously seen among security elements protecting public order during the Party of Regions' anti-fascist march, as evidenced by photo images circulated by mass media.

According to the victims, police witnessed the attack but ignored the journalists' pleas for help.

The Interior Ministry later explained the lack of action on the part of police by their indecisiveness.

**Vadym Titushko**, a suspected offender of the journalists, was detained on 21 May. He was charged for hooliganism. On 22 May, he was released on bail.

Titushko asserts that he was hired by the opposition to protect the rally and that he did not attack the journalists.

On 21 May, Interior Minister **Vitaliy Zakharchenko** briefed parliament on the 18 May incidents. He said that the opposition was behind the scuffles in Kiev.

Zakharchenko's statement annoyed the opposition, therefore it demanded a repeat report on the 18 May disturbances by the Interior Ministry, as well as reports by the Security Service of Ukraine and the Prosecutor-General's Office.

Opposition UDAR faction leader **Vitaliy Klitschko** suggested that if the authorities fail to give a true account of what had happened, the opposition might block the parliament rostrum.

According to Fatherland faction leader **Arseniy Yatsenyuk**, the Party of Regions hired sportsmen to attack opposition rally participants. He alleged that the disturbances were masterminded on the president's instruction by the secretary of the National Security and Defence Council, **Andriy Klyuyev**.

Yatsenyuk added that Zakharchenko was observing the disturbances in person from one of the roofs in the city centre, which the minister denied.

Yatsenyuk also noted that the authorities had put all sorts of obstacles to residents from other parts of Ukraine to come to Kiev for protests.

According to the head of the far-right opposition Freedom faction, **Oleh Tyahnybok**, the journalists' suspected offender, Titushko, was involved in clashes in Kiev Region during the parliamentary election in 2012. Tyahnybok said that Titushko had been attending the Interior Ministry's sports base.

The Party of Regions says that being the ruling party, it is not interested in disturbances and destabilization in the country.

The EU, the USA, the International Committee to Protect Journalists, Reporters without Borders and Freedom House urged the Ukrainian authorities to properly investigate the attack on the journalists and bring those responsible to account.

## **Parliament delays bills on gas transport system privatization, repeat elections**

On 20 May 2013, speaker **Volodymyr Rybak** said that parliament had delayed the bills on repeat elections in certain constituencies and on the reform of the national oil and gas company Naftohaz Ukrayiny.

Rybak earlier said that parliament would have considered these bills by the end of May.

According to the news and analysis website Lb.ua, the bill on the Naftohaz Ukrayiny allows the Ukrainian gas transport system to be sold and gas pipelines and storage facilities to be leased out.

On 22 May, EU ambassador to Ukraine **Jan Tombinski** said that Brussels did not demand from Kiev to have the gas transport system privatized.

## **Parliament introduces criminal responsibility for legal entities**

On 23 May 2013, parliament passed a bill introducing criminal responsibility for legal entities.

Punishment for legal entities, according to the document, may include fines, confiscation or liquidation.

According to its author, UDAR MP **Viktor Chumak**, this is the last out of four anti-corruption bills which must be adopted as part of the action plan on EU visa liberalization.

## **Constitutional Court approves broader powers for Audit Chamber**

On 21 May 2013, the Constitutional Court said that giving the Audit Chamber broader powers was in line with the constitution.

In April, parliament asked the Constitutional Court to verify the bill authorizing the Audit Chamber to oversee state budget revenues.

## **Yanukovych delegates more powers to local authorities**

On 24 May 2013, President **Viktor Yanukovych** instructed the cabinet to draft a bill giving more powers to local state administrations. The document must be ready in three months.

## **Court upholds Cherkasy mayor's dismissal**

On 23 May 2013, a court refused to invalidate the Cherkasy city council's decision to dismiss mayor **Serhiy Odarych**.

Odarych is planning to appeal against the court ruling.

