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**Yuliya Tymoshenko's
lawyers demand
immediate resumption
of trial**

The lawyers defending former Ukrainian Prime Minister Yuliya Tymoshenko have submitted a request for an immediate resumption of the trial.

"Today, the defense is requesting an immediate resumption of the trial so the court can consider a petition to change the preventive measure," Tymoshenko's lawyer **Oleksandr Plakhotnyuk** stated on 21 September 2011. First and foremost, this relates to the former prime minister's state of health, he added.

Tymoshenko's lawyers learned about the case of a woman who was held in the same remand center as Tymoshenko and who died as a result of contracting tuberculosis. They fear that the former prime minister might catch tuberculosis, too.

"At present, Tymoshenko's health condition causes some concern as she has a high temperature and flu. This time which the court has presumably granted for the preparation of debate might have negative repercussions," the lawyer added.

He stressed that the request for an immediate resumption of the trial and a change of the preventive measure for Tymoshenko, which her lawyers submitted to the court, has to do with the health condition of the former prime minister and a risk of its further deterioration if she continues to be held in the remand centre.

We would like to note that German ambassador to Ukraine **Hans-Juergen Heimsoeth** questioned the legality of detaining former Ukrainian Prime Minister Tymoshenko and former Interior Minister **Yuriy Lutsenko**.

It is well known that the EU ambassador to Ukraine, **Jose Manuel Pinto Teixeira**, is awaiting court permission to visit Tymoshenko in the remand centre. He submitted a request to this effect to the Ukrainian Foreign Ministry right after the former prime minister was arrested on 5 August 2011.

US ambassador to Ukraine **John Tefft** is also awaiting court permission to visit Tymoshenko.

A reminder that Tymoshenko faces charges of abuse of power for signing gas contracts with Russia in January 2009.

It is noteworthy that the international community has informed the Ukrainian government on multiple occasions that the criminal persecution of the leader of the largest Ukrainian opposition party might have a negative impact on Ukraine's bid to join the EU.

In its turn, the Ukrainian establishment refuted the existence of any political motives behind the criminal case launched against the former prime minister. At the same time, representatives of the government voiced the idea that the issue with Tymoshenko would not affect relations between Ukraine and the EU.

We would like to note that during his speech at the 8th annual summit in Yalta on 10 September 2011, Ukrainian Prime Minister **Mykola Azarov** said the following: "It is not simply wrong – it is amoral – to link such global serious issues as an agreement on the establishment of a free trade area and an association agreement with specific court proceedings [against Tymoshenko]."

**Ukraine, EU hold talks
in Brussels on setting
up free trade area**

On 19-23 September 2011, Ukraine and the EU conducted in Brussels the 18th round of negotiations on the establishment of a free trade area (FTA).

During the talks, the parties discussed contentious issues that pertain to setting up an FTA.

Commenting on the negotiations, Ukrainian First Deputy Prime Minister **Andriy Klyuyev** said that Kiev and Brussels will arrive at “the final point” of an association agreement during the Ukraine-EU summit which will take place in Kiev on 15 December 2011.

A reminder that Ukrainian Prime Minister **Mykola Azarov** said earlier that solidifying Ukraine prospects for EU membership was a matter of great importance for the country.

At the same time, EU Enlargement Commissioner **Stefan Fuele** said that an EU association agreement would not incorporate a clause on Ukraine's prospects for the EU membership. “I hope that this fact will not turn into a problem and serve as an obstacle for the Ukrainian party to sign an association agreement,” he added.

**Ukrainian president
visits USA**

On 19-23 September 2011, Ukrainian President Viktor Yanukovich paid a visit to the USA.

The head of the Ukrainian state delivered a speech at a plenary meeting of the United Nations General Assembly (UNGA) in New York and also participated in a high-level plenary meeting on nuclear safety and security.

We would like to note that during the visit on 20 September 2011, President Yanukovich held a brief meeting with his US counterpart, **Barack Obama**. The administration of the Ukrainian president reported that the heads of the respective states “discussed the preparation for a nuclear security summit which will take place in Seoul in March 2012.”

Later, on 22 September 2011, President Yanukovich told a briefing that “discussion is under way about potential deliveries of US technology to Ukraine to conduct scientific work with low-enriched uranium in exchange for highly-enriched uranium.” “At present, the USA is ready to launch the manufacture of this equipment for us and to gradually start to deliver it to us,” the Ukrainian president added.

