



Gorshenin *Weekly*

ISSUE #38 11/07/2011

IMF suspends talks with Ukraine until latter closes gas deal with Russia

The visit by the International Monetary Fund (IMF) has yielded no significant result.

On November 4, 2011, **Max Alier**, the IMF Resident Representative in Ukraine, announced that the fund has decided to take a pause in negotiations with Ukraine "to enable some additional technical work to be carried out." "Policy discussions are expected to resume in the near future," he noted.

On the same day, Ukrainian Prime Minister **Mykola Azarov** said that the sides will resume the talks on revising the cooperation program after Ukraine closes a new gas deal with Russia. According to him, the respective decision was made on November 4, 2011, following talks between Finance Minister of Ukraine **Fedir Yaroshenko** and Deputy Prime Minister and Social Policy Minister of Ukraine **Serhiy Tihipko** with IMF leaders in Washington, D.C. (USA).

At the same time, the head of the Ukrainian government strongly denied reports that he allegedly refused to meet with the IMF mission during its visit to Ukraine.

"During its working visit to Ukraine, the IMF mission held meetings with the heads of ministries and agencies every day. The mission was closely reviewing Ukraine's progress in implementing the cooperation program. Prime Minister Azarov also met with the mission several times," the press service of the Ukrainian government said in a statement.

According to LB.UA portal, during the roundtable discussion "What Threats Does a Second Wave of the Global Crisis Bring to Ukraine?" held at the Gorshenin Institute on November 2, 2011, Ex-First Deputy Finance Minister **Ihor Umansky** said the Ukrainian government did not find time to meet with the IMF representatives over almost ten days of the mission's visit to Kyiv.

"Since the mission's arrival, no one [referring to the leadership of Ukraine] met with them. I talked to them [the mission representatives], they were shocked. They collaborated at working level but every time some problem sprang up, our officials relegated it to Azarov, who refused to meet with the mission at that time," Umansky said.

As reported earlier, the IMF mission arrived in Ukraine on October 25, 2011 to meet with the Ukrainian authorities. It was expected that the mission would end its work in Ukraine on November 4, 2011. However, on November 3, 2011, MP **Volodymyr Rybak** of the Party of Regions said the mission left ahead of time (one day earlier). It was expected that following the visit, the mission could recommend the IMF board of directors to finish revising the stand by agreement and to grant Ukraine another tranche of financing.

It should be noted that on the day of the mission's arrival, Azarov confirmed its previous statement that Ukraine would not need the IMF loan at the cost of raising the gas price for households, which is nearly the key condition for the fund to provide its next tranche.

Ukraine hopes to complete gas negotiations by end of 2011

The Ukrainian government expects to complete the gas negotiations with Russia in near future.

"Currently, we are holding talks with Russia regarding natural gas deliveries. In our opinion, they will be completed this month, in November," Ukrainian First Deputy Prime Minister and Economics Minister **Andriy Klyuyev** said in Parliament on 4 November 2011.

"We will know the [gas] price we will pay in 2012," he added.

Klyuyev explained that by taking that price into consideration, the government will be able to calculate necessary subventions to local budgets in order to compensate for a difference in tariffs. Although the first deputy prime minister refused to forecast the gas price, he assured lawmakers that it would be much lower than at present. Klyuyev also said that Ukraine's approval of Russia's accession to the WTO was among the issues raised during the negotiations.

According to him, if Kiev and Moscow fail to reach a compromise on revising the gas contracts, the price of Russian gas for Ukraine in the first quarter of 2012 may be 456 dollars per 1,000 cu.m.

We shall remind you that on 31 October 2011, Ukrainian Energy and Coal Industry Minister **Yuriy Boyko** and Gazprom's CEO **Aleksey Miller** held a meeting in Moscow. A statement issued by Gazprom said that the parties agreed during the meeting to strictly adhere to the current contracts for the delivery and transit of gas before new agreements are reached.

Boyko said earlier that given its strategic partnership with Russia, Ukraine no longer intended to challenge the gas contracts signed in 2009 in international courts.

