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Parliament starts to deal with implementation of PACE resolution. Materials on former premier's alleged high treason submitted to prosecutor's office. Court hearings over United Energy Systems of Ukraine company to start in April

On 21 March 2012, the Ukrainian parliament adopted in the first reading a bill on the implementation of a resolution by the Parliamentary Assembly of the Council of Europe.

The author of the document, MP of the pro-government Party of Regions **Ivan Popesku**, said that “the draft resolution was stripped of political pressure and a political overtone. It envisions the implementation of the EU requirements by Ukraine in the section on the need to align the Ukrainian legislation with the EU norms and standards and, in particular, in the judicial sector.”

At the same time, the Ukrainian news and analysis website Lb.ua reported that the adopted document did not contain provisions related to the key PACE requirements such as decriminalizing Articles 364 and 365 of the Ukrainian Criminal Code under which former Prime Minister **Yuliya Tymoshenko** and former Interior Minister **Yuriy Lutsenko** were convicted and presenting them with a possibility of running in the upcoming parliamentary election.

The PACE observers plan to visit Ukraine on 27-29 March to assess how Ukraine is implementing its recommendations.

Tymoshenko's case will also be heard at the European Court of Human Rights. Ukrainian Justice Minister **Oleksandr Lavrynovych** said that even if the European court decides that no fair trial was ensured for **Tymoshenko**, then it will not become a reason for reconsidering her verdict. At the same time, he noted that the European court did not annul verdicts passed by national courts. Hence, the court judgment pronounced in Tymoshenko's case can be changed only by a decision of a Ukrainian court.

The Ukrainian newspaper Dzerkalo Tyzhnya reported that the Ukrainian High Specialized Court for the consideration of criminal and civil cases is to start considering Tymoshenko's appeal over the gas case on 15 May 2012.

We shall remind you that on 20 March 2012, parliament also took into consideration a report of an ad hoc commission for the investigation of the circumstances under which the gas contracts between Naftohaz Ukrayiny state-run energy company and Gazprom were signed and a potential existence of attributes of high treason in actions by Tymoshenko.

The former prime minister's lawyer, **Serhiy Vlasenko**, believes that there are no legal grounds for launching a criminal case over high treason. At the same time, he did not rule out that “if [President **Viktor**] **Yanukovych** gives an order”, a new criminal case may be opened against Tymoshenko on the basis of the materials of the ad hoc investigative parliamentary commission.

Vlasenko also said that a court hearing in the case over the United Energy Systems of Ukraine company may start in April 2012.

Parliament urges EU to sign association agreement as soon as possible

On 20 March 2012, a parliamentary majority adopted a statement in which it called on the EU to ensure that the association agreement is signed as soon as possible.

In the document, parliament urged the EU to start to implement the association agreement before it comes into force. The statement also calls on the EU to “provide Ukraine with sufficient financial, technical and legislative assistance during the period of preparing and implementing of the agreement”.

At the same time, the opposition pointed out that the document did not contain a provision on the Ukrainian government's obligation to free political prisoners, the information on the supremacy of law, a ban on political repression and persecution and did not describe the actual situation with the freedom of speech in Ukraine.

We would like to note that according to the mass media, the issues of Ukraine's further European integration will be discussed when Ukrainian President **Viktor Yanukovich** meets EU leaders during a nuclear security summit in Seoul on 26-27 March.

Parliament refuses to interfere with issue of medical treatment of former premier Yuliya Tymoshenko

On 23 March 2012, parliament refused to address President Viktor Yanukovich with a request to ensure that former Prime Minister Yuliya Tymoshenko is treated only in a specialized medical facility.

As many as 98 MPs voted in favor of this request, which was submitted by an MP of the opposition Yuliya Tymoshenko Bloc (YTB), **Serhiy Vlasenko**. To pass, the document needed to garner 150 votes.

On the same day, the YTB parliamentary faction's leader, **Andriy Kozhemyakin**, said that the Ukrainian authorities were violating the norms of international legal relations by sabotaging the ruling of the European court. "Tymoshenko continues to stay in the [Kharkiv] Kachanivska prison without receiving the treatment recommended by independent German doctors. Furthermore, the SBU [Security Service of Ukraine] continues daily investigative actions in a new criminal case," he said.

For his part, Ukrainian Justice Minister **Oleksandr Lavrynovych** said that Tymoshenko's refusal was the only reason why she was not provided with the medical treatment.

We shall remind you that on 16 March 2012, the European Court of Human Rights ruled that Ukraine is obliged to treat the former prime minister in a hospital outside the prison in which she is currently kept.

Question whether Interpol declared Ukrainian opposition politician Arsen Avakov wanted remains unclear

On 21 March 2012, Kharkiv Region's prosecutor's office said that Interpol started to look for the former governor and the head of the Fatherland party's Kharkiv regional branch, Arsen Avakov.

On the same day, the Ukrainian news and analysis website Lb.ua reported that Avakov was not on the Interpol wanted list. "Everyone who visits the official website of the agency can see this. There are 160 individuals with the Ukrainian citizenship, who are currently wanted. However, Avakov is not among them," Lb.ua said.