At the same time, the Ukrainian news and analysis website Lb.ua quoted a source from the Ukrainian embassy in the USA as saying that President Obama stated in a private conversation with his Ukrainian counterpart that Washington would not turn a blind eye to violations of democratic freedoms in Ukraine.

“This has been done in a rather categorical form,” the source interviewed by the Lb.ua website said. The US State Department is particularly concerned about the trials of the Ukrainian opposition leaders, the source added. President Obama also reminded his Ukrainian counterpart about the problems experienced by US companies conducting business in Ukraine.

Later, in comment for the Lb.ua website, the Ukrainian ambassador to the USA, **Oleksandr Motsyk**, said that this information did not correspond to reality. “During his current trip to the USA, Ukrainian President Yanukovich held two brief meetings with US President Obama. During the last meeting, which was traditionally conducted in a positive atmosphere, Barack Obama noted that the current [Ukrainian] government was making a big contribution to nuclear security in the whole world. The parties did not raise any other issues,” the ambassador explained.

The mass media also circulated the information that French President **Nicolas Sarkozy** refused to meet with Ukrainian President Yanukovich in New York during the UNGA session. Instead of Sarkozy, France sent its Foreign Minister, **Alain Juppe**, to hold a meeting with the Ukrainian head of state. It is well known that the former was the first among the heads of Western foreign offices to declare that an association agreement between Ukraine and the EU would not come into force until all the criminal charges brought against former Ukrainian Prime Minister Yuliya Tymoshenko are dropped.

The administration of the Ukrainian president refuted this information.

We would like to note that during President Yanukovich's trip to New York, representatives of the Ukrainian diaspora in the USA staged a protest campaign near the UN building. They demanded the dismissal of President Yanukovich as well as the release of the opposition Fatherland party's leader, **Yuliya Tymoshenko**, and former Interior Minister **Yuriy Lutsenko**.

Criminal article under which Tymoshenko faces charges might be decriminalized

On 20 September 2011, Ukrainian President Viktor Yanukovich said that Ukraine was working to improve the Criminal Code.

The president explained that after the Criminal Code is amended, many violations considered criminal at the moment would be revised.

At the same time, President Yanukovich declined to comment on the dates when the new legislation will come into force and on its potential effect on the outcome of the Tymoshenko trial.

It is noteworthy that President Yanukovich denied that there was any political motivation behind the trial of the former prime minister.

The representative of the Ukrainian president in parliament, **Yuriy Miroshnychenko**, said that a new Criminal Procedures Code will be adopted by the end of 2011.

Ukrainian President visits Russia

On 24 September 2011, Ukrainian President Viktor Yanukovich paid a visit to Russia.

The Ukrainian president's administration said that a large number of issues of bilateral cooperation between Ukraine and Russia were discussed at the meeting with Russian President **Dmitriy Medvedev** and Russian Prime Minister **Vladimir Putin**, in particular, gas transit and supply cooperation issues.

"The negotiations resulted in good progress that enables to expect achieving specific results in the interests of both countries in near future", - Ukrainian President Viktor Yanukovich said. Also, a decision was approved at the meeting to hold another sitting of the Ukrainian-Russian interstate commission in October 2011.

It is noteworthy that prior to President Yanukovich's trip to Moscow, the mass media circulated the information that his negotiations with Russian President Medvedev and Russian Prime Minister Putin would be difficult.

The talks will be dominated by such issues as Ukraine's membership of the Customs Union of Russia, Belarus and Kazakhstan, the fate of the Ukrainian gas transportation system and the Russian gas price for Ukraine.

The mass media reported that these issues will be discussed in this exact order since Moscow links a possible gas discount for Ukraine to Kiev's membership in the Russia-led Customs Union and to gaining control over the Ukrainian gas pipeline.

According to the mass media, if Moscow refuses to reduce the gas price, Kiev will threaten to raise the issue of increasing the tariff for the transit of Russian fuel. Ukrainian analysts calculated that Russia should pay Kiev at least 3,000 dollars for the transit of 1,000 cu.m. of gas, while the current tariff is 1,700 dollars. At the same time, the key proposal drawn up by Ukraine will concern its gas transportation system. More specifically, it will propose to Moscow to set up a trilateral consortium with the participation of the EU states and Russian energy firm Gazprom.

At the same time, Ukrainian ambassador to Russia **Volodymyr Yelchenko** told a Russian correspondent of the UNIAN news agency that President Yanukovych would discuss cooperation in the high-tech sphere, rather than the gas price during his trip to Moscow.