At the same time, on 2 November 2011, Ukrainian Prime Minister **Azarov** stated once again that the price of Russian gas was too high for Ukraine. "Currently, the price of Russian gas for Ukraine without the Kharkiv discount is around 546 dollars. Let's compare this for a minute the price of gas paid by Germany. It purchases gas for 346 dollars while it is situated much further from the Russian border. In these circumstances, when a permanent representative of the EU in Ukraine says that they applaud this contract which was signed in 2009 and saved Europe from a crisis, I would like to ask why the Ukrainian people were insulted? Why was our country put on the edge of a catastrophe?" Azarov noted.

Ukraine, Russia switch to gas payments in ruble

The National Bank of Ukraine (NBU) has agreed the possibility of paying for Russian gas in rubles.

According to LB.UA portal, on October 26, 2011, during an official visit by the Ukrainian delegation to Russia, NBU head **Serhiy Arbuzov** held a working meeting with acting Finance Minister of Russia **Anton Siluanov**, the leaders of the Central Bank of Russia and Gazprom. During the meeting the sides agreed on the possibility for Ukraine to make payments for the consumed natural gas, particularly, in Russian rubles.

According to Arbuzov, Ukraine and Russia are currently working on an addendum to the gas contract that would allow Ukraine making partial payment in rubles.

"The reached agreements give Ukraine some space for maneuvering when paying for imports, in particular, for natural gas, and will allow it to avoid fluctuations on the currency market in the event of financial settlements with the entities of the Russian Federation," the press service of the NBU said.

Later, Prime Minister of Ukraine **Azarov** said it is real to start paying for imported gas in Russian rubles starting from December 2011.

MP of the Party of Regions **Oleksiy Plotnikov**, who heads the parliamentary

subcommittee on international economic policy, believes the price of Russian gas for Ukraine may be reduced after the switch to Russian ruble payments. "It's more convenient for the neighboring state if we pay them in their national currency. Basically, if this means a lower gas price for us, I do not see any problems here, if we have a lower gas price in exchange for the ruble payments," he said. At the same time, in his view, the transition to the gas payments in rubles will not spur appreciation of the Russian ruble, and is only a technical issue in mutual settlements.

In its turn, the opposition demands that the government report to Parliament on the switch to the gas settlements with Russia in rubles.

"We demand that the NBU head, together with the finance minister and Azarov [the prime minister] report to the Parliament on who gave them the right to switch from the Ukrainian hryvnia to the Russian ruble," MP **Arseniy Yatseniuk** of the Our Ukraine – People's Self-Defense parliamentary faction, the leader of the Front of Change party said at the parliament sitting on November 2, 2011. According to him, the transition to the gas settlements in the Russian ruble is "the first step in bringing Ukraine under the full protectorate of the Russian Federation." As Yatseniuk noted, the switch means only one thing, that "it is no longer necessary to join [the Customs Union of Russia, Belarus and Kazakhstan]. Essentially, it is a currency union, and the Russian national bank will control all the payments by Ukraine, including those for natural gas."

It worth mentioning that Deputy Chairman of the Russian State Duma, President of the Russian Gas Society **Valeriy Yazev** believes Ukraine's transition to the gas payments in Russian rubles corresponds with the Russian President's task to turn Moscow into an international financial centre.

In his turn, head of the Center for Market Reforms **Volodymyr Lanovy** assumes that the switch to the gas payments in Russian rubles would mean that Ukraine will receive gas on credit. According to the expert, Ukraine does not have enough dollars to make payments for gas to Russia, with the former not expected to draw in any loans, since the IMF is very skeptical about it. Therefore, in the expert's opinion, the only choice for Ukraine is to borrow from Russia. Thus, the gas supply contract will actually set the terms for the new loan. As the expert noted, since Ukraine will have to repay the loan in rubles, it will buy this currency on the local market, particularly from Russian banks.

Opposition demands checking lawfulness of signing of CIS free-trade agreement

The Prosecutor General's Office will check the lawfulness of the signing of the agreement establishing a free-trade area in the CIS.

On November 4, 2011, Parliament voted in favour of an appeal made by MP **Yatseniuk** of the Our Ukraine – People's Self-Defense, the head of the Front of Change party, addressed to Prosecutor General **Viktor Pshonka** to check the lawfulness of the signing of the agreement establishing a free-trade area in the CIS.

Ukraine seeks to treble Russian VTB Bank's loan to 6bn dollars to help current account

Ukraine may expand the loan from Russian VTB Bank by three times.