A lawyer of the former governor said that Avakov was on a business trip to Europe and "will make a decision regarding a return taking into account his ability to properly protect his rights and legal interests".

As reported earlier, Avakov is accused of exceeding his authority.

Former Crimean speaker Anatoliy Hrytsenko given suspended sentence, freed in court's chamber

On 20 March 2012, a court gave former Crimean parliamentary speaker and MP of the Party of Regions Anatoliy Hrytsenko a two-year suspended sentence and released him in the court chamber.

Hrytsenko was detained by law enforcers on 24 January 2011. He was accused of illegal operations with land and of illegal use of budget funds which constitute the crimes envisaged by Article 364 of the Ukrainian Criminal Code (exceeding authority which caused serious consequences) and by Article 365, which deals with abuse of power that caused serious consequences.

At the same time, the court decided to soften the punishment. It applied Article 367 of the Criminal Code which deals with negligence in office and closed the case in this part due to the expiration of the date. When it comes to the alleged illegal misuse of budget funds, the court found the former speaker guilty. However, considering that he has a small child, the wife and mother who requires medical treatment, a judge gave Hrytsenko a two-year suspended sentence.

Russia calls on Ukraine to simultaneously ratify CIS free trade area agreement

Ukrainian lawmakers are not ready yet to ratify an agreement on setting up a free trade area with the Commonwealth of Independent States (CIS).

On 21 March 2012, the head of the Party of Regions parliamentary faction, **Oleksandr Yefremov**, said that a draft law on the ratification of the agreement on a free trade area with the CIS was not registered at the Verkhovna Rada. The document was already approved by the government and the presidential administration was approving it, he added. Yefremov stressed that the Party of Regions was ready to support the ratification of the agreement only after a detailed consideration of the document.

"We respect our colleagues from the Russian Federation and even more so the newly elected president. However, I am stressing that without considering this document, one cannot talk about any ratification at the moment," Yefremov said.

On 20 March 2012, the Russian State Duma (the lower chamber of parliament) ratified the agreement on setting up a free trade area with the CIS. On the same day, Russian Prime Minister **Vladimir Putin** offered Ukrainian President **Viktor Yanukovich** to sign a law on the ratification of the free trade agreement simultaneously with Russian President **Dmitriy Medvedev**.

On 20 March 2012, the Gorshenin Institute held a round table during which experts drew a conclusion that Ukraine should make a decision on the ratification of the free trade agreement with the CIS after Russia joins the WTO. You can find more details on page 16.

We shall remind you that on 19-20 March 2012, a Ukrainian delegation headed by Yanukovich visited Moscow. During the visit, the Ukrainian head of state participated in a meeting of the intergovernmental council of the Eurasian Economic Community. Additionally, he held a meeting with Putin.

Later, the Ukrainian mass media circulated the information that the Ukrainian delegation was staying at one of Moscow's most expensive hotels, Radisson Ukraina. The cheapest room there costs 600 dollars per night.

When the Ukrainian news and analysis website Ukrayinska Pravda requested information to this effect, the presidential administration said that "the Russian party paid for the stay of the head of state [Yanukovich] and eight members of the delegation".

Valeriy Khoroshkovskyy: if Customs Union turns down “three plus one” formula, Ukraine will focus on European integration

Gas negotiations between Ukrainian, Russian presidents to be held at end of May 2012

Ukraine has once again clarified its position on the Customs Union of Russia, Belarus and Kazakhstan.

On 23 March 2012, First Deputy Prime Minister **Valeriy Khoroshkovskyy** said that if the Customs Union was not satisfied with the “three plus one” formula, then Ukraine will focus on the European integration.

Earlier, on 21 March 2012, President **Viktor Yanukovych** said that Ukraine's entry into the trade union with Russia, Belarus and Kazakhstan was impossible without amending the constitution and holding a referendum.

Ukrainian President Viktor Yanukovych has said that the next meeting of the Ukrainian-Russian intergovernmental commission will be held at the end of May 2012.

“Workgroups are working now and we hope that by the end of May – by the 20th May – an acceptable decision will be produced, which we will discuss with **Vladimir Vladimirovich Putin**,” the Ukrainian president said on 21 March 2012. Furthermore, Yanukovych plans to hold a meeting with Putin in mid April 2012.

It is known that Ukraine insists on the revision of the Russian gas price.

We shall remind you that on 22 March 2012, during an official visit to Poland, Ukrainian Prime Minister **Mykola Azarov** proposed the EU to pump gas into the Ukrainian underground storage facilities during the year and use it during the winter time when the gas price is increased.

On the same day, 22 March 2012, Ukrainian Energy Minister **Yuriy Boyko** met with EU Commissioner for Enlargement and Neighborhood Policy **Stefan Fuele** and EU Commissioner for Energy **Guenther Oettinger** in Brussels.

Fuele's press service quoted him as saying during the meeting that Europe supported Ukraine's efforts directed at the formation of a market price of gas and confirms its readiness to participate in a trilateral dialogue on the gas issue with Kiev and Moscow.

