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CRIMINAL CHARGES AGAINST TYMOSHENKO

Tymoshenko faces charges of organizing murder; life sentence possible

On 18 January 2013, Prosecutor-General **Viktor Pshonka** said that **Yuliya Tymoshenko** and **Pavlo Lazarenko**, both former prime ministers, were to face charges of organizing a contract killing. He said that the investigation established that Tymoshenko and Lazarenko had paid 2.8m dollars to have politician and businessman **Yevhen Shcherban** killed in 1996 in a dispute over business interests.

Pshonka said that the former prime minister was officially notified of being a suspect in committing this crime.

If convicted, Tymoshenko could be imprisoned for life.

Pshonka also said that the investigators had merged the criminal cases against Tymoshenko concerning the killing of Shcherban and the debt of the United Energy Systems of Ukraine corporation, which she headed in the 1990s.

Tymoshenko's trial adjourned; ex-premier protests against video surveillance

On 18 January 2013, former Prime Minister **Yuliya Tymoshenko's** trial for her abuse of office as head of the United Energy Systems of Ukraine corporation was adjourned until 12 February.

On 8 January, Tymoshenko announced an act of civil disobedience. She refused to enter her hospital room unless it is cleared of video cameras and warders.

On 16 January, opposition Fatherland MPs **Oleksandra Kuzhel**, **Lyudmyla Denysova** and **Tetyana Slyuz** visited Tymoshenko in her hospital, where they joined the ex-prime minister's protest and refused to leave the hospital. Kuzhel told the news and analysis website Lb.ua by phone that early on 18 January the unknown masked men forced the MPs out of the hospital.

Tymoshenko complains about poisoning attempt

On 5 January 2013, former Prime Minister **Yuliya Tymoshenko** said that her items of personal hygiene could have been poisoned.

The penitentiary service denied this statement after carrying out a probe.

Ukrainian court to hear ex-premier's company's debt appeal on 21 January

On 21 January 2013, a Ukrainian court will consider an appeal filed by the Ukrainian Justice Ministry against a ruling to pay Russia over 390m dollars – the debt owed by the United Energy Systems of Ukraine (UESU), the mass media reported on 4 January, citing a court's decision.

The debt was accrued at the end of the 1990s, when the UESU - a company run at

the time by **Yuliya Tymoshenko** – failed to honor its commitments to the Russian Defence Ministry and did not deliver agreed products. The Russian side contends that the Ukrainian government served as a guarantor of these commitments.

On 18 January, Ukrainian Prosecutor-General **Viktor Pshonka** said that Ukraine had already paid Russia 1.87m dollars of the UESU debt.

INTERNATIONAL POLITICAL

UKRAINE-USA

USA hopes for Tymoshenko's release by 2015

US ambassador to Ukraine **John Tefft** has expressed the hope that former Prime Minister **Yuliya Tymoshenko** will be released before the 2015 presidential election. He shared this in an interview with the news and analysis website *Ukrayinska Pravda* on 28 January 2013.

He said that the USA and the OSCE would consider it as a violation if Tymoshenko was unable to run for president.

UKRAINE-RUSSIA

Ukrainian president pushes for enhanced ties with Russia-led regional bloc

Ukraine needs to adapt its legislation to norms of the Customs Union of Russia, Belarus and Kazakhstan, Ukrainian President **Viktor Yanukovich** said in an interview with the *Komsomolskaya Pravda* newspaper on 4 January 2013. The issue has to do with provisions that will not contradict Ukraine's international obligations.

The Ukrainian head of state added that experts representing the two parties were working on this matter at the moment.

On 16 January, Russian Prime Minister **Dmitri Medvedev** said that when entering the Customs Union, a country should sign all the documents and not just a part of them, as suggested by the Ukrainian authorities.

Ukraine, Russia seeking new formats of gas cooperation

On 14 January 2013, Russian Foreign Minister **Sergey Lavrov** said that Kiev and Moscow were holding intensive negotiations on the development of new formats of cooperation in the gas sector. He added that both gas delivery and transit were being discussed.

Lavrov paid a visit to Ukraine on 13-14 January.