The agreement may provide for "raising the loan amount from 2bn dollars to 6bn dollars and extending the loan period," Investment Capital Ukraine, an investment company, said in a statement.

According to the company, the extension of VTB's loan may be part of a broader agreement with Russia, which outlines the terms for natural gas supplies and trade

issues. The statement also reads that Ukraine may negotiate a discount on the natural gas supplied by Gazprom. The said discount may be in the range of 50 to 100 dollars per 1,000 cubic meters.

As reported earlier, Ukraine took a six-month loan from VTB in 2010, and extended it two times – in December 2010 and June 2011. The loan rate is 6.7%.

**Ukrainian-EU summit
to be held on 19
December 2011**

Kiev has received an official proposal from Brussels to hold a Ukrainian-EU summit on 19 December 2011.

“We received an official note from the EU which said that the EU proposed to stage a Ukraine-EU summit in Kiev on 19 December of this year. As soon as this Friday, for its part, the Ukrainian party sent an official note to Brussels in which it laid out its principled agreement with the EU proposal,” Ukraine's envoy to the EU **Kostyantyn Yelyseyev** said on 4 November 2011.

When asked about a potential visit of Ukraine's President **Viktor Yanukovich** to Brussels, the Ukrainian diplomat responded: “I have a difficulty answering this question since this is contingent on many factors. First of all, there is a month and a half left until the summit and this is an extremely short period of time. The schedule of both the Ukrainian president and the president of the European Commission is quite hectic. One needs to take into consideration the internal state of affairs in the EU which is undergoing a serious crisis.”

We would like to note that on 4 November 2011, Ukrainian Prime Minister **Azarov** expressed once again the stance of the Ukrainian government on an association agreement with the EU: “We believe that this agreement should clearly state Ukraine's prospects for the EU [membership].” At the same time, he added that Ukraine would spare no effort to ensure that an association agreement is successfully signed by the end of 2011.

**Debate on second
reading of draft law
decriminalizing
economic offences
postponed**

Ukrainian lawmakers have reached an agreement to postpone the consideration of a second reading of the draft law on decriminalizing economic offences.

“Understanding the need to find a further compromise on this issue, upon a proposal from the Yuliya Tymoshenko Bloc [YTB] and Our Ukraine-People's Self Defence, we decided to postpone the consideration of this issue,” parliamentary speaker **Volodymyr Lytvyn** said in the parliamentary chamber on 4 November 2011.

In his turn, the head of the YTB faction, **Ivan Kyrylenko**, said that the faction leaders had agreed to delay the consideration of this draft law until the next plenary week, 15-18 November 2011.

We would like to note that on 4 November 2011, the YTB faction blocked the rostrum in parliament demanding that the draft law on decriminalizing economic offences be not debated since the majority did not intend to vote for the amendments proposed by the opposition and the decriminalization of the article used to convict former Ukrainian Prime Minister **Yuliya Tymoshenko**, in particular.

It is well known that Tymoshenko was sentenced to seven years behind bars under Article 365 of the Criminal Code of Ukraine for exceeding her authority when she signed the gas contracts with Russia in 2009.

**Party of Regions
intends to adopt law
on electing MPs in
December 2011**

The head of the ruling Party of Regions parliamentary faction, Oleksandr Yefremov, has forecast that the law on electing MPs will be passed in December 2011.

According to him, the document, which will be drawn out by a special parliamentary commission, will reflect a consolidated position of all the factions. At the same time, Yefremov noted that he did not know the outcome of the commission's work.

According to the Ukrainian news and analysis website LB.UA, on 3 November 2011, Parliament set up an ad hoc special commission to finalize the draft law on electing MPs in order to incorporate the points made by the Venice Commission. It is expected that the parliamentary commission will work for two weeks so the draft law can be considered by parliament on 17 November 2011. It was agreed that a representative of an opposition faction will be the commission's head. The deputy chair of the commission will be a representative of the majority.

We would like to note that out of the five draft laws on electing MPs submitted to Parliament, a specialized parliamentary committee recommended lawmakers to adopt in the first reading only one bill which was submitted by the head of the Party of Regions parliamentary faction and other MPs representing the majority.