For his part, Oettinger said that the EU believes that the decision of funding an upgrade of the Ukrainian gas transport system by international financial organizations will be made no later than in June-July 2012, Boyko's press service said.

In the opinion of the head of the IMF office in Ukraine, **Max Allier**, even if the negotiations with Russia on the price of imported gas are successful, the issue with raising gas tariffs remains open for Ukraine. Furthermore, Allier said that Ukraine has not asked the IMF to restructure its debt from the 2008-09 programme.

In his turn, Ukrainian First Deputy Prime Minister **Valeriy Khoroshkovskyy** said that satisfying the IMF demand to raise gas tariffs for households would not solve the problem with covering the gas cost.

Parliament adopts in first reading law on reorganizing state energy company

Ukraine has started the process of reorganizing the state-run energy company Naftohaz Ukrayiny.

On 20 March 2012, parliament passed in the first reading amendments to the law “On gas transport pipelines” which sanction Naftohaz Ukrayiny's reorganization. The document envisions a partition of the state monopoly into three companies depending on the types of business: extraction, transportation and gas sale.

At the same time, the adopted amendments directly ban the privatization of the gas transportation system and underground storage facilities as well as their expropriation, a transfer from Naftohaz Ukrayiny's balance sheets to those of other physical entity, lease or concession.

An exception is envisioned only in the case if Naftohaz Ukrayiny decides to sell or lease or somehow transfer the management of its pipelines and underground storage facilities to a company which is 100-percent owned by the state. The reorganization of Naftohaz Ukrayiny will be conducted on the basis of the government's exclusive decision. Additionally, a criminal case over bankruptcy cannot be launched against the state company.

The author of the document is an MP of the opposition Our Ukraine-People's Self-Defence parliamentary faction, **Yuriy Karmazin**. Despite this, the opposition factions refused to support the draft law.

In the opinion of the opposition, by the time the draft law is considered in the second reading, it will be amended so that the privatization of the Ukrainian gas transport system is permitted.

The pro-government Party of Regions denied such a possibility. At the same time, the head of the Party of Regions parliamentary faction, **Oleksandr Yefremov**, said on 20 March 2012 that the draft law on reforming the gas transport system would be considered in the second reading in two weeks.

At the same time, a member of the parliamentary committee for the fuel and energy complex, MP of the opposition Yuliya Tymoshenko Bloc **Oleksandr Hudyma** drew attention to the fact that Naftohaz Ukrayiny was burdened by a debt worth over 5bn dollars and that "Russian state-owned banks" were among its creditors. "When reorganized, the part of Naftohaz Ukrayiny's debt will inevitably be hung on its gas transport system. Since it is unrealistic to pay off the debt, the Russian party might return the money through international courts," the MP noted.

We would like to note that Naftohaz Ukrayiny's deputy board chairman, **Vadym Chuprun**, claimed that if upgraded, the Ukrainian gas transport system would be able to ensure the transit of gas to Europe for at least 30-50 years. At the same time, he added that "it can now easily transit at least 150bn cu.m. to Europe, while at the moment it transits 96-100 [bn. cu.m.] or even less".

Fifteen companies interested in developing two gas fields in Ukraine

The interest of international companies to Ukrainian gas deposits is on the rise.

On 19 March 2012, Ukrainian Ecology Minister **Mykola Zlochevskyy** said that 15 companies were interested in the participation in a tender for the development of two gas deposits – Yuzivska (in Donetsk and Kharkiv regions) and Oleska (in Lviv Region), which have natural and shale gas as well as other hydrocarbons. The names of the companies have not been disclosed. The deadline for applications is 23 April 2012.

Later, on 23 March 2012, the Ukrainian news and analysis website Lb.ua cited a report by the State Geology and Mineral Resources Service on the activity in 2011 as saying that the following companies were interested in the development of shale gas deposits in Ukraine: ExxonMobil and Chevron (the USA), Shell (the Netherlands -UK), Petrobras (Brazil), PetroChina (China), Total (France), OMV (Austria).

We also learned that the Italian company Eni backed out from acquiring for 30 percent of the Pokrovskoe from Petroleum B.V. company, which owns a license for developing the Pokrovskoe oil and gas site located in Poltava Region. The Kommersant-Ukrayina newspaper quoted a source from the Ukrainian Ecology Ministry as saying that the reason for the company's refusal from the purchase was a negative assessment of a geological survey. "The site turned out to be empty. This was a huge disappointment for Eni," the source said.

Ukraine's gross foreign debt totals 126.2bn dollars in 2011

On 20 March 2012, the National Bank of Ukraine (NBU) said that last year the gross foreign debt increased by 8.9bn dollars and totaled 126.2bn dollars by the year's end

This way, according to the NBU, the gross foreign debt in 2011 decreased from 85% to 76.6% of GDP.

Earlier, the Finance Ministry said that the national debt of Ukraine in January 2012 grew by 163m dollars to 44.879bn dollars.

