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INTERNATIONAL POLITICAL

UKRAINE-EU

Ukraine-EU summit to take place this year - minister

Ukrainian Foreign Minister **Kostyantyn Hryshchenko** has said he is certain that the Ukraine-EU summit would take place before the end of 2012. Hryshchenko made a statement to this effect on 14 September 2012, the Lb.ua news and analysis website has reported.

The EU commissioner for enlargement and neighborhood policy, **Stefan Fule**, when asked on whether the EU-Ukraine summit would take place this year, said that the summit is important from the viewpoint of communications at the highest level, especially when the parties have come so close to the signing of the association agreement.

Fule said that holding such a summit makes sense if it gives a positive impetus, as it was the case with the 2011 summit.

He added that Ukraine expressed its readiness for cooperation, which is why the country should fulfill certain EU's conditions.

Fule also confirmed the EU's intention to implement the association agreement with Ukraine.

The EU expects Ukraine to fulfill certain conditions to make this year's EU-Ukraine summit happen, in particular: remediation of consequences of selective justice regarding the cases of former Prime Minister Yuliya Tymoshenko, and former Interior Minister Yuriy Lutsenko, and acceleration of the implementation of the association action plan.

On 12 September, the European parliament approved draft resolution calling on the Ukrainian parliament to cancel provisions of the Ukrainian criminal law regarding responsibility of officials for their political actions.

EU outlines terms for recognizing Ukrainian election legitimate

The legitimacy of the Ukrainian parliament of the next convocation will depend on the course of the election that should be free and fair and in line with the highest international standards, the EU commissioner for enlargement and neighborhood policy, **Stefan Fule**, the chairman of the European parliament's international relations committee, **Elmar Brok**, and Swedish Foreign Minister **Carl Bildt**, told Ukrainian President Viktor Yanukovich on 14 September 2012.

The EU representatives also spoke of the need to solve the issue of selective justice in order to move ahead to a new level of the relations, envisaged by the association agreement. "We regret that the consequences of the current situation will prevent two important leaders of the opposition from standing in parliamentary elections following trials which did not respect international standards as regards fair, transparent and independent legal process," the statement of Carl Bildt, Elmar Brok and Stefan Fule reads.

Ukrainian President **Viktor Yanukovich** said that the election to parliament will dismiss any doubts in Europe regarding the situation in Ukraine. Yanukovich said he is certain that after the election to parliament Ukraine will sign the association agreement and a free trade agreement with the European Union.

Visiting Kiev on 10 September, the Secretary General of the Council of Europe, **Thorbjorn Jagland**, said that jailing of one of the opposition leaders is an obstacle for the recognition of the parliamentary election in Ukraine.

UKRAINE-RUSSIA

Ukraine refuses to pay Russia on Tymoshenko-run firm debts

The Ukrainian cabinet is asking the Commercial Court of Kiev to dismiss the claim of the Russian Defence Ministry for a payment of 402.5m dollars. This statement was made by representative of the Ukrainian government **Andriy Bohdan** during a court hearing on 13 September 2012, news and analysis website Lb.ua reported.

According to him, letters signed by former Prime Minister **Pavlo Lazarenko** cannot constitute grounds for payment of any debt by the state of Ukraine.

“The Cabinet of Ministers of Ukraine denies the existence of government guarantees for the possibility to recover funds from the state budget of Ukraine in the case of the Unified Energy Systems of Ukraine (UIES). We believe that such guarantees were not provided: the signed letter expressed a personal opinion of certain public officials. No state guarantees existed as such,” he said.

At the same time, Bohdan also noted that representatives of the Russian side did not provide any evidence as to the existence of the debt.

Earlier, the Russian Defence Ministry filed a suit with the Commercial Court of Kiev, demanding that the government of Ukraine repay 402.5m dollars on the debt of the UESU corporation, which was headed by **Yuliya Tymoshenko in 1990s**.

Lawyer **Serhiy Vlasenko** says that the state of Ukraine never gave any guarantees to the Ministry of Defence of Russia with regards to the liabilities of the UESU corporation.

Earlier, Prime Minister **Mykola Azarov** said that Ukraine will not pay the debts of the UESU corporation.

As the Fatherland party told Kommersant Ukraina business daily, if the court rejects the claim filed by the Russian side, it will virtually recognize that the Ukrainian government has no debt to the Russian Defence Ministry, and hence there is no subject of the crime imputed to Tymoshenko.