The draft law envisions the adoption of a mixed electoral system in Ukraine which would combine the first-past-the-post voting system with the proportional system. Hence, 225 MPs would be elected from the single all-state multi-member district from a list of political parties, while the other 225 lawmakers would be elected from single-member electoral districts.

For its part, the Venice Commission proposed that Ukraine does not switch to a mixed electoral system and to adopt a proportional system with open regional lists. "If we talk about the adoption of a mixed system, Ukraine has negative experience of implementing such system. A mixed system may lead to abuse," the Venice Commission's secretary, **Thomas Markert**, said. He also stressed that the draft law submitted to Parliament by the MPs of the majority (authored by Yefremov and others) differed from the document which was drawn up by the work group set up by President **Yanukovych** and which was submitted to the Venice Commission.

According to the head of the all-Ukrainian organization Committee of Ukrainian Voters, **Oleksandr Chernenko**, "the draft law written by the working group contained strict requirements regarding the cancellation of a candidate's registration to ensure that it takes place only in cases set out by the Constitution". "However, the draft law submitted by the majority talks about two warnings which might be issued to a candidate running for election under the first-past-the-post voting system. After a third warning, there are grounds for cancelling his registration by an electoral commission," Chernenko added.

Presidential advisor **Maryna Stavniychuk** believes that the draft law on electing MPs which was submitted by the parliamentary majority contains anti-constitutional norms. "Unfortunately, the draft law proposed today, which will be apparently passed by Parliament, demonstrates in many aspects a considerable step back from the already achieved level of legal regulation of the electoral process and creates broad opportunities for subjectivity in decision-making and manipulations which, as a result, will lower trust in election and the results of elections both in the country and outside it," she said. At the same time, Stavniychuk noted that it was Parliament's responsibility to decide on the issues of an electoral system.

In his turn, the head of the presidential administration, **Serhiy Lyovochkin**, noted that Ukraine had the right to ignore the recommendations of the Venice Commission. "This is a sovereign right of any country to determine its electoral system and an electoral threshold," he explained. At the same time, Lyovochkin expressed hope that MPs will take into account the conclusions drawn by all the international agencies regarding the draft law on amending the electoral law.

According to Yefremov, such issues as an electoral threshold and an electoral system – either first-past-the-post or proportional – should be decided upon by MPs by a parliamentary vote.

President Viktor Yanukovich: in Ukraine weapons being bought to attack authorities

Ukrainian President Viktor Yanukovich claims that mass purchases of weapons are being made in the country to prepare armed attacks on official authorities.

"Today law-enforcement agencies have reported that purchase of weapons are being made in the country and preparations are being made for armed attacks on official authorities", - Yanukovich said at the extended sitting of the Cabinet of Ministers on 2 November 2011.

Some media report that law-enforcers have already strengthened security arrangements to Ukraine's leadership in connection to a threat of an armed attack.

The Ukrainian Minister of Internal Affairs, **Anatoliy Mohylyov**, speaking in Parliament on 4 November 2011, confirmed facts of selling weapons. "Really, we do have cases like this... In particular, what we discovered in Lviv and Kharkiv, tells us that over the past few years periodic checks of weapons storage conditions at the Interior Ministry's entities were of a formal nature", Mohylyov said. He added that the Ukrainian Interior Ministry checks information on possible attacks on the authorities.

A reminder that on 16 November in Kharkiv two policemen were detained while attempting to sell five pistols. Also, in mid October 2011 it became known that over one hundred items of combat weapon disappeared from the Lviv University of Internal Affairs. Earlier the issue was 120 pistols, two assault rifles and one machine gun.

The Ukrainian Interior Ministry's press services published statistics data on 3 November 2011 showing that since the beginning of 2011 the police have stopped illegal circulation of 2,781 items of fire weapon and 738kg of explosives. "While in previous years arms were usually withdrawn from people who organized crimes or from so-called 'black archaeologists' who do illegal excavations at places of former battles, this year people from whom guns were withdrawn, among motives for keeping weapon, say it was done with an intention to attack the offices of official authorities. Now law-enforcers are trying to figure out real intentions of these people", the Interior Ministry said.

A number of Members of Parliament from opposition parties say that the main vendors of weapon in Ukraine are members of staff of law-enforcement agencies. At the same time, representatives of the opposition describe the president's statement on preparations of attacks on the official authorities as the beginning of resorting directly to a heavy-handed way of solving political issues.