At the same time, on 21 March 2012, President **Viktor Yanukovich** said that the size of Ukraine's foreign public debt is decreasing. "Last year we paid out about 80bn hryvnias [10bn dollars] from the budget, and the year before, in 2010, we paid out about 90 bn hryvnias [11,3bn dollars]. This year the pressure is going down, and we will have to return a bit more than 60bn hryvnias [7,5bn dollars], which means that the amount of debt repayments is already reducing," he said.

On 22 March 2012, the Finance Ministry paid 75.313m dollars in coupon yields on five- and ten-year dollar-denominated Eurobonds issued in 2010.

The total public debt payments due in 2012 are estimated at 11.96bn dollars. According to the state treasury, from the beginning of 2012 to 19 March, the amount of debt service payments amounted to 458m dollars. Since the year beginning, as of 19 March, the amount of the national public debt repayments totaled 93m dollars while a three-month plan makes 1.25bn dollars.

According to the National Bank's estimates, the economic growth in Ukraine in 2012-2014 years will be 2%-3%.

Court makes changes to anti-corruption law

The Constitutional Court of Ukraine (CCU) has amended the anti-corruption law.

On 20 March 2012, CCU announced its ruling made on 13 March 2012 in a case concerning the constitutionality of several provisions of the law "On the foundations of tackling corruption". By its decision, CCU relieved members of parliament and senior officials of the obligation to make public their expenses for the second half of 2011.

At a news conference that followed the decision announcement, CCU Deputy Chairman **Yuriy Baulin** said that MPs and civil servants still will have to submit income declarations. "The only difference is that they won't be made public this year," he said.

The opposition believes that CCU made its decision for one purpose to avoid reporting of expenditures before the parliamentary election. CCU ruled unconstitutional the ban on officials and MPs' taking part in meetings of

enterprises or organizations which aim at making profit.

According to a survey conducted by the Gorshenin Institute in June 2011, the majority of respondents (86.9%) believe that the new anti-corruption law will not help overcome corruption in Ukraine.

Government starts promotion of president's social initiatives through mass media. Opposition says ex-Prime Minister Yuliya Tymoshenko discredited

The State Television and Radio Broadcasting Committee (STRBC) has confirmed that it requires promotion of President Viktor Yanukovich's social initiatives via public TV broadcasters.

At the request of Ukrayinska Vlada, STRBC presented a copy of a letter dated 13 March 2012, in which committee chairman **Oleksandr Kurdinovych** demands that regional public TV and radio companies urgently produce and air starting from 15 March 2012 a series of special programmes that will be explaining the social initiatives set forth by the president. The companies are also required "to broadcast such programmes at least twice a week." In addition, Kurdinovych is asking heads of the companies "to brief him on results of the work".

On 23 March, opposition Fatherland party reported that late on 22 March 2012, Tonis TV channel aired a film named Simply Yuliya that discredits ex-Prime Minister **Yuliya Tymoshenko**. "The film was not on TV schedule, it was aired instead of a show named The Atlas of the Animal World," the ex-premier's party says. According to the opposition, it is the family of President Viktor Yanukovich who ordered production and promotion of the film. "Now it is clear why the son of Yanukovich bought Tonis and who actually ordered that thoroughly deceitful film," Fatherland said.

Poroshenko appointed Economics Minister

On 23 March 2012, President Viktor Yanukovich appointed Petro Poroshenko as Economics Minister.

It is worth mentioning that the president offered Poroshenko to head the ministry more than a month ago.

According to the Kommersant Ukraine business daily, during this period of time Yanukovich and Poroshenko met at least twice and discussed issues of the ministry's work. The basis for the negotiations was the so-called Plan of Poroshenko, a document consisting of three blocks ("Transparency of Economic Policy", "Freedom of Entrepreneurship" and "Efficient Use of Resources") and describing the tasks that Poroshenko intends to accomplish as a minister.

As Kommersant Ukraine said, Poroshenko earlier had plans to work in the government of **Mykola Azarov** but wanted to take up the post of foreign minister. At the same time, after receiving the offer to head the Economics Ministry, Poroshenko still hoped that in addition to his direct functions in the ministry, he will be granted authority to develop cooperation with European institutions, considering his ties in diplomatic circles (currently the issues of European integration fall under the jurisdiction of First Deputy Prime Minister **Valeriy Khoroshkovskyy**). However, judging from the final version of the Plan of Poroshenko which was approved by the president, this direction lies outside the scope of the economics minister's official duties.

However, Khoroshkovskyy welcomes Poroshenko's joining the present government. "New experts are entering the cabinet, particularly Yuriy Kolobov [Finance Minister] and Petro Poroshenko. They fully comply with their posts," he said.

At the same time, members of the opposition are disappointed with Poroshenko's joining the government. "It is hard for me to comment on this, I do not understand his logic," First Deputy Head of the Yuliya Tymoshenko Bloc's parliamentary faction **Serhiy Sobolev** said.

MP **Andriy Pavlovskyy** of the same parliamentary faction explains Poroshenko's move in the following way: "Poroshenko is a well-known businessman, everyone knows about his assets, particularly about the 5 Kanal new TV channel. I do not rule out that he could be pressured to do so. They could tell the man: we will take away your business. So, he agreed under such blackmail in order to save his resources."