On 24 May, Odarych said that he was summoned by a prosecutor's office for questioning as a suspect.



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A month earlier, during an unscheduled session, the Cherkasy city council terminated Odarych's mandate as city mayor with 40 votes.

Odarych contested the city council decision in court.

The decision to dismiss a mayor is taken by two thirds of the council, the news portal Lb.ua explained. The Cherkasy city council consists of 60 councillors and the city head.

## OPPOSITION

### EU, US ambassadors visit Tymoshenko

EU ambassador to Ukraine **Jan Tombinski** and US ambassador **John Tefft** visited former Prime Minister **Yuliya Tymoshenko** in jail hospital on 23 May 2013.

According to Tefft, Tymoshenko was looking forward to seeing the association agreement between Ukraine and the EU signed this November.

### Hearing of Tymoshenko's UESU case postponed again

On 21 May 2013, a court postponed until 7 June a hearing of the case of office abuse by ex-Prime Minister **Yuliya Tymoshenko** when she was in charge of the United Energy Systems of Ukraine corporation (UESU).

The hearing was postponed due to Tymoshenko's absence from court.

Prosecutors say that they are not going to bring Tymoshenko to court by force

### Opposition to field single presidential candidate before election

On 20 May 2013, UDAR faction leader **Vitaliy Klitschko** said that the opposition can name a single candidate for president in spring 2014.

On 21 May, Fatherland faction leader **Arseniy Yatsenyuk** said that the opposition would field a single candidate for president as early as in the first round of the election in 2015.

Fatherland MP **Oleksandr Turchynov** said the same day that the opposition would field its candidate immediately on the eve of the election to ensure his or her safety.

### Yatsenyuk says opposition parties to merge soon

On 22 May 2013, Fatherland faction head **Arseniy Yatsenyuk** said that Fatherland and Front for Change parties would soon announce a merger.

On 23 May, Fatherland MP **Serhiy Pashynskyy** said that the merger would be announced at Fatherland's congress which can take place in June.

### Opposition nominates candidates to Supreme Justice Council

On 22 May 2013, the Freedom faction nominated its member **Oleh Makhnitskyy** for the Supreme Justice Council of Ukraine on the parliament quota.

On 20 May, Fatherland nominated a defence counsel for jailed ex-Prime Minister Yuliya Tymoshenko, **Serhiy Vlasenko**, for this post.

Justice Minister **Oleksandr Lavrynovych** is the Party of Regions' nominee for the Supreme Justice Council.

According to media reports, if Lavrynovych is elected to the council on the parliament quota, he will step down as justice minister to chair the Supreme Justice Council.

## **Tyahnybok accuses Interior Ministry of wiretapping**

On 21 May 2013, Freedom faction leader **Oleh Tyahnybok** accused the Interior Ministry of wiretapping his phone communications.

According to Tyahnybok, he came to this conclusion after hearing Interior Minister Vitaliy Zakharchenko's report to parliament on the 18 May disturbances in Kiev.

Tyahnybok noted that while describing the movements of the opposition on 18 May, Zakharchenko mentioned some facts which he only could have obtained should he have been wiretapping Tyahnybok's phone conversations.

## **HUMAN RIGHTS**

### **Court bans gay march in Kiev**

On 23 May 2013, a court banned a Gay Pride march in Kiev initially planned for 25 May.

Earlier, on 21 May, the Kiev city state administration asked a court to ban the march. It said that the Gay Pride on the Day of Kiev, 25 May, could provoke mass disturbances.

According to Amnesty International, an international rights watchdog, the ban violates the right to assembly of sexual minorities in Kiev.

The USA and the EU also expressed their support for the Gay Pride in Ukraine.

According to an opinion poll held by the Gorshenin Institute in October 2011, the majority of Ukrainian population consider same-sex sexual relations unacceptable under any conditions.