Nevertheless, a number of Ukrainian experts believe that Yanukovich's statements like this show that the president is poorly informed about the real state of events in

society, which leads to manipulating him.

It is worth mentioning here that the experts polled by the Gorshenin Institute say that there are no real conditions for an armed appraisal in Ukraine. See details on page 13.

Protests over government's policy continue in Ukraine

Chernobyl accident clean-up workers and Afghan war veterans start the second round of all-Ukrainian protests on 7 November 2011.

Protestors row over cutting social privileges to them. An activist of protest actions, former Chernobyl clean-up worker, **Mykola Senchin**, said the Ukrainian State Pension Fund has cut pensions to Chernobyl accident clean-up workers and Afghan war veterans by 70%. According to Senchin, earlier participants in the Chernobyl accident clean-up operations received an average pension of 877 dollars while as of today they received as much as 251 dollars on their pension accounts. Senchin added that Prime Minister **Azarov** and Deputy Prime Minister **Tihipko's** statements that social payments would not be cut and would even be increased turned out to be lie. "The government has breached the memorandum signed with Chernobyl accident clean-up workers and Afghan war veterans in September 2011. They took away pensions that we honestly earned and later defended in courts", **Senchin** said.

A reminder that protests of Chernobyl accident clean-up workers and Afghan war veterans took place in Kiev and number of other major Ukrainian cities over the last week (between October 31 and November 6, 2011). The protestors demanded retaining of all social privileges earlier given to them. Also, entrepreneurs protested over changes to the Tax Code.

Those protesting over the government's policy outside the building of the Ukrainian Parliament on 2 November 2011 forced the fence surrounding the parliamentary building but were stopped by Berkut riot police.

The head of the Interior Ministry's directorate for protection of public order, **Viktor Ratushnyak**, said that the protests outside the parliament's building were staged for money. He said that the police now look through video tapes of the events that they have in order to approve a decision on initiating a criminal case. Ratushnyak added that the protestors' actions are preliminary classified as hooliganism and breach of public order committed by a group of people.

The head of the Party of Regions' parliamentary faction, **Yefremov**, said that mass protests are linked to the coming parliamentary election. "I think the closer we are to the election date the more different situations we will have with some political forces initiating some actions", Yefremov said. He also said that both the Cabinet and the parliamentary committees hold regular meetings with members of public organizations uniting entrepreneurs and Afghan war veterans and try to address all the requirements they put forth.

It is worth mentioning that the public opinion poll conducted by the Gorshenin Institute in late March 2011 shows that almost a half of Ukrainians (45.3%) are ready to take part in protests.

Scandal erupts with election of judge of Ukrainian Constitutional Court

Parliament appointed Oleksandr Pasenyuk a judge of the Ukrainian Constitutional Court on 3 November 2011.

The appointment was supported by votes of 249 Members of Parliament, a total of 259 MPs took part in the voting.

Pasenyuk's current position is the chairman of the Supreme Administrative Court despite his powers expiring back in 2009.

While voting for Pasenyuk's candidacy, a video camera took a shot of an MP from the speaker's Lytvyn Bloc throwing a stack of voting papers into the ballot box. The opposition claimed that the voting process was rigged. Nevertheless, Pasenyuk was sworn in as a judge of the Ukrainian Constitutional Court.

Later, members of the Party of Region said that there was nothing bad about the fact when one Member of Parliament casts several ballot papers into a ballot box during a secret vote.

"There is practice when members of parliament submit their bulletins to one person. A Member of Parliament puts his vote on the ballot paper and then hands it over to the faction leader. This may be a solution of the faction. This is something that was not invented recently", Party of Regions MP **Yuriy Boldyryev** says.

Parliament cuts quota for Ukrainian content in radio and TV programmes to 25%

The Ukrainian Parliament approved as a whole amendments to law On Television and Radio Broadcasting on 3 November 2011.

If the president signs the amended law, the content of video and music product developed by Ukrainian authors or performers in the air of every television or radio company shall make at least 25% (versus 50% now). The language of the law talks not about the Ukrainian language but about the product made in Ukraine.