Meanwhile, the 5 Kanal TV made a statement that Poroshenko's joining the cabinet will in no way affect the channel's editorial policy.

**Ukraine's security
supremo seeking
expansion of his
agency**

Secretary of the National Security and Defence Council (NSDC) Andriy Klyuyev plans to increase funding of his agency.

As the Ukrayinski Novyny news agency reported on 21 March 2012, Klyuyev requested Finance Minister **Yuriy Kolobov** to allocate additional 20m hryvnyas in 2012 to finance the NSDC's work.

The additional funding is needed, among other things, to increase the staff of the council.

On 16 March 2012, President **Viktor Yanukovych** by his decrees expanded the powers of the NSDC. Specifically, the council will now coordinate work of the National Anti-Corruption Committee and Committee for Reforms in Armed Forces and Defence Industry.

Later, Klyuyev said that the president set a task to restore the council's role as the primary center for preparation and support of government decisions with regards to national security.

At the same time, on 17 March 2012, **Sonia Koshkina**, the chief editor of news portal Lb.ua, wrote in an article that Klyuyev is having difficulties with expansion of the NSDC's staff. "Andriy Petrovych has filed a respective request with the president already three times (!), and all three times these documents mysteriously got lost in the depths of bureaucratic offices. It's an eloquent 'sign', isn't it?" she said.

"In addition, according to available information, the NSDC secretary's access to the head of state has also become difficult. There are occasional problems with responsiveness. At the same time, with the appointment of Deputy Prime Minister for Social Policy **Serhiy Tyhypko** as deputy head of the Party of Regions, Head of the Presidential Administration **Serhiy Lyovochkin** has essentially stepped up his influence on the party. The administration head plans to promote Tyhypko to the first position in the hierarchy of the Party of Regions," Koshkina said.

In January 2012, Ukraine ranked ninth among global steel producers, with 2,871m tonnes of steel.

Ukraine ships off all highly enriched uranium

Ukraine shipped off to Russia last batch of highly enriched nuclear materials on 22 March 2012

The Ukrainian Foreign Ministry has said that in the framework of the implementation of bilateral agreements with the USA, in exchange for highly enriched nuclear materials Ukraine received an equivalent amount of low-enriched uranium and related equipment. Moreover, the USA provided financing for the construction of a new modern source of neutrons at the Kharkiv Institute of Physics and Technology.

Ukraine to reorganize state defence industry concern

Ukraine launches reorganization of the military and industrial complex.

The cabinet has asked the state defence industry concern Ukroboronprom to reorganize subordinate state-owned companies into commercial enterprises, the Cabinet's press service said on 23 March 2012.

The cabinet's resolution to this effect covers the Feodosiya optics plant, Donetsk plant of chemical products, the Kvartsit plant, the Lutch radio equipment plant and a number of other companies. A total of 18 out of 124 state-owned companies run by Ukroboronprom will be turned into commercial enterprises.

Earlier the cabinet appointed Ukroboronprom to manage the Ukrspetseksport weapons and military hardware exporter.

According to the Stockholm International Peace Research Institute, Ukraine's arms export has reached 484m dollars, making Ukraine world's 12th largest arms exporter.

Two killed in attempted military unit burglary in Kharkiv

An armed assault was committed on guard of a radio-radar troops unit in Kharkiv around 4am on 22 March 2012.

According to Lb.ua news website, one conscript was stabbed to death and another soldier and the guard commander were wounded as a result of the attack. One attacker was killed on the spot, another one was detailed and is being questioned now. A short-barrelled shotgun and a knife were found at the scene of the incident.

Law enforcers say the purpose of the attack was to get hold of the weapons in the military unit. A criminal case was launched to investigate into the murder of the conscript.

Ukrainian media reported that the Defence Ministry unveiled plans for reforming the Ukrainian Armed Forces with the aim to cut the number of personnel in the army from 192,000 to 70,000 within the next five years. Also, it is planned to cancel military conscription no later than 2017.

Monaco bank arrests account of ex-director of Ukraine's employment service

A European bank has blocked an account of a former Ukrainian official.

On 20 March 2012, the Prosecutor-General's Office of Ukraine reported that a bank in Monaco arrested an account with a balance of 1m euros owned by former Director of the State Employment Service **Volodymyr Halytskyy**.

As the agency found out, the account was used by the ex-official to accumulate money that he illegally obtained in Ukraine. The prosecutor's office is taking

Party of Regions says parliamentary majority reluctant to hold Kyiv mayor election in October. Yuliya Tymoshenko calls on opposition to unite

Head of the Party of Regions parliamentary faction Oleksandr Yefremov says the majority of MPs do not want to combine the elections of Kyiv mayor and parliament in October 2012.

"In any case, the election should be held this year. The majority of MPs are inclined to think that it's impractical to hold the mayoral election simultaneously with the parliamentary election," he said on 23 March 2012. He emphasized that in the near future parliament will need to decide on the date of the election in Kyiv.

At the same time, he did not tell what date is preferred by the parliamentary majority.

Early elections of the Kyiv city council and mayor were held in May 2008.