Ukrainian president will soon consider law on parliamentary elections

The Ukrainian Justice Ministry will soon submit a draft law on parliamentary elections to President Viktor Yanukovych.

Ukrainian Justice Minister **Oleksandr Lavrynovych** said that the work group which has been drawing up this draft law will hold another meeting on 27 September 2011 in order to decide on a range of proposals issued by the Venice Commission and the Organization for Security and Cooperation in Europe (OSCE). At the same time, the Ukrainian president will receive the draft law for consideration.

"If the president approves the results of the work group's work and sends the given draft law to the Supreme Council [Ukraine's parliament] for consideration in September, then we can expect the draft law to be approved in October-November," Lavrynovych noted.

The news and analysis website Lb.ua reported that preliminary conclusions made by the Venice Commission identified a number of significant flaws in the draft law «On the election of members of the Ukrainian Parliament.»

At the same time, Lavrynovych believes that most of the critical comments made by the Venice Commission are technical and legal. «Overall, if we detach ourselves from various likes and antipathy, one cannot but see that it [the draft law] has a positive character,» the justice minister said. The electoral system and the election threshold which were proposed by the draft law will not be altered, he added.

We shall remind you that the draft law earlier proposed by the Ukrainian Justice Ministry incorporates a clause raising the electoral threshold for parties from 3% to 5%. Additionally, the draft law proposes that half of lawmakers are elected from party lists, while another half are elected from single-member districts. According to the draft law, only parties will be able to participate in elections, while blocs made up of parties will be stripped of that right. The draft law also contains a clause enabling candidates to self-nominate themselves in single-member electoral districts. Additionally, it bans the option "Vote against all candidates" from ballot papers.

Parliament refuses to ban mass media checks during elections

Ukrainian Parliament has refused to adopt a law that would ban checks of mass media during electoral campaigns.

Only 125 Ukrainian lawmakers out of 356 parliamentarians present voted in favor of the law.

The factions of the Communist Party of Ukraine and the ruling Party of Regions did

not participate in the vote for the law.

The news and analysis website Lb.ua reported that the draft law proposed to ban checks on mass media outlets of diverse forms of ownership during electoral campaigns, with the exception of several instances, by state agencies and officials entitled by law to carry out such actions.

Parliament starts reviewing draft state budget for 2012

On 22 September 2011 the Ukrainian parliament started reviewing the draft state budget for 2012 submitted by the Cabinet of Ministers.

Earlier, when presenting the budget, Prime Minister **Azarov** said: "The cabinet used a balanced scenario for the budget calculations assuming that the real gross domestic product will increase by 5.5% and the deficit in public sector will reduced to 2.5% of the GDP instead of 3.5% this year».

The first deputy prime minister and economics minister, **Klyuyev**, said the draft state budget includes the price of Russian gas which is based on the existing gas contracts varying between 414 and 416 dollars per 1,000 cubic metres.

Also, the cabinet forecasts the inflation rate for 2012 at the level of 7.9%, the first deputy head of the parliamentary committee for budget issues, **Vladyslav Lukyanov**, said with reference to the text of the draft budget 2012.

Also, in the draft state budget for 2012 it is proposed to raise the upper limit of the national debt by 10.6%, to 52.12bn. dollars.

Ukrainian Finance Minister **Fedir Yaroshenko** suggests that the draft state budget 2012 would be reviewed by Parliament in the first reading before 20 October and in the second reading – before 20 November 2011. Yaroshenko added that the budget will be approved in time, "within the deadlines provided by the approval procedure".

Yaroshenko also said that the draft state budget for 2012 makes no provisions for cutting the funding of any privileges.

Parliament postpones reviewing draft law On State Guarantees Regarding Enforcement of Court Rulings over public protests

The Law of Ukraine "On State Guarantees Regarding Enforcement of Court Rulings" may deprive 16 categories of Ukrainians of the right to privileges.

The Ukrainian parliament approved the draft law "On State Guarantees Regarding Enforcement of Court Rulings" in the first reading on 9 September 2011.

In the Yuliya Tymoshenko Bloc they said that the draft law, despite its name and positive measures obliging Ukrainian courts to implement resolutions of the European Court of Human Rights provided in its first section, also includes a number of provisions that significantly worsen social situation of unprotected categories of public – the draft law cancels social privileges to 16 categories of Ukrainians. In particular, the draft law cancels privileges to participants in the Chernobyl accident cleanup operations, Afghan war veterans and participants in other military actions, miners, teachers and doctors. However, the draft law does not limit privileges to members of parliament, other officials and merit pensioners.