Speaking from the parliamentary rostrum, the author of the law, Party of Regions MP **Olena Bondarenko** said that the working group considered proposals to cut requirements to the Ukrainian product in the air down to 0%, so 25% is a compromise option.

International Finance Corporation: Business environment deteriorating in Ukraine

On November 1, 2011, the International Finance Corporation (IFC) presented its study "Investment Climate in Ukraine as Seen by Private Businesses 2011."

The study shows that corruption and corporate raiding have increased in Ukraine over the past two years. The percentage of enterprises that resorted to unofficial means to solve issues with state officials has grown from 35% to 46%, and those making presents to state officials whose decisions could affect them from 20% to 25%. Over the two years, the spending by businesses on bribing officials in Ukraine has increased from 6% to 10% of company turnover. "It shows that no real improvements in doing business in the country have been made. The authorities are applying more pressure on businesses," the manager of the IFC Ukraine Investment Climate Project **Serhiy Osavoliuk** says.

At the same time, World Bank Country Director for Ukraine, Belarus and Moldova **Martin Raiser** admits there is a high threat of raider attacks on business in Ukraine, although this phenomenon was not covered by the report. "When coming to Ukraine, investors should communicate with embassies and other investors to learn the specifics of doing business in Ukraine. They can quickly lose their businesses here. It is quite dangerous here, and everyone acknowledges it," Martin Raiser said.

It should be noted that the IFC report is based on the results of a survey of 1,636 enterprises and 415 sole proprietors operating in Ukraine.

“Virtually all of the findings of the survey correspond with the feelings of our members. Despite the number of permits declining, it has become more complicated to obtain them, the number of inspections is not decreasing, and the level of corruption is growing. The changes in the legislation aimed at deregulation are often not fulfilled, and sometimes the work of state agencies clashes with the law, as was the case when they banned businesses from including losses of previous years in tax statements,” Executive Director of the European Business Association **Anna Derevyanko** said.

As reported earlier, Ukraine dropped three positions in the ranking on ease of doing business published by the IFC and World Bank in October 2011, and occupied 152nd place out of 183 countries.

FATF removes Ukraine from blacklist

FATF removes Ukraine from blacklist.

According to First Deputy Head of Presidential Administration **Iryna Akimova**, the respective decision was made at the FATF meeting on October 29, 2011.

Ukraine was in the FATF blacklist from 2002 to 2004, and then again became subject to FATF monitoring in 2010.

Note:

The Financial Action Task Force (FATF) is an inter-government body whose purpose is the development and promotion of national and international policies to combat money laundering and funding of terrorists.

Ukraine's grain crop tops 50m tons

As of October 31, 2011, Ukraine harvested 50.05 million tons of grain, which is 25% more against the same date in 2010.

The Ministry of Agrarian Policy of Ukraine says that according to updates coming from the regions, as of October 27, 2011, the expected output of grain crops harvested in 2011 will reach about 54 million tons. Thus, taking into account initial reserves (6.2 million tons), the grain supply this marketing year may reach 60 million tons. With the domestic need of 27.2 million tons and optimal carry-over reserves of 5.7 million tons, Ukraine's grain export potential is estimated at more than 27 million tons (about 11 million tons of wheat, 3.1 million tons of barley and 13 million tons of corn).

Government seeking to raise investment potential of domestic gas fields

The National Electricity Regulatory Commission (NERC) has prepared a draft document setting out a new procedure for determining the price of natural gas produced in Ukraine.

The commission suggests that the price of domestically produced gas be based on the operating expenses of companies and estimated profits, as well as the rent for producing natural gas in Ukraine, which is calculated in line with the rates established by the Tax Code. Thus, the NERC expects to establish single principles for setting prices of natural gas, petroleum (associated) gas, coal bed methane and shale stratum gas. In addition, the commission is hoping that the new rules will facilitate the formation of fairly grounded prices of domestically produced gas.

Experts believe that the adoption of the new procedure for setting the price of domestically produced gas may boost the inflow of foreign investments in the sector, which in turn will have a positive impact on the output of domestic

natural gas through exploration of new fields.

As reported earlier, before the end of 2011, the government intends to spend 35m dollars on the search for new oil and gas fields. It is planned to use these funds on preparing six promising oil and gas areas with an estimated reserve of 22 million tons of fuel equivalent.