Meanwhile, the leader of fatherland party, Yuliya Tymoshenko, has called on the opposition to unite.

On 18 March 2012, the city of Obukhiv (Kyiv region) held an early mayoral election. The election was won by a pro-government candidate, although the total number of votes for several opposition candidates exceeded the number of votes given in favor of the winner.

Ombudsman election: intrigue persists

Ukrainian MPs might vote for ombudsman in April again.

The head of the parliamentary human rights committee, MP **Oleh Zarubinskyy**, said that lawmakers may vote for the ombudsman after 4 April 2012.

We shall remind you that on 15 March 2012, MPs attempted to elect a new ombudsman.

Neither the co-chairman of a Kharkiv human rights organization, **Yevhen Zakharov**, whose candidacy was put forward by the opposition Yuliya Tymoshenko Bloc (YTB), nor the government envoy to the European Court of Human Rights, **Valeriya Lutkovska**, whose candidacy was proposed by the Party of Regions, managed to garner a sufficient number of votes. The incumbent ombudsman, **Nina Karpachova**, did not run for re-election.

On 22 March 2012, Zakharov said that he did not intend to take part in the second election attempt. "Given the current composition of the Verkhovna Rada, I will never be elected," he noted.

In his turn, the head of the pro-government Party of Regions faction, **Oleksandr Yefemov**, said that his party and other factions of the parliamentary majority would support the candidacy of Lutkovska. The MP also noted that they had already collected enough signatures to propose her candidacy.

Ukraine takes 10th place among world steel producers in February

In February 2012, Ukrainian companies produced 2.68m tonnes of crude steel, putting Ukraine in the 10th place among world producers.

According to Lb.ua website, the production figures were provided in a monthly report published by the World Steel Association, an international research body. The first place in the world was taken by China, which in February produced 55.88m tonnes of crude steel.

steps to return these funds to Ukraine.

Halytskyy headed the State Employment Service from August 2006 to February 2012. In autumn of 2011, a criminal case was opened against him. The official was suspected of systematic extortion and bribery. On 28 November 2011, Halytskyy was arrested.

Shots fired at witness in Rodovid Bank case

Late on 19 March 2012, a deputy board chairman of a Kyiv bank was attacked in his car not far from Ukraine's capital.

As a result of the attack, the banker's driver and bodyguard were injured. The police have opened a criminal case on an attempted murder. The main version is linked directly to the victim's professional activities.

Later, journalists found out that the attack was directed at deputy chairman of Soyuz bank **Serhiy Dyadechko**. The reason behind the attempt against Dyadechko could be his possible awareness of the illegal withdrawal of money from Rodovid Bank, which was recapitalized by the state back in 2009. He was the vice-president of Rodovid Bank, and was a witness in the case of embezzlement of budget funds.

According to media reports, Dyadechko and his family have already left Ukraine, and are intending to seek political asylum in a European country.

The Dzerkalo Tyzhnya weekly said that the bankruptcy of Rodovid Bank is the largest financial fraud in Eastern Europe, which resulted in the state's losing 4.4bn dollars. Dyadechko, a witness in the case, could be charged with taking part in the fraud in the future.

Tax officials participating in deposit programme launched by bank of president's son – mass media

A bank, which services the State Tax Administration (STA), is allegedly transferring salaries of STA employees to deposit accounts without their consent.

On 22 March 2012, the Ukrayinska Pravda news and analysis website reported that the All-Ukrainian Bank for Development, which has been servicing the personnel of the STA's central office since 2011, twice a month (on payroll days) automatically withdraws 50 hryvnias (6.26 dollars) from STA officers' salary cards and puts the money on deposit accounts.

At the same time, according to the publication, the cardholders cannot find out whether this money goes to their deposit accounts. Any calls to the telephone number in Donetsk, which was given to the STA's employees, are replied by an answering machine. The agency's employees, who disclosed this information to the press, consider such transfers theft of their money.

In response to media reports, the STA's press service said that “no complaints regarding improper servicing of the employees have been received”. Also, the administration's press service noted that if the STA's officers are really unhappy with their deposits, they may come to the Kyiv office of the All-Ukrainian Bank for Development at any time, file an application and close their deposit accounts.

The All-Ukrainian Bank for Development is owned by son of Ukrainian President **Viktor Yanukovich, Oleksandr**.

Ukrainian customs stops handling freights – mass media

Ukrainian media reported that starting from 15 March 2012, the Ukrainian customs stopped to handle cargoes.

"The lorries are queuing everywhere, at the Pivdenny (maritime merchant port), at Chop (border crossing). [The head of the State Customs Service, Ihor] **Kaletnyk** has ordered to increase levies. This is probably linked to the president's order to increase revenues," the Ukrayinaksa Pravda news and analysis website said on 21 March 2012, citing a source in the customs service.

On the same day, the press service of the State Customs Service argues that the Ukrainian customs are functioning in normal mode.

Law enforcers block youth rally in central Kiev

Fresh protests have been held in Kiev.