Ukraine reduces purchase of Russian gas

Ukraine has sent an order to Gazprom for the purchase of 24.5bn cu.m. of natural gas in 2013. “We have sent our purchasing order within the timeframe specified in the contract's terms – at the end of July. And we're making our plans on the basis of the purchasing order we've sent,” Energy Minister **Yuriy Boyko** said on 13 September 2012.

According to the projected balance of natural gas supply and distribution for 2012, which was approved by the Ukrainian government on 20 June, state-run energy company Naftohaz Ukrayiny plans to import 27bn cu.m. of natural gas this year, Ostshem Holding Ltd of **Dmytro Firtash** – another 8.1bn cu.m. The total gas consumption volume this year will reach 62.9bn cu.m., with 20.9bn cu.m. covered by domestic production and 7bn cu.m. to be withdrawn from underground storages.

According to Boyko, the average weighted price of Russian gas for Ukraine in the fourth quarter of 2012 will be 432 dollars per 1,000 cu.m. Naftohaz Ukrayiny paid Gazprom about 890m dollars for natural gas imported in August.

Under the contract of 19 January 2009, supplies of Russian gas to Ukraine in 2013 should reach 52bn cu.m. (minimum level – 41.6bn cu.m.).

Experts point out that Gazprom certainly has the right to demand larger purchases of natural gas from Ukraine and to impose penalties for intake shortages. At the same time, according to director of the Institute of Energy Strategies **Dmytro Marunych**, if Russia files a lawsuit, the Ukrainian side may lodge a counter suit, demanding a lower price of natural gas, just like other European customers did. “Ukraine hasn’t done it yet in order not to come to open confrontation with Moscow. But if Russia files its claim first, Kiev won’t have any reason to hold back from counter measures,” he said.

On 11 September 2012, Russian President **Vladimir Putin** signed a decree, according to which Gazprom will provide information about its activities or discounts to foreign states only after consultation with the government.

Russia readying to launch second string of Nord Stream

The launch of the second string of the Nord Stream gas pipeline is scheduled for 8 October 2012.

The announcement was made by Russian President **Vladimir Putin** on 11 September.

According to news and analysis website Lb.ua, Ukraine lost more than 290m dollars over January-July 2012 due to reduced transit of Russian natural gas through the country’s territory. The Energy Ministry attributes the decrease in transit to Russia’s launch of the Nord Stream bypass pipeline this year, which can result in Ukraine’s revenues falling by 500m dollars by the end of the year.

Russia, Ukraine to start construction of nuclear fuel plant

Russia and Ukraine are planning to begin construction of a nuclear fuel plant on the Ukrainian territory in October 2012. The announcement was made by the Russian news agency RIA Novosti on 13 September.

The plant will be located in Kirovohrad Region. The Ukrainian authorities approved a feasibility study for the plant construction on 27 June. The project cost is estimated at 462.5m dollars, including 137m dollars to be spent on the purchase of fuel production technologies.

On 10 September, Russia received the first batch of Ukrainian natural uranium for enrichment. The raw material will be used for the production of fuel assemblies for Ukrainian NPPs at the facilities of TVEL company.

Ukraine signs trade memorandum with Russia-led customs bloc

On 10 September 2012, Ukraine and the Eurasian Economic Commission (EEC) signed a memorandum on trade and economic cooperation, and cooperation in the field of technical regulation.

The documents were signed by Ukrainian Prime Minister **Mykola Azarov** and Chairman of the EEC Board **Viktor Khristenko**.

Azarov said that Ukraine would like to be represented in the EEC and participate in its meetings as an observer. He added that Ukraine also wants to accredit its permanent representative with the commission, who would work at the embassy of Ukraine in Russia.

The EEC is a supranational body of the Common Economic Space and Customs Union of Russia, Belarus and Kazakhstan.

“Today Ukraine is building a model of cooperation with the Customs Union, exploring ways for cooperation and acceptable ways of integration,” President **Viktor Yanukovich** said on 14 September.

UKRAINE-USA

US envoy calls for setting jailed opposition leader free

US ambassador to Ukraine **John Tefft** said the United States reiterate again that the former prime minister, **Yuliya Tymoshenko**, should be released from jail.

“We keep on saying that Tymoshenko should be set free,” Tefft said on 12 September.

Tefft also said that the USA has a very clear position regarding selective justice in Ukraine.

A Ukrainian court convicted Yuliya Tymoshenko to seven years in prison in October 2011 for abusing powers when signing the gas contracts with Russia in 2009.