According to analyst of Profit Garant investment company **Serhiy Dubov**, the implementation of the plan will help increase the domestic production of hydrocarbons in the future. "However, the development of new deposits will likely require much larger investments and modern technologies because they will be much more difficult and complicated to reach in terms of geology," the expert said. Therefore, the Ukrainian oil and gas industry will not develop successfully without attracting foreign investment, he noted.

One in every four Ukrainians lives in area of potential chemical contamination

A total of 12 million of Ukrainians live in areas of potential chemical contamination from potentially hazardous facilities.

The acting Head of the Ukrainian State Inspectorate for Industrial Safety, **Ihor Hasek**, has said that in Ukraine there are over 24,000 potentially hazardous facilities, most of which are located in the Donetsk, Dnipropetrovsk, Zaporizhzhya, Kharkiv and Lviv Regions.

Hasek also said that "in Ukraine there are 1,211 industrial facilities where a total of 805,000 tonnes of hazardous substances being stored or used for process purposes, out of which there are over 6,000 tonnes of chlorine, 176,000 tonnes of ammonia and over 623,000 tonnes of other hazardous chemicals". He added that in Kiev almost 2/3 of the territory may be affected by possible negative consequences of different accidents at chemically hazardous facilities.

Ukrainian-Russian border demarcation talks enter practical stage

Ukraine and Russia agree on place to install first border sign at the Ukrainian-Russian state border as part of demarcation works.

The spokesman of the Ukrainian Foreign Ministry, **Oleksandr Dykusharov**, said that an agreement to this effect was reached on 26-27 October 2011 at the meeting of the Ukrainian-Russian joint border demarcation commission.

Nevertheless, Dykusharov did not specify either the place or the date for installation of border signs.

Dykusharov also said that a trilateral Ukrainian-Russian-Belarusian meeting has been held to establish the point of crossing the borderlines of these countries. The meeting resulted in approval of the procedure for establishing such a border crossing point.

A reminder that the Russian ambassador in Ukraine, **Mikhail Zurabov**, said on 22 October 2011 that technical works on demarcation of the Ukrainian-Russian border have started.

Transnistria admits possibility of joining Ukraine

The President of the unrecognized Moldovan Republic of Transnistria Igor Smirnov admits the possibility of Transnistria's annexation to Ukraine.

"The desire to be with Ukraine, I guess, has not disappeared. Of course, since the very beginning, it has been the idea of Ukrainedom...Let the Ukrainian community establish the procedure, hold a referendum and that's all. And if the people decide to be with Ukraine, then so be it," Smirnov said when asked if it was possible that the Transnistrian people would decide to make the region an autonomy within Ukraine.

The Transnistrian leader noted that he was sure of future recognition of the republic's independence from Moldova, ruling out a reunion with it. In his words, about 87 countries already trade with Transnistria, thereby in fact recognizing it.

It should be noted that Moldova has no intentions to abandon the idea of reintegrating Transnistria with the republic. In turn, Ukraine advocates the territorial integrity of Moldova and granting Transnistria special status within the republic.

“There are no real conditions for an armed appraisal in Ukraine” - experts

Ukrainian President **Viktor Yanukovich** quoted law-enforcement agencies as saying that the mass purchase of weapons was under way to prepare for an armed attack on the government.

The head of the parliamentary subcommittee for state security and an MP of the opposition Yuliya Tymoshenko Bloc (YTB), Lt-Gen of the Security Service of Ukraine (SBU) Oleksandr Skybunetsky: “I believe that this is impossible. Personally, I am not aware of such opposition organizations which would be preparing something like this. If anything of this sort is being prepared, preventive measures should be taken. Those who are guilty should be detained. There should be an investigation and a trial. However, law-enforcement bodies cannot say anything today that would make sense despite the president's statement. That is why there is only one conclusion: this is all done in order to flare up passions for political purposes.”