Ukrainian president has no plans of visiting Moscow despite reports, press service says

On 15 January 2013, the Russian daily *Izvestiya* cited an informed source as saying that Ukrainian President **Viktor Yanukovich** intended to meet Russian President Vladimir Putin ahead of the Ukraine-EU summit, which is slated for 25 February.

Later, the press service of the Ukrainian head of state said that Yanukovich had no visits to Moscow scheduled for February 2013.

Ukraine bought 33bn cu.m. of Russian gas in 2012

On 17 January 2013, the Russian state-owned energy company Gazprom reported that Ukraine had bought approximately 33bn cu.m. of gas in 2012.

Earlier, the Lb.ua news and analysis website reported, citing statistical data, that Ukraine's state-run energy company Naftohaz Ukrayiny had purchased 24.4bn cu.m. of gas from Russia last year. Furthermore, it added that the Ostchem Holding Limited company, owned by Ukrainian tycoon **Dmytro Firtash**, had bought nearly 8bn cu.m.

In 2013, Ukraine plans to cut the amount of gas imported from Russia to 18bn cu.m.

In 2012, as much as 81.2m cu.m. of Russian gas was transited to Western European countries through Ukrainian territory. This is almost 20 percent less than in 2011.

UKRAINE-EU

Ukraine's EU envoy: EU interested in setting up tripartite gas consortium

The EU is interested in setting up a tripartite consortium with Ukraine and Russia to manage the Ukrainian gas transport system, the head of Ukraine's EU office, **Kostyantyn Yeliseyev**, told the Ukrainian News agency on 14 January 2013. "My contacts with European Commissioner for Energy **Günther Oettinger** revealed such an interest," he said.

Ukraine-EU summit not to help visa-free travel

The Ukraine-EU summit scheduled for 25 February 2013 will not facilitate the liberalization of EU visa regulations for Ukraine, the Interfax-Ukraine news agency on 15 January quoted sources in the European Commission as saying. To have softer visa regulations, Ukraine will have to honour the previously undertaken commitments, the EU said.

UKRAINE-OSCE

Ukraine chairs OSCE

On 1 January 2013 Ukraine assumed chairmanship in the OSCE.

On 17 January, Ukrainian Foreign Minister **Leonid Kozhara** said at the OSCE council meeting that among Ukraine's priorities during its chairmanship would be the increase of control over arms, fighting human trafficking and reducing the impact of energy sector on the environment. Kiev also wanted to step up the talks on the Nagorno-Karabakh settlement, the discussion on Abkhazia and South Ossetia and the Dniester settlement.

Kozhara said that on 21 January he was going to visit Moldova and its breakaway Dniester region.

The deputy director-general of the Razumkov Centre, **Valeriy Chalyy**, suggested at the 17 January round table at the Gorshenin Institute that as the OSCE chair

country, Ukraine would pay great attention to the Dniester conflict. A former foreign minister and Fatherland MP, **Borys Tarasyuk**, said that true progress in the settlement of the Dniester conflict would largely depend on Russia's position.

The next round of talks on the Dniester settlement in the five plus two format will be held in Lviv in mid-February, the Dzerkalo Tyzhnya weekly said.

DOMESTIC POLITICAL

AUTHORITIES

Ukrainian president proposes to simplify rules for adopting orphans by foreigners

On 16 January 2013, Ukrainian President **Viktor Yanukovych** submitted to parliament a draft law on the ratification of the Convention on protection of children and cooperation on international adoption by Ukraine.

The Kommersant Ukraina daily reported that the adoption of this document would simplify the procedure for adopting Ukrainian children by foreigners.

Ukrainian president appoints new security chief

On 9 January 2013, Ukrainian President **Viktor Yanukovych** appointed **Oleksandr Yakymenko** as head of the Security Service of Ukraine (SBU). Previously, this post had been occupied by **Ihor Kalinin**, who became a presidential advisor.

Earlier, Yakymenko served as first deputy head of the SBU and head of the SBU's main directorate for fighting corruption and organized crime.

The Ukrainian news website Glavkom reported that the new SBU chief had ties with the elder presidential son, **Oleksandr Yanukovych**.