The problem is that the provisions of the law "On State Guarantees Regarding Enforcement of Court Rulings" may be used to change a number of laws regulating the issues of social protection and providing privileges to policemen, employees of prosecutor's offices, participants in the Chernobyl accident cleanup operations, Afghan war veterans, etc. In fact, privileges are cancelled at the legislative level and

become a subject of regulations at the level of resolutions issued by the Cabinet of Ministers.

In the Yuliya Tymoshenko Bloc they also said that the approval of the draft law in the first reading did not follow the parliament's procedures. In particular, the draft law was not included on the agenda on 9 September 2011, but parliamentary speaker **Volodymyr Lytvyn** put it on the agenda verbally saying the document was preliminary reviewed at the sitting of the parliamentary committee for justice. However, Yuliya Tymoshenko Bloc MP **Serhiy Sobolyev**, said that members of parliament were not invited to take part in the sitting and, in fact, no committee sitting actually took place.

The consideration of the draft law in the second reading was planned to take place on 20 September 2011.

Thousands of people representing public organizations of Afghan war veterans and participants in the Chernobyl cleanup operations gathered in front of the parliamentary building on that day. Afghan war veterans broke through the fence around the parliament's building and came strictly to the entrance doors. Law enforcers attempted to stop the protesters, glass was broken at some of the doors of the parliamentary building in clashes.

The participants of the rallies stopped trying to break into parliament only after representatives of most parliamentary factions came over to protesters and promised to send the draft law for reworking.

It is worth mentioning that on the same day, 20 September 2011, a draft regulation establishing a new procedure for organization and performance of public events in the city was published on the website of the Kiev city state administration. The proposed regulation will restrict the holding of public events near locations of official authorities in Kiev.

In particular, section 11.2 of the regulation says that the Kiev city state administration shall refuse authorization to public events near the buildings "where bodies of state government and local self-governance are located".

"Events may only be held at a distance of at least 100 meters from such buildings, if no other regulations are approved by these bodies, or at specially designated places", the regulation reads.

The Party of Regions' parliamentary faction leader, **Oleksandr Yefremov**, said that the municipal self-government in Kiev decided to limit the places for holding of public events taking into account the recent disorders in European capitals.

It is also worth mentioning that the site suitable for protest actions outside the parliamentary building was closed the very next day after the rally of Afghan war veterans.

Ukraine may impose duty on export of sunflower-seed oil

The Ukrainian Finance Ministry suggested imposing duty on export of sunflower-seed oil starting on 1 January 2012.

Ukrainian Agricultural Policy Minister **Mykola Prysyazhnyuk** has said that the duty may be as big as 5% of the value of an export contract but no smaller than 42 euros per ton.

Also, according to the minister's information, it is also suggested to impose duties on the export of rapeseed (9% but no less than 15 euros per ton) and soybean (12% but no less than 33 euros per ton). Also, it was proposed to extend grain export duties till the end of the current marketing year (1 July 2012), which are due to expire on 1 January 2012.

It is worth mentioning that the Cabinet of Ministers improved its forecast of grain export by 17%, or by 3.434 million tons up to 23.434 million tons in the 2011/2012 marketing year (July 2011-July 2012).

**Law on Land Market
may be approved
within a month,
reform to take a
decade**

Ukrainian Prime Minister Azarov said land reform would take at least 10 years.

"If Parliament approves the law in the near future, the law will take effect on 1 January 2012. And, of course, this important law needs time for implementation, the land reform itself is planned to take place within at least 10 years. Within this timeframe we will really improve our agricultural sector", Azarov has said.

A reminder that the head of the parliamentary committee for agricultural policy and land resources, Party of Regions MP **Hryhoriy Kaletnyk**, said on 15 September 2011 that Parliament planned to approve the law on land market within a month.

Another reminder that the Gorshenin Institute held a round-table discussion "Who is to take benefit of the land reform" on 20 September 2011. During the discussion the experts came to the conclusion that "land reform has turned from an agrarian problem into a political one". See the details on **page 13**.

**International
Monetary Fund raises
inflationary
expectations for
Ukraine in 2011**

The International Monetary Fund (IMF) reconsiders the forecast for Ukraine's economic development in the next few years.