The first deputy head of the parliamentary committee for fighting organized crime and corruption, MP of Our Ukraine-People's Self-Defense Hennadiy Moskal: “I believe that the president's statement was criticism of Mr [Anatoliy] Mohylyov [the Ukrainian interior minister] for his bad performance. The thing is that there were neither strikes, nor protests nor demonstrations, nothing last year. Yet, a very large quantity of weapons was seized. In 2011, the quantity of seized weapons dropped by 13 percent in comparison with 2010: rifles by 17.5 per cent and garnets by 44.8 per cent. This says something about the unsatisfactory work of police. If preparations for a revolution are under way, then the conspirators should have weapons. The main task of police is to seize them. Meanwhile, judging from the recently published information, the Interior Ministry itself supplies weapons for the Ukrainian people. Certainly, even a rock is a weapon for the proletariat. Symonenko and Holub can come out with such a weapon. The rest needs real weapons which are seized. This means that they either do not exist or that Mohylyov does not do his job well.”

The deputy head of the ruling Party of Regions parliamentary faction, Vadym Kolesnichenko: “No armed uprising will certainly take place. It is impossible in principle. However, in the tense conditions related to social problems and an international crisis, we see that the opposition is fighting hysterically for power. That is why there are people who can ignite the fuse, which can lead to unpredictable circumstances. Yet, the opposition as such does not exist in Ukraine. There is a group of television heroes who have no one behind their backs, who brainwash the population with the help of the mass media and can organize destructive actions. Unfortunately, their only goal is power. Since they do not have a cohesive program, it is hard to forecast their actions. When there are low moral qualities, there is one motto: the end justifies the means. However, the campaigns of the so called opposition ended with nothing before and will not end with anything in the future. The thing is that there are simply no real reasons for protests. The current government does everything that is possible in today's economic situation. However, we do not intend to flirt with voters and to destroy the future of our children by taking loans and by a crazy waste of budget funds for the sake of electoral bonuses, as our predecessors did.”

The president of the international public organization Freedom House Ukraine, Svitlana Franchuk: “It seems to me that it is unlikely, at least at present. Of course, it may hypothetically take place in any country. However, as practice demonstrates, Ukrainians are a very patient people. I believe that this is possible only after someone's blood is spilled. Talk about the need to protect our government is childish. I believe that such statements are groundless. Furthermore, such words demonstrate the incompetence of the government in the issues of security.”

On 28-30 October 2011, Gorshenin Institute conducted a telephone survey about moral orientations of Ukrainians. As many as 1,000 randomly sampled adults, aged 18 years and older, living in all Ukrainian regions, as well as the cities of Kiev and Sevastopol were interviewed. Region, sex and the age of respondents were selected as quotas. The maximum margin of sampling error is +/-3.2 percentage points.

1. Who or what do you consider the main representative of moral values?
(you can choose several options)

- a) Family – 83.2%
- b) Church – 37.2%
- c) School or another educational institution – 27.0%
- d) Literature – 24.8%
- e) Cinematography – 22.6%
- f) The state – 21.3%
- g) Other – 3.5%
- i) No answer – 2.4%

2. What is your attitude towards such petty law violations as the following:

	Unacceptable regardless of circumstances	Acceptable sometimes	Consider it acceptable
1. Theft of small goods at a store or a supermarket	79.3%	13.5%	7.1%
2. Driving under the influence of alcohol	80.2%	16.4%	3.5%
3. Throwing away trash or waste on a street or in the nature	76.9%	14.7%	8.4%
4. Violating traffic rules	60.1%	29.8%	10.1%
5. Tax evasion	45.1%	40.2%	14.7%
6. Using public transportation without paying a fare	35.3%	47.8%	16.9%

3. What is your attitude towards violations of such norms of social behavior as the following:

	Unacceptable regardless of circumstances	Acceptable sometimes	Consider it acceptable
7. Rudeness and the use of swear words	64.5%	28.3%	7.2%
8. Keeping found goods or money	39.2%	46.6%	14.2%
9. Reporting a theft committed by a friend or an acquaintance to a law-enforcement body	32.7%	46.9%	20.4%

4. What is your attitude towards violations of such moral norms as the following?

	Unacceptable regardless of circumstances	Acceptable sometimes	Consider it acceptable
10. Sexual relations with a person of the same sex	78.1%	15.6%	6.3%
11. Marital infidelity	55.4%	33.8%	10.8%
12. Abortions	35.4%	50.6%	14.0%

Our contact information:
4, Chapayeva street, office 14
Kiev 01030, Ukraine
+38 044 230 4962
+38 044 230 4966 f



For more information please visit our website
<http://gorshenin.eu/>