UKRAINE-TURKEY

Ukraine, Turkey deepen economic, energy cooperation

Turkey has agreed to allow tankers carrying liquefied natural gas for Ukraine to pass through its sea straits, the Dzerkalo Tyzhnya weekly wrote quoting Turkish Prime Minister **Recep Tayyip Erdogan** as saying during his official visit to Kiev on 13 September 2012

"We will develop cooperation in the sectors of electricity, construction of underground gas storage facilities in Turkey and the joint production of hydrocarbons," Erdogan said.

According to Dzerkalo Tyzhnya's sources, involvement of Ukrainian specialists in design and construction of underground gas storage facilities in Turkey was one of the key issues on the agenda of the meeting between Ukrainian President **Viktor Yanukovich** and Erdogan.

Yanukovich and Erdogan also said that Ukraine and Turkey may sign a free trade agreement before the end of this year.

DOMESTIC POLITICAL

Authorities

Government approves 2013 draft budget

On 12 September 2012, the Ukrainian cabinet approved the state budget for 2013.

According to news and analysis website Lb.ua, nominal GDP in 2013 is expected at 211bn dollars, GDP growth at 4.5 percent. The inflation forecast for 2013 is approved at 5.9 percent (7.9 percent this year). The budget deficit should reach 1.65 percent of GDP.

Budget revenues are to grow by 6.4 percent compared to the current year to 49.37bn dollars, expenditures (with provision of loans) are to grow by 6.3 percent to 54.37bn dollars.

The public debt/GDP ratio is expected at 26.5 percent.

However, during a press conference devoted to the budget, Finance Minister **Yuriy Kolobov** failed to tell journalists what price of the Russian gas is stated in the document.

The draft budget for 2013 envisages solving a number of social issues, as well as implementation of the president's social initiatives which were started in 2012.

First deputy head of the presidential administration **Iryna Akimova** predicts that the projected macroeconomic indicators will be revised during the preparation of the document for the second reading in parliament.

First deputy parliament speaker **Adam Martynyuk** does not rule out that the 2013 budget will be passed by the incumbent parliament.

According to experts, the draft budget for the next year will be revised immediately after the election, as its figures are far from reality.

Chairman of the council of the United Opposition Fatherland **Arseniy Yatsenyuk** pointed out that while presenting the budget Prime Minister **Mykola Azarov** failed to answer questions regarding the national currency. That happened primarily due to the incredible debt, which has doubled over the last 2.5 years, Yatsenyuk says.

Ukrainian pro-presidential party vows making Russian second state language

The pro-presidential Party of Regions has posted campaign billboards in Crimea promising to make Russian the second state language in Ukraine. On 12 September 2012 a number of Ukrainian media re-posted a photo of the election campaign billboards.

“Russian– from a regional to the state second language. Vote for the future,” – the slogan on the board with the Party of Regions' campaign symbols reads.

Ukrainian president to reform cabinet

President **Viktor Yanukovich** has said he supports reforming the Ukrainian cabinet to concentrate on the industrial sector of economy.

“We would need to approach the cabinet's work very seriously, to improve its structure. As of today, the industrial sector appears to be sidelined, and this should not be the case,” Yanukovich said on 11 September 2012.

Yanukovich did not specify however what changes in the cabinet's organization structure he was talking about.

Ukrainian president calls for prosecutor's office reform

President **Viktor Yanukovich** has submitted for parliament's review a draft law “On the prosecutor's office”, the president's representative in parliament, **Yuriy Miroshnychenko**, said on 11 September 2012.

The Dzerkalo Tyzhnya weekly said that the document provides for serious changes in powers of the prosecutor's office. The list of the prosecutor's office's functions not only excludes pre-trial investigations, but also rules out any possibility for a prosecutor to affect investigators. The draft law only suggests preserving the role of the state prosecutor in court and maintaining supervision of compliance with the law of the bodies in charge of investigation, interrogation and implementation of verdicts in criminal justice.

Luxury tax may be implemented in Ukraine next year

The luxury tax may become effective in Ukraine starting of 1 January 2013, the deputy prime minister and minister of social policy, **Serhiy Tihipko**, said on 14 September 2012.

Tihipko said the draft law has been reviewed by the cabinet and was forwarded to parliament. Tihipko expects approval of the law in the near future.