The IMF's World Economic Outlook report, which was published on 20 September 2011, changes the forecast of GDP growth in Ukraine this year from 4.5% to 4.7% and worsens GDP indications for 2012 – from 4.9% to 4.8%. The inflation estimate for the current year has been downgraded slightly from 9.2% to 9.3% while the forecast for next year was changed significantly: from 8.3% to 9.1%.

**The Ukrainian
Constitutional Court is
asked to declare the
law On Pension
Reform
unconstitutional**

The Ukrainian Constitutional Court to probe into the law "On Pension Reform" to check compliance with requirements of the constitution.

The Front of Changes Party filed, jointly with the Yuliya Tymoshenko Bloc's parliamentary faction, a representation to the Constitutional Court on 20 September 2011 asking to declare the law "On Pension Reform" non-compliant with the Constitution of Ukraine.

Members of parliament say the law shall be declared unconstitutional as the procedures for review and approval of the law were breached and also because the law limits the existing rights and freedoms of Ukrainians.

**Three local TV
channels went off air
in Ukraine's Kharkiv**

Journalists in Kharkiv protest over closing of television channels.

As is known, the ATN television company had to stop broadcasting at night-time on the local seventh TV channel end of August 2011 over problems with sanitary controlling authorities. Later, on 14 September 2011, two more Kharkiv local TV channels – Fora and A/TVK stopped broadcasting; both were rebroadcasting ATN's news bulletins. The halting of broadcasting was explained

by problems with documents and debts.

However, employees of the television companies whose broadcasting was stopped are certain that the channels were taken off air because journalists in their news items criticized the work of Kharkiv mayor **Hennadiy Kernes**. Representatives of the television companies asked President **Yanukovych** to prevent pressure on the media in Kharkiv.

It is worth mentioning that Kernes himself denies allegations in pressure on media. Kernes says that the situation with the ATN television channel results from a conflict between owners and all the complaints against the mayor are an attempt to add political flavour to the situation.

Nevertheless, President Yanukovych asked the Cabinet of Ministers and Prosecutor General's Office to look at the situation with the Kharkiv local television channels.

Moreover, an authoritative delegation will visit Kharkiv on 27 September 2011 to discuss the issue of three TV channels going off air with Kharkiv mayor Kernes. The delegation will consist of members of the respective parliamentary committee, journalists of national TV channels ICTV and STB, BBC Ukrainian Service, representatives of the "Stop Censorship" public movement and "international organization Reporters without Borders", OSCE representative **Ilia Dohel** and **David Stulik**, a representative of the EU Delegation to Ukraine.

A reminder that all the three channels whose broadcasting was halted are said to be linked to the Kharkiv businessman and politician **Arsen Avakov** who was the main rival of the incumbent mayor Kernes at the Kharkiv mayoral election in 2010.

Students rallies banned in Ukraine's capital

Students clash with Berkut police special unit in Kiev.

In particular, while student activists were preparing a rally at the Mykhaylivska square in central Kiev on 22 September 2011, policemen came and presented them with a court's order prohibiting any public rallies on that place. Instead, a column consisting of about 100 protestors moved towards the St. Sophia square located nearby. When the organizers of the rally started moving the equipment, the law enforcers tried to stop them. According to different data, from three to five protestors were detained over resulting clashes, other protestors continues their way to the St. Sophia square.

Student's main requirements are to give young people the right for peaceful meetings, stop cutting financial support to students and to dismiss the Education, Youth and Sports Minister, **Dmytro Tabachnyk**.

Earlier in the morning on 22 September 2011 the Kiev administrative district court ruled to prohibit any public rallies in the city centre on 22-23 September 2011.

Nevertheless, a group of activists from the Direct Action students organization marched in central Kiev on 23 September 2011 protesting against the policy of the Education, Youth and Sports Minister, Dmytro Tabachnyk. The students finished their rally outside the Ukrainian House. Speaking to participants in the rally, student's activists asked all those not indifferent to be ready to new rallies.

As you know, education ministers from across Europe met in Kiev for the Forum

of European Education ministers called School of the 21st century: Kiev initiatives on 22-23 September 2011.

**Russians buy share in
Black Sea Shelf
hydrocarbons drilling
project**

Russian Lukoil becomes a stakeholder in Vanco Prykerchenska.

On 19 September 2011 it became known that the Capital investment and financing house, which is linked to the Russian Lukoil group, has concentrated over 50% of shares of Vanco International which owns 25% of stock in Vanco Prykerchenska.

A reminder that in October 2007 Vanco Prykerchenska was issued a license for drilling of oil and gas on the Black