The Ukrainian news and analysis website Ukrayinska Pravda also reported that Yakymenko had worked as a security specialist at a firm owned by Viktor Yanukovych in 2007-08.

Ukrainian parliament votes in favour of new top banker nominated by president

On 11 January 2013, the Ukrainian parliament approved the candidacy of **Ihor Sorkin**, who was nominated by the president, to the post of the head of the National Bank of Ukraine (NBU). Previously, he served as the NBU deputy head.

On 14 January, an MP of the opposition Fatherland party, **Mykola Tomenko**, said that votes of 22 lawmakers of the pro-presidential Party of Regions who were not present in the parliamentary chamber during the vote on the issue were counted in favour of Sorkin's candidacy. He added that the opposition intended to challenge the legitimacy of Sorkin's election with the European Court of Human Rights.

Ukrainian president might appoint new head of state-run energy firm

Ukrainian President **Viktor Yanukovych** might reshuffle the leadership of the state-owned energy company Naftohaz Ukrayiny, the Kommersant Ukraina newspaper reported on 17 January 2013, citing its own sources. Currently, the company is headed by **Yevhen Bakulin**.

According to the information at the disposal of the Ukrainian edition of the Forbes magazine, the head of the Haz Ukrayiny company, **Eduard Shvydkoy**, is a likely candidate for Naftohaz Ukrayiny's top post.

Ukrainian president appoints new head of state geology service

On 16 January 2013, Ukrainian President **Viktor Yanukovych** issued a decree to appoint **Valeriy Dudynov** as head of the State Service for Geology and Resources of Ukraine.

The Kommersant Ukraina daily reported that Dudynov belonged to the presidential entourage.

Ukrainian president restructures his administration

On 16 January 2013, Ukrainian President **Viktor Yanukovych** approved a new structure for his administration.

The Kommersant Ukraina newspaper reported that the key changes chiefly concerned the distribution of powers among president's advisors and intended to reform and enhance power of law-enforcement agencies.

More specifically, presidential advisor **Andriy Portnov**, who is in charge of court reform, was also entrusted with overseeing the implementation of police, justice and trial reform. Another presidential advisor **Ihor Kalinin** was also tasked with managing the issues of security and defence, as well as the activity of law enforcers.

In the opinion of a number of experts, the president has in fact transferred to his advisors a number of powers of the Council for National Security and Defence.

Ukrainian peacekeepers to be dispatched to Cote d'Ivoire

On 16 January 2013, Ukrainian President **Viktor Yanukovych** signed a draft law on moving 130 Ukrainian peacekeepers from Liberia to Cote d'Ivoire.

Ukrainian army might start employing only contract servicemen in 2013

On 29 December 2012, Ukrainian Defence Minister **Pavlo Lebedyev** said that the Ukrainian Army will completely shift to contract service in 2013 and that conscription would be suspended.

The results of a poll conducted by the Gorshenin Institute in September 2011 suggest that over a half of the Ukrainian population (58 percent) believes that the Ukrainian Army should consist of both contract servicemen and conscripts.

OPPOSITION

Ukrainian opposition figure seeks political asylum in Europe

On 18 January 2013, Ukrainian opposition figure **Andriy Shkil**, who failed to make it to parliament, said that he would seek political asylum in the Czech Republic shortly.

Earlier he said that he was subjected to criminal persecution in Ukraine and part of his property was arrested.

In March 2001, Shkil was arrested for his activities as an opposition member and spent a year under arrest. He was released when he was elected to parliament.

Ukraine's opposition accuses pro-presidential party of using copies of lawmakers' IDs for voting

On 11 January 2013, an MP of the opposition parliamentary faction Fatherland, **Oleksandr Turchynov**, said that the pro-presidential Party of Regions parliamentary faction had received 14 copies of IDs belonging to its lawmakers in order to vote in their absence.

HUMAN RIGHTS

FH: Ukraine still "partly free" country

On 15 January 2013, the international watchdog Freedom House published the report 2013 Freedom in the World. According to it, Ukraine is on the list of "partly free" countries and the level of freedom in Ukraine has been deteriorating for two years.

Among the reasons for the deteriorating situation in Ukraine, the watchdog named the reduction of the quality of the elections, persecution of the opposition and the adoption of the language law that creates preferences for the Russian-speaking population.