Staff reductions continue in Ukrainian army

The number of servicemen in the Ukrainian armed forces will be reduced by half before 2017: from 193,000 to 100,000 people, a representative of the Ukrainian General Staff, **Ihor Nikolayenko**, said on 7 September 2012.

Nikolayenko added that no further army staff reductions are planned after 2017.

The reduction of servicemen is part of the Ukrainian Defence Ministry's plan for the reforming of the Ukrainian armed forces before 2017.

The public opinion poll conducted by the Gorshenin Institute in September 2011 shows that the majority of Ukrainians (68.3 per cent) do not believe that the Ukrainian army can defend the country in case of a real military threat.

UKRAINIAN OPPOSITION

Top Ukrainian jail agency imposes restrictions on visiting jailed ex-premier

The management of the State Penitentiary Service (SPS) of Ukraine and the hospital have imposed restrictions on visiting jailed former Prime Minister **Yuliya Tymoshenko**, the SPS press service said on 11 September 2012.

“German and Ukrainian doctors have recommended to restrict as much as possible the number of visits to convicted Tymoshenko during her stay at the hospital and to focus directly on her recovery process,” the SPS explained.

In his turn, lawyer **Serhiy Vlasenko** said that the SPS had no right to limit Tymoshenko's communication with her defence team.

Tymoshenko has been undergoing medical treatment in the Ukrainian state-run railway company Ukrzaliznytsya's hospital in Kharkiv since 9 May 2012.

On 12 September, the SPS management said that Swedish Foreign Minister **Carl Bildt**, Swedish ambassador to Ukraine **Stefan Gullgren** and the former president of the European Parliament, **Jerzy Buzek**, had been denied permission to visit Tymoshenko.

Ukrainian court postpones hearing in Tymoshenko firm case

On 11 September 2012, a Ukrainian court postponed until 15 October a hearing of a criminal case launched against former Ukrainian Prime Minister **Yuliya Tymoshenko** over the activity of the United Energy Systems of Ukraine (UESU) corporation, which she was running in the 1990s.

During the hearing on 11 September, the prosecution requested a later date for the consideration of the case by court due to Tymoshenko's absence.

This is the eighth time Tymoshenko has refused to attend the trial due to her health condition.

During the last court hearing, Tymoshenko's lawyer **Serhiy Vlasenko** petitioned to suspend the consideration of the case until she recovers.

According to prosecutor **Viktoriy Kalyta**, the legislation envisions such a possibility only if a defendant is gravely ill. There is no evidence in the materials of the criminal case that Tymoshenko is seriously sick, she added.

Additionally, Kalyta said that Tymoshenko would have to stand trial sooner or later. The prosecutor stressed that the materials of the criminal case contained the conclusion of medical experts who said that the former prime minister was fit for trial.

A substantive consideration of the criminal case cannot start in Tymoshenko's absence, Kalyta explained.

Ukraine's jailed ex-premier might be questioned over politician's assassination

Investigators have questions to former Ukrainian Prime Minister **Yuliya Tymoshenko** about the murder of politician and businessman **Yevhen Shcherban** and she will have to answer them, Ukrainian Prosecutor-General **Viktor Pshonka** was shown saying by news TV channel 5 Kanal on 8 September 2012.

So far, Tymoshenko has not been questioned, "no face-to-face sessions are held with her because she is recovering and does not want to go to court or to meet with investigators," Pshonka explained. "When the process of medical treatment is over, investigators will ask her many-many questions which they have. She will not get away anywhere from the investigation," he added.

Pshonka believes that the former prime minister has to answer "why money has been transferred from the accounts of UESU [United Energy Systems of Ukraine] to those who committed the murder while she was the UESU head. The truth should be established: if she is guilty, then she will stand trial, and if there is no evidence, she will not stand trial," he stated.

Earlier, the first deputy prosecutor-general, **Renat Kuzmin**, already talked about Tymoshenko's involvement in the murder of Shcherban.

In response, Tymoshenko's lawyer **Serhiy Vlasenko** declared that investigators of this criminal case should question Pshonka and Ukrainian President **Viktor Yanukovych**. Vlasenko recalled that a direct organizer of Shcherban's murder, **Kushnir**, had been killed in a Donetsk detention center during Pshonka's tenure as Donetsk Region's prosecutor. After Shcherban's death, Yanukovych received full political power in Donetsk Region, the lawyer argued.