On 22 March 2012, nearly 50 representatives of youth organizations and parties which belong to the Committee for Resisting Dictatorship brought several tourist tents to Kiev's central square – Maydan Nezalezhnosti – in order to set them up as a symbol of the opposition's future protests. Despite the fact that the authorities were officially notified about the event, law enforcers prevented it from happening. Operatives of the special-purpose police unit Falcon had been on guard at the central square since early morning. When young people attempted to set up the first tent, police officers seized it and put it in a vehicle. As a result, a brawl ensued during which law enforcers attempted to detain several activists. However, the MPs who were present prevented the detentions.

Later, the protesters said that the demonstration was the beginning of the campaign called "Wake up!" which will be held by the opposition across the country. The goal of the campaign is to make President **Viktor Yanukovych** step down.

Ukrainian journalist seeks political asylum in Europe

Kiev journalist Anatoliy Shariy asked for political asylum in Lithuania over persecution by law enforcers in Ukraine.

Two criminal cases have been launched against Shariy in Ukraine that he describes as fabricated.

Shariy has said that now his request for political asylum in Lithuania is being reviewed by the authorities. He also said that he received legal consultations from the former Ukrainian Economics Minister Bohdan Danylyshyn who earlier was granted political asylum in the Czech Republic.

The Ukrainian Interior Ministry for its part denied Shariy's complains as groundless.

Former local councillor is given two years of suspended sentence for murder

Ukrainian court released local councillor charged with murder.

A correspondent of the Nadzvychayni Novyny TV programme (Extreme News, hosted by ICTV television channel) **Tetyana Kruhova** said on 23 March 2012 that a court sentenced the former councillor of the Sofiyivskyy district in Dnipropetrovsk Region, **Oleksandr Taran**, to two years of suspended sentence under Criminal Code's articles "murder", "hooliganism" and "careless handling of weapon". Taran was released from custody in the courtroom.

The crime took place in July 2010. As described by Taran himself at the crime re-enactment, the conflict erupted on the bank of a lake where "no ordinary

people are allowed to swim near civil servants". Taran took an automatic gun and shot a 25-year-old man in front of the man's wife and son. The man died on the spot and Taran disappeared from the scene and then he was hospitalized. He hid the weapon, but later disclosed the place to the police.

At the court's sitting Taran described shooting a man as an act of self-defence.

A public opinion poll conducted by the Gorshenin Institute in October 2011 showed that a clear majority of Ukrainians (78.4%) believe that the crime rate in Ukraine is high.

Security Service of Ukraine: cyber terrorism and cyber crime Ukraine's current problems

On 23 March 2012, the head of the Security Service of Ukraine (SBU), Ihor Kalinin, listed Ukraine's main threats.

According to him, such threats as intelligence gathering and subversive activities of foreign intelligence services, encroachment on the state sovereignty and territorial integrity and preconditions for spreading terrorism have not lost their relevance as threats to the national security. Among other threats, he mentioned the shadow economy and the monopolization of strategic industries by foreign capital in order to establish a mechanism of influencing domestic processes in Ukraine.

The SBU head stressed that the agency paid special attention to the threats of a transnational scale such as international drug trafficking, human trafficking, the sale of the radioactive and other hazardous substances which can be used for terrorist purposes.

Speaking about the latest types of crimes which have now become quite topical and global, Kalinin named cyber-terrorism and cyber-crime. "The number of illegal encroachments on the information resources of the state is on the rise," he noted.

Russia ready to pay more for lease of NITKA aircraft carrier simulator

The Russian Defence Ministry will increase the lease fee for using the Ukrainian NITKA aircraft carrier simulator.

According to the Kommersant-Ukrayina daily, the lease fee will make 2m dollars per year while earlier Russia paid as many as 700,000 dollars a year.

The Centre for Army Conversion and Disarmament Studies expert, Serhiy Zhurets, has said that Russia's financing proposals are absolutely acceptable. "If earlier Russia paid for using the training range with aircraft components, now Ukraine wants real money," he added.

Ukrainian peacekeepers' helicopter attacked in Congo, serviceman wounded

The Ukrainian peacekeeping mission's helicopter went under fire in Congo on 21 March 2012.

As a result of the attack, one Ukrainian serviceman was wounded at his leg.

The Ukrainian Defence Ministry sent 105 servicemen with a peacekeeping mission to Congo on 29 February.

Ukraine should wait for Russia to joint the WTO – experts

On 20 March 2012 the Gorshenin Institute hosted a round table discussion CIS Free Trade Zone: consequences for Ukraine.

Head of the Russian Embassy in Ukraine's Economic Sector, advisor

Aleksey Urin has said that if Ukraine fails to ratify the agreement setting up a free trade area with CIS countries, the terms of the agreement will get tougher for Ukraine after Russia's accession to the WTO. According to Urin, if Ukraine joins the CIS free trade area now, it will gain more benefits than any other participants in the trade agreement. When saying that, Urin made a reference to a research conducted by the Euro-Asian Development Bank (the Russian and Ukrainian National Academies of Sciences took part in the research). "We are talking about an annual additional GDP growth of 0.65% for Ukraine, while for Russia the annual additional GDP growth is 0.0%, for Belarus – 0.02%. Ukraine is the key beneficiary and it will receive more benefits from joining the CIS free trade zone than anyone else, as Ukraine will have an access to the practically unlimited sales market in Russia, Belarus and Kazakhstan," Urin said.