FH head **David Kramer** named corruption as Ukraine's biggest problem.

European court rules Ukrainian judge dismissal illegal

The European Court of Human Rights has ruled that Ukraine must restore **Oleksandr Volkov** as a judge of the Supreme Court of Ukraine and pay him 20,000 euros of moral damages.

The court ruled that Volkov's rights for fair trial and for respect of private life were violated. The court also pointed out that during the parliamentary vote for Volkov's dismissal, several MPs illegally voted for their absent colleagues.

On 17 June 2010, the Ukrainian parliament dismissed Volkov as a judge of the Supreme Court of Ukraine for the violation of oath.

An ECHR judge **Stanyslav Shevchuk** said that as for this day Ukraine failed to fulfil 95 percent of the ECHR rulings.

SOCIETY

Ukraine in top ten countries with worst death rate

Ukraine is No 8 on the list of the top 10 countries with the highest death rate, the Golos.ua website on 16 January 2013 quoted the CIA report as saying.

According to the CIA, the current rate in Ukraine is 15 deaths per 1,000 people.

By 1 December 2012, the Ukrainian population shrank to 45.6m people, with every tenth Ukrainian dying before turning 35.

Study shows 40 percent of Ukrainians have Internet access at home

On 14 January 2013, the US company Gallup Organisation published results of the study on its official website, according to which 40 percent of Ukrainians had access to the Internet at home in 2011.

The public survey conducted by the Gorshenin Institute among young people in April 2012 showed that 41.7 percent of them surf the web at their leisure time.

ECONOMICS

Ukraine named among world's worst economies

The Index of Economic Freedom, an annual guide published by The Wall Street Journal, ranked Ukraine 161st among 177 countries. The report was published on 10 January 2013.

Moreover, among 43 European countries, Ukraine took the last place.

Ukraine foreign exchange reserves down by 7.25bn dollars in 2012

As the National Bank of Ukraine reported on 5 January 2013, Ukraine's international reserves in 2012 dropped by 7.25bn dollars (22.8 percent down y/y), from 31.79bn dollars to 24.55bn dollars.

2012 state budget falls short by 3.5bn dollars

Revenue shortfalls in the national budget of 2012 amounted to almost 3.5bn dollars, news and analysis website LB.ua reported on 9 January 2013.

According to the Ministry of Finance, the budget deficit over January-November 2012 reached 5.15bn dollars.

Ukraine fails to fulfill 2012 privatization plan

In 2012, privatization revenues to the national budget amounted to 846m dollars, which constitutes less than 68% of the plan (1.25bn dollars), the press service of the State Property Fund reported on 8 January 2013.

In his article for news and analysis website LB.ua as of 1 January 2013, **Andriy Vodiany** says that the biggest part of the assets offered for sale in 2012 were purchased by the companies of two Ukrainian businessmen **Rinat Akhmetov** (5 power distribution companies) and **Dmytro Firtash** (13 gas distribution companies).

World Bank lowers economic outlook for Ukraine

The World Bank has lowered its forecast of Ukraine's GDP growth in 2013 from 3.5 percent to 2.2 percent, news and analysis website LB.ua reported on 16 January 2013.

The World Bank predicts the GDP growth at 3.2 percent in 2014 and 3.5 percent in 2015.

According to the World Bank's estimates, last year Ukraine's GDP grew by 0.5 percent.

The World Bank estimated the country's balance of payment deficit in 2012 at 7.8 percent of GDP, and is expecting this figure to be 6.6 percent in 2013, 5.6 percent in 2014, and 4.7 percent in 2015.

IMF mission to visit Ukraine

At the request of the Ukrainian authorities, an IMF mission will visit Ukraine on 29 January –12 February to initiate negotiations on a new stand-by arrangement, IMF Resident Representative in Ukraine **Max Alier** said on 17 January 2013.

According to news and analysis website LB.ua, Ukraine in 2013 will have to pay 5.8bn dollars on IMF debts.

Prime Minister **Mykola Azarov** on 18 January said that Ukraine was ready to increase utilities prices for certain groups of the population in order to reach a compromise with the IMF.