On 15 September 2012, the Lb.ua news and analysis website quoted the former major of the state guard service, **Mykola Melnychenko**, as writing on his Facebook wall that in the conversations which he has recorded, former Prime Minister **Pavlo Lazarenko** was named as the person who had ordered the murder, while **Petro Kyrychenko** and **Yuliya Tymoshenko** as persons who had paid for it.

Ukrainian law enforcers search jailed ex-premier's hospital ward

Ukrainian law enforcers have conducted a search in the hospital ward where former Ukrainian Prime Minister **Yuliya Tymoshenko** is accommodated, her lawyer **Oleksandr Plakhotnyuk** said on 13 September 2012.

According to Plakhotnyuk, it remained unclear what the law enforcers were looking for. He added that they had seized two dosimeters. The lawyer stressed that these dosimeters belonged to the former prime minister and that Tymoshenko gave assurances that the management of the hospital and the penal colony were aware of these devices. The former prime minister was using the dosimeters to maintain constant control over the level of radiation in the rooms where she was staying.

Ukraine's jailed ex-premier seeks possibility to talk with mass media

Former Ukrainian Prime Minister **Yuliya Tymoshenko** has sent a request to the management of Kharkiv Region's Kachanivska penal colony in which she expressed her desire to talk to representatives of the mass media.

Tymoshenko cited a press release of the State Penitentiary Service which said that any mass media outlet has the right to interview any jailed person if this person has granted a written agreement to this.

Tymoshenko's lawyer **Serhiy Vlasenko** said that she had granted a written agreement to an interview with the TV channels ICTV, TVi and 5 Kanal, as well as with the Ukrayinska Pravda news and analysis website. Furthermore, the former prime minister expressed her desire to talk to the BBC and CNN.

Ukrainian president ready to release jailed ex-interior minister if European court overturns conviction

Ukrainian President **Viktor Yanukovich** has personally promised to the secretary-general of the Council of Europe, **Thorbjorn Jagland**, that the ruling of the European Court of Human Rights (ECHR) in the case of former Interior Minister **Yuriy Lutsenko** will be honored, Jagland said in an interview with the Kommersant Ukraina newspaper on 11 September 2012.

In February 2012, Lutsenko was found guilty of exceeding his authority and embezzling state funds. He was sentenced to four years behind bars. After challenging the verdict in all the relevant Ukrainian courts, the defence of the former interior minister appealed against the judgment with the ECHR.

In the opinion of Lutsenko's lawyer **Ihor Fomin**, by the time the ECHR considers the appeal against the verdict, the former interior minister might have finished serving his term.

Ukrainian opposition intends to challenge dismissal of case against president in Europe

The United opposition plans to challenge in a European court a refusal of Ukrainian judges to consider a lawsuit filed by **Arseny Yatsenyuk** against President **Viktor Yanukovich**, a representative of the United opposition's headquarters, **Pavlo Petrenko**, said on 10 September 2012.

On 20 August 2012, Yatsenyuk filed the lawsuit against Yanukovich with the Supreme Administrative Court of Ukraine (SACU), accusing the head of state of illegal actions.

On 7 September, the SACU dismissed the case.

PARLIAMENTARY ELECTION

Ukraine's top election body changes draw rules

The Ukrainian Central Electoral Commission (CEC) has changed the terms of a draw for including candidates in district election commissions (DECs). The decision to this effect was made on 13 September 2012.

"Now, there will be, in fact, one draw held," a CEC member, **Oleksandr Shelestov**, explained.

A previous draft of the resolution regarding this matter envisioned that a draw would be held for all district commissions. Shelestov explained the need for introducing such terms by the fact that the commissions would not have a sufficient amount of time for organizing a draw for each election district.

The Freedom party and the United opposition Fatherland pointed out that the CEC had introduced the changes five days before the draw. This is how the CEC has deprived political forces of a possibility to challenge the amendments in court, Fatherland noted.

The European Network of Election Monitoring Organizations (ENEMO) expressed deep concern over the sudden change in the rules for forming DECs.

The Committee of Voters of Ukraine pointed out that holding one draw for all the DECs raised a serious possibility that a disproportionately large representation in district electoral commissions would be gained by dummy parties, which in their turn would nominate "bogus" officials. "If the situation unfolds under the same scenario as in districts, then this will lead, first, to a lack of balance of forces in commissions in favor of individual candidates and parties," the committee said.

In the opinion of the head of the United opposition's election headquarters, **Oleksandr Turchynov**, the new rules for setting up DECs will allow the pro-presidential Party of Regions to form electoral commissions from a number of parties under its control and to control over 90 percent of such commissions.