Urin also said that the CIS free trade agreement could substitute the Russia-Ukraine bilateral free trade deal that has been in place since 1994. According to the free trade agreement of 1994, both parties trade with each other without any duties except for one commodity - white sugar. This reservation also remains in place in the new trade deal that Prime Minister **Mykola Azarov** signed on behalf of Ukraine in 2011. The new trade deal also provides for a number of other export duties. The new CIS free trade agreement was signed by the official but was not ratified by parliament, meaning that it has not taken effect yet. Unlike the existing bilateral trade deal, the new document was drawn up in line with the rules of the World Trade Organization.

Urin is certain that the 2011 trade statistics will convince Ukraine to ratify the CIS free trade agreement. "In 2011, 42% of Ukraine's foreign trade was with CIS countries. For instance, all EU countries constitute less than 30% in Ukraine's last year foreign trade balance. Moreover, in the first case we are talking mainly about export of Ukrainian products with high added value. Over one third of Ukraine's export to CIS countries are products of the machine-building sector. This product is designated directly to the final user, it is made using modern technologies and there is high added value in it," Urin said.

MP of the opposition Our Ukraine-People's Self-Defence Bloc Viktor

Matchuk has said the CIS free trade zone brings not only new possibilities but also serious risks for Ukraine's economy. "In the SECTOR of public procurement, Ukraine becomes open TO all those countries, who signed this agreement. The call "buy Ukrainian" loses any sense in regard to public procurement. However, if we sign a similar agreement with the EU, we face the same problem, but the quality of goods and services will be better and their cost will be higher. Because Ukrainian goods are cheaper, the money from the state budget would remain inside the country. But with the CIS free trade zone there is a risk that the money from the state budget would go abroad," Matchuk said.

Matchuk also said that the CIS free trade zone is in fact “a semi-zone of semi-free semi-trade” and there is no point in joining it. When saying this, Matchuk demonstrated the volume of the trade agreement itself and volume of addenda with reservations and qualifications to it. The second pile of documents was significantly thicker than the agreement itself. “More than half of Ukraine's trade turnover with CIS countries becomes a subject to different reservations. This is valid for oil and oil products, natural gas and other types of gas, timber, raw materials for production of colour metals, etc. For many Russian products, where amounts of the export duty should be stated, the agreement just says “a special formula shall be applied”. It means that today Russia may really have a zero interest in this agreement, but because of this provision for a special formula, tomorrow any changes are possible,” he said. Matchuk added that he was a strong opponent to signing any agreement with unpredictable consequences. “I would not call it 'singing', I would rather describe it as 'stepping in'. I do not want Ukraine to step in something of this sort,” Matchuk said.

Matchuk also said that all disputes in the framework of the CIS free trade zone will be resolved in favour of Russia as the dispute resolution court will be based in Russia's St Petersburg. “Disputes will be resolved not in the Stockholm Court of Arbitration but in the Court of Eurasian Economic Community. This is not correct, as if there is a conflict between two parties, the conflict should be resolved by someone third,” he said.

MP of the Yuliya Tymoshenko Bloc Serhiy Teryokhin has said that it would be good for Ukraine to remain outside the CIS free trade zone until Russia joins the WTO. “It is a paradoxical situation. Ukraine as a member of the WTO, if it stands clear of the CIS free trade zone, will have more privileges than joining the CIS free trade zone. This opinion is based on the text of the agreement with WTO that Russia initialed,” Teryokhin said. He also said that in the WTO agreement Russia made more concessions than in the CIS free trade agreement. In this regard, Teryokhin suggested that it would be better for Ukraine to wait till Russia joins the WTO and then to select better conditions for itself.

Gorshenin Institute Political Programmes Director Yevhen Kurmashov has said that **Vladimir Putin's** third presidential term agenda will include as the key issue taking Russia onto a new level of political influence when the country will seek political influence on the neighbour states. “Those international projects that Russia offers now to Ukraine, Kazakhstan, Belarus and other former Soviet states, show that the next six years of Putin's work as the president will be dedicated to an effective foreign politics on the post-Soviet space. Even today Putin already tries to bring valuable geopolitical trophies to the Russian political establishment and his voters,” Kurmashov said.

He also said that different tools may be employed to retract Ukraine and other post-Soviet states to Russia's sphere of influence. The Customs Union, the Eurasian Union, the gas transport consortium, the CIS free trade area – these are elements of a bigger puzzle that the Kremlin wants to put together within the following years.

“Public opinion polls show that Ukrainians are poorly informed of the essence of possible agreements between Ukraine and Russia in the framework of international projects. Respondents usually mix up definitions, like the Customs Union and CIS free trade zone. This fact indicates poor information campaign by both Ukrainian and Russian authorities. On the other hand, it also shows that the public opinion factor will not be taken into account while approving strategic decisions in foreign policy,” Kurmashov said.

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