Ukraine searching for investors in USA

First Deputy Prime Minister **Serhiy Arbuzov** and Finance Minister **Yuriy Kolobov** on 15 January 2013 went on a four-day visit to the United States. According to the Dzerkalo Tyzhnya weekly, the purpose of the visit is to find sources of financing alternative to the IMF. During the visit, the delegation planned to meet with representatives of investment company Franklin Templeton Investments.

Public debt may reach 78bn dollars in 2013

The national budget for 2013 allows for increase in the state debt of Ukraine to 78bn dollars, financial analyst **Server Sadykov** wrote in his blog on news and analysis website LB.ua.

By the end of November 2012, the national debt of Ukraine amounted to 62.7bn dollars.

Government preparing to raise land tax

The Ministry of Finance has drafted a bill that increases the land tax rate threefold (from 2.5 to 8.5 dollars), business daily Kommersant Ukraina reported on 17 January 2013. The tax may be increased starting from 2014.

Ukraine bans gold exports

The Ukrainian government in late December 2012 imposed a ban on exports of gold and silver in unprocessed and semi-processed form.

NBU changes rules for currency transfers abroad

Starting from 25 January 2013, the central bank will be issuing individual license permits for the opening of bank accounts abroad. The bank's resolution to this effect was passed on 14 December 2012.

According to the resolution, residents, who acquired an individual license from the National Bank of Ukraine for depositing currency outside Ukraine, may perform currency transfers on their individual accounts from Ukraine, using the currency specified in the license.

Currently, the limit on currency transfers abroad is 75,000 dollars.

The central bank has also simplified the procedure for obtaining the abovementioned individual licenses.

Cabinet approves bill regulating transfer prices

On 16 January 2013, the cabinet approved a bill on control over transfer prices.

According to the bill, transfer prices will become subject to regulation if the total amount of trading between the taxpayer and contractor exceeds 6.2m dollars a year.

The bill was presented by Minister of Revenues and Duties **Oleksandr Klymenko**. The Dzerkalo Tyzhnya weekly said the document was approved by First Deputy Prime Minister **Serhiy Arbuzov** and Finance Minister **Yuriy Kolobov**, while Deputy Prime Minister **Oleksandr Villus** (believed to be a protege of Rinat Akhmetov) and Deputy Prime Minister **Yuriy Boyko** (believed to be an affiliate of Dmytro Firtash) objected.

According to Klymenko, the bill could bring additional 2.5bn dollars to the budget as taxes on the revenues of the companies that perform their business abroad via mediators and offshore schemes.

Ukrtelecom changes owners

Cyprus company EPIC Telecom Invest has sold 100 percent of the shares in ESU (which owns Ukrtelecom, a major Ukrainian communications company) to Cyprus company UA TelecomInvest Limited, news and analysis website LB.ua reported on 17 January 2013.

In 2011, ESU won the tender for the privatization of Ukrtelecom, and paid 1.3bn dollars for the company.

ENERGY MARKET

Ukrainian state energy company reorganizes subsidiaries

In late 2012 the government completed the restructuring of Ukrtransgaz, a gas transport and storage company, and Ukrhazvydobuvannya, a gas extraction company, by transforming these subsidiaries into public joint-stock companies. They are fully owned by Naftohaz Ukrainy.

Shell permitted to develop Yuzivka gas field

On 16 and 17 January 2013, Shell received the required permits to start developing the Yuzivka gas field in Kharkiv and Donetsk regions.

According to geologists, the Yuzivka gas field holds up to 2,000bn cu.m. of gas.

Government commission completes probe into LNG terminal

On 14 January 2013, the government commission presented a report on the construction of an LNG terminal. The commission suggested that President **Viktor Yanukovich** only reprimand the head of the State Agency for Investments, **Vladyslav Kaskiv**, over the scandalous signing of the agreement on the terminal construction.

On 26 November 2012, Kaskiv and the Spanish company Gas Natural signed a cooperation agreement on the construction of a terminal with the budget of 1.1bn dollars. It transpired later that **Jordi Sarda Bonvehi** who signed the deal on behalf of Gas Natural was not authorized to represent the company.

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