In his turn, the head of the United opposition's council, **Arseniy Yatsenyuk**, said that the secretary of the National Security and Defence Council of Ukraine, **Andriy Klyuyev**, controlled the majority of the technical parties taking part in the draw. In Yatsenyuk's opinion, the current government will rig the parliamentary election with the help of the CEC decisions, which will lead to Ukraine's isolation.

Earlier, the results of a draw yielded no seats in district electoral commissions for the Freedom party led by **Oleh Tyahnybok** and UDAR led by **Vitaliy Klitschko**.

Ukrainian group reports massive vote buying, dragging out of probe into election violations

The Ukrainian Central Electoral Commission (CEC) and law-enforcement agencies have been dragging out an investigation into violations committed

during the election campaign, the head of the Committee of Voters of Ukraine, **Oleksandr Chernenko**, said on 14 September 2012.

According to him, district election commissions inform police about violations but law enforcers return cases of alleged breaches to election commissions, saying that the commissions are entitled to handle election issues. The results of such proceedings are bureaucratic excuses and delays with the adoption of measures.

Chernenko believes that the most dangerous violation is direct vote buying.

Ukrainian opposition leaders say majority plans to amend election law

The parliamentary majority plans to amend the election legislation in the nearest future and to strike down a norm which considers voting ballots to be strict reporting forms which should be kept for a defined period of time, Ukrainian opposition leaders **Arseniy Yatsenyuk** and **Oleksandr Turchynov** said on 14 September 2012.

Yatsenyuk also noted that the opposition did not see any point in countering the pro-government majority in parliament.

Ukraine's top election body lists chief risks of election rigging

The main risk of rigging the parliamentary election rests with district commissions, the deputy head of the Ukrainian Central Electoral Commission (CEC), **Andriy Mahera**, said.

"The main abuses concern the counting of voting ballots because after the vote count, members of district commissions pack ballots in boxes and transport them to constituency commissions. But constituency commissions do not even see them. Furthermore, the Central Election Commission does not see them either - ballots remain with constituency commissions," Mahera said in an interview with LigaBiznesInform on 12 September 2012.

He also questioned the assumption that web cameras would increase transparency and fairness of the election.

International observers to monitor administrative resources, mass media freedom

On 12 September 2012, the Organization for Security and Cooperation in Europe (OSCE) officially opened an observation mission for the Ukrainian parliamentary election.

As many as 20 OSCE experts will be based in Kiev and 90 long-term observers will be dispatched across the entire territory of Ukraine, the mission's head, **Audry Glover**, said. There will be 600 short-term observers invited to the country to monitor proceedings on the election day, counting and recording of election results.

The head of the mission stressed that observers would pay special attention to the situation with the use of administrative resources and to the ensuring the unhindered work of the mass media outlets covering the election.

The day after the election, the mission plans to release two preliminary reports. A final report on the observation of the entire electoral process will be issued approximately two months after the end of the election.

Glover noted that the mission will take into consideration the position of the Parliamentary Assembly of the Council of Europe (PACE) and the European Parliament when it is drawing its conclusions.

As of 14 September 2012, the Central Electoral Commission registered 425 official observers who represent international organizations and foreign countries.

European observers report election law breaches

The election campaign in Ukraine has been proceeding with violations, a preliminary report issued by the European Network of Election Monitoring Organizations (ENEMO) of 5-9 September 2012 has said.

The use of administrative resources has been listed among most frequent violations. "Very often, projects of local authorities, which were funded by the state budget, have been presented as personal accomplishments of candidates or as an initiative of political parties. For example, the construction of roads or buildings," the report said. Such instances of supporting candidates from the pro-presidential Party of Regions were found in many different regions of Ukraine.

The report also pointed out that administrative and public buildings were frequently used for promoting pro-government candidates and parties.

The ENEMO also reported that the United opposition Fatherland and the UDAR party had been facing difficulties with setting up billboards. Advertising agencies in a number of cities broke election advertising contracts, which they have signed with Fatherland and UDAR.

"Although it is hard to confirm such facts, the number of complaints is alarming," the ENEMO said.

Many election committee members affiliated with pro-presidential party as result of violations

As many as 220 representatives of the party Union of Anarchists of Ukraine (UAU), who received seats on constituency election commissions during a draw, have nothing to do with the party, a member of the UAU political council, **Artem Kovalenko**, told a press conference on 13 September 2012.