## **ECONOMICS**

### **VAT refunds reach 2.3bn dollars in Q1**

The Ministry of Revenues and Taxes in the first quarter of 2013 reimbursed taxpayers 2.3bn dollars in value-added tax. Of this amount, 926m dollars was refunded automatically, the ministry reported on 21 May.

According to the agency, the largest VAT amounts were reimbursed to enterprises in mining and metallurgical sector (37.3 percent), grain traders (8.6 percent) and engineering companies (7.6 percent).



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## **Foreign trade deficit totals 126m dollars in Q1**

The negative balance of Ukraine's foreign trade in the first quarter was 126m dollars, the State Statistics Service reported on 20 May 2013.

The positive balance of trade in services in January-March amounted to 1.862bn dollars, while the negative balance of trade in goods was 1.986bn dollars.

In the first quarter of 2012, the negative balance of foreign trade amounted to 1.19bn dollars.

## **National bank spends 1bn dollars to support hryvnya**

Since the beginning of 2013, the National Bank of Ukraine (NBU) has spent 1.021bn dollars on keeping the exchange rate of hryvnya stable, news and analysis website Lb.ua reported on May 20, citing data from the NBU.

## **Ukraine has attractive business environment - premier**

Prime Minister **Mykola Azarov** on 22 May 2013 said that Ukraine has created quite attractive business conditions, although there is insufficient awareness of such opportunities in the world. In his opinion, this information must be conveyed to investors.

As reported by news and analysis website Lb.ua, the index of investment attractiveness of Ukraine, which is calculated on a quarterly basis by the European Business Association, in the first quarter of 2013 was 2.12 points (on a 5-point scale), which is the lowest level since the survey was conducted for the first time in 2008.

Auditing firm Ernst & Young on 20 May said that outflow of foreign capital from Ukrainian business will be one of the key trends in the domestic market of mergers and acquisitions in 2013.

According to analytical report “Ukraine 2012. Transformation” prepared by the Gorshenin Institute, the volume of foreign direct investment in Ukraine in 2012 amounted to 6.013bn dollars, which is 7.2 percent less than in 2011.

## **Shadow economy reaches 45 percent of GDP in 2012 – economics minister**

Economics Minister **Ihor Prasolov** on 22 May 2013 said that the level of the shadow economy in Ukraine in 2012 amounted to 45 percent of GDP.

The level of the shadow economy is estimated on a household expenditures/retail turnover basis.

## **Gallup Institute: 61 percent of Ukrainians distrust banks**

The level of distrust of Ukraine's population towards Ukrainian banks in 2012 amounted to 61 percent, news and analysis website Lb.ua reported on 21 May, citing a research report by the Gallup Institute (USA).

According to the study, only 28 percent of the population trust Ukrainian banks.



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## ENERGY MARKET

### Government publishes gas delivery and distribution forecast

The Government on 23 May 2013 disclosed its forecast balance of natural gas supply and distribution for the current year. The document was adopted on 29 April.

According to the document, demand for natural gas in Ukraine this year will be 60.06bn cu.m.

Supplies of natural gas extracted in Ukraine are expected to reach 22.049bn cu.m. Compared with the last year, Ukraine plans to boost production by 6.3 percent.

Withdrawals from underground storage facilities should total 10.7bn cu.m.

Gas imports this year will be 27.3bn cu.m., including 18bn cu.m. to be pumped by Russia's Gazprom, 8bn cu.m. by **Dmytro Firtash's** Ostchem, and 1.3bn cu.m. by German company RWE.

Compared with 2012, state-run energy company Naftohaz Ukrayiny plans to reduce Russian gas imports by 28 percent from 24.9 to 18bn cu.m.

In 2013 Ostchem company began shipping gas for industrial enterprises in Ukraine.

This year consumers will receive 47.879bn cu.m. Particularly, industrial enterprises will get 24.12bn cu.m., households – 16.5bn cu.m., heating utilities – 6.3bn cu.m., and budgetary organizations – 0.93bn cu.m.

**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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