Kovalenko stressed that the political council had not nominated these candidates for registration. In his opinion, what happened is the result of either falsified data in the Central Electoral Commission or the outcome of a betrayal by the head of the party who might have submitted lists without the consideration of the political council.

In his turn, the leader of the civil movement Common Cause, **Oleksandr Danylyuk**, said that a similar situation was also observed with other political forces.

“For example, we counted approximately 60 members of constituency election commissions from the Ukrainian People’s Party who are affiliated with the Party of Regions,” he added.

According to Danylyuk, there might be around two-three members of commissions who are genuinely affiliated with the opposition.

“Hence, as a matter of fact, nearly 80 percent of commission members will represent one political force - the Party of Regions. It will be all 100 percent in some instances,” Danylyuk stated. In his opinion, this will lead to massive vote rigging in regions.

Ukrainian opposition to stage protests if government rigs election

The head of the United opposition’s council, **Arseniy Yatsenyuk**, believes that the government might rig parliamentary election.

The opposition is ready to fight to protect the actual results of the election, he added.

“I do not rule out a possibility of a new Maydan in Ukraine if the Party of Regions is officially declared the winner of the parliamentary election,” he stated.

“This might end up with a new revolution, but not as peaceful as it was in 2004. That is why Ukraine needs help of the democratic world now when there is still a chance for returning Ukraine into the European family with European values,” the politician said.

HUMAN RIGHTS

Tax service wins court against Ukrainian opposition TV channel

The Ukrainian TVi television channel lost its case on 13 September appealing the results of the audit by the State Tax Service of Ukraine that accused the channel of tax evasion. Following the court’s ruling, the TVi channel has to reimburse the State Tax Service of Ukraine as many as 500,000dollars.

On 12 September the management of the TVi channel said the channel’s foreign currency bank accounts were arrested. The reason for arresting the bank accounts was an alleged debt of 2,000 dollars that the TV channel’s management described as never existing. Later the TVi’s director-general, **Mykola Knyazhytskyy**, said the channel’s bank accounts were released and the channel was allowed to proceed with its foreign economic activities.

On 13 September the TVi channel announced launching the campaign to collect money “to protect itself from officials”.

A number of TV providers in the capital and in regions of Ukraine earlier stopped broadcasting the TVi channel. Knyazhytskyy said the broadcasting was interrupted following an instruction from the National Committee for Television and Radio Broadcasting.

Foreign politicians and representatives of civil society as well as international observers who came to Ukraine have expressed their deep concern over increased pressure on the independent TV channel.

Violations of journalists' rights grow in Ukraine in August

The number of cases when the rights of journalists were breached and the number of lawsuits against media and individual journalists increased in Ukraine over August 2012, the monthly freedom of speech report, released by the Institute of Mass Information, reads.

There were six registered cases of preventing journalists from fulfilling their functions in January 2012, in February and March this number raised to 15 while in April – to 16. A total of 39 cases were registered in August, the report reads.

Preventing journalists from fulfilling their functions and censorship were the most typical cases of breaching the rights of journalists. The last but not least factor that does not facilitate freedom of speech in Ukraine ahead of the election is the increasing number of lawsuits against journalists and mass media.

ECONOMICS

Ukraine pays 1bn dollars to IMF in August

Last month Ukraine paid 1bn dollars on its debts to the International Monetary Fund, according to a statement made by the National Bank of Ukraine (NBU) on 11 September.

On 14 September, first deputy head of the presidential administration **Iryna Akimova** said that the IMF has no concerns with regards to the macroeconomic stability in Ukraine.

NBU getting rid of euro

The share of the euro in the international currency reserves of the National Bank of Ukraine (NBU) in August dropped from 37.26 to 36.97 percent, news and analysis website Komentari reported on 13 September 2012, referring to FOREX CLUB in Ukraine.

The international currency reserves, according to the National Bank of Ukraine, on 31 August totaled 29.994bn dollars.

According to the Dzerkalo Tyzhnya weekly, out of the remaining reserves of almost 30bn dollars, Ukraine has to pay 8.6bn dollars in outstanding commitments to the International Monetary Fund, another 10.2bn dollars on

eurobonds, about 2bn dollars on a loan by the International Bank for Reconstruction and Development, another 1bn dollars on the remaining loan by the VTB Russia bank, plus other smaller debts.

“The common pot of external debt totals 27bn dollars while internal debt stands for another 20bn dollars. The rest – about 15bn dollars – is debts of private investors guaranteed by the government. Even without guarantees given to private companies, Ukraine owes creditors about 47bn dollars. Its international reserves cover a little less than two thirds of the total debt,” the publication says.

Inflation in Ukraine slows down

The core inflation in Ukraine in August 2012 as compared to August 2011 slowed down to 2.3 percent from 3.1 percent in July and 3.7 percent in June, the State Statistics Service announced on 10 September 2012.

Ukraine may limit grain exports

The government may restrict exports of commodity wheat in the 2012/2013 marketing year (July 2012 – June 2013) when export volumes reach 4.5-5m tonnes. The statement was made by Agriculture Minister **Mykola Prysyzhnyuk** on 12 September 2012.

He stressed that today there are no grounds for limiting grain exports. The Agriculture Ministry expects grain exports in 2012/2013 MY to reach 21m tonnes, including 4-4.5m tonnes of wheat, 3m tonnes of barley, and 13m tonnes of corn. According to the ministry, Ukraine has already exported 1.2m tonnes of grain.

The ministry predicts that the grain harvest this year will reach 46-46.5m tonnes against 56.7m tonnes in 2011.

ENERGY MARKET

Ukrainian premier says gas transport system upgrade to cost 4.5bn euros

The Ukrainian gas transport system requires major modernization, Ukrainian Prime Minister **Mykola Azarov** told the German newspaper Frankfurter Allgemeine.

“This is why the Ukrainian government proposes to transfer the management of the gas transport system to an international consortium of Ukraine, Russian and the EU, which would ensure its transparent and fair administration, as well as handle its upgrade. The modernization of the Ukrainian gas transport system will cost 4.5bn euros. The capacity of our gas transport system will grow by approximately 30 percent,” he explained.

Azarov recalled that a spell of cold weather in early 2012 demonstrated that both the Nord Stream and South Stream pipelines had no and could not have

reliable gas storage facilities, which reserves could have been used during a period of extremely low temperatures. He stressed that Ukraine did have such storage facilities.

On 10 September 2012, the Nashi Hroshi (Our Money) website cited the Journal of Public Procurement as saying that the Ukrainian state-run oil and gas company Naftohaz Ukrayiny and the Naftohazbudinformatyka company had signed an agreement on the assessment of volumes and dates for the modernization of the gas transport system, as well as on the evaluation of its work effectiveness. The contract is worth 307,000 dollars.

Among the founders of Naftohazbudinformatyka are Ukrainians **Leonid Unihovskyy** and **Volodymyr Chastukhin** (who is known as a person in charge of auctions of the state-owned company National Project LNG Terminal), as well as Russian nationals **Valentin Pavlyuchenko** and his son **Boris**.

China's loan to help Ukraine reduce annual gas consumption by 3bn cu.m.

A 3.6bn-dollar loan from the China Development Bank which the Ukrainian state-run oil and gas company Naftohaz Ukrayiny intends to take for the implementation of projects for replacing gas with domestically extracted coal will allow Ukraine to cut back on the consumption of gas by over 3bn cu.m., the Ukrainian Energy and Coal Industry Ministry told the heavyweight Ukrainian weekly Dzerkalo Tyzhnya.

In particular, the ministry said that the received funds would be directed towards the construction of four plants for gasification of coal and lignite, as well as for a reconstruction of the Severodonetsk thermal power station, which envisions its conversion to the use of coal-water slurry fuel.

There are plans to construct gasification plants in such regions as Donetsk and Luhansk (black coal), as well as in Kirovohrad Region (lignite).

"The economic effect has been calculated on the basis of substituting the consumption of natural gas in the volume of over 3bn cu.m.," the comment from the Energy and Coal Industry Ministry said.

ECOLOGY

Ukraine warned of threat of potential ecological disaster in Dniester river basin

Moldovan Parliamentary Advocate **Aurelia Grigoriu** has said a major environment catastrophe may take place in Ukraine soon, the Ukrinform news agency reported on 10 September 2012.

"The situation at the Dombrovskyy open mine near Kalush, Ivano-Frankivsk region, Ukraine, with accumulation of hazardous toxic waste and unstable dam

may become a reason for an ecology catastrophe resulting in about 2m cu.m. of toxic waste coming to the Dniester river," Aurelia Grigoriu said.

The public opinion poll conducted by the Gorshenin Institute in December 2011 shows that 38.2 per cent of those polled are afraid that a major man-made disaster may happen in Ukraine in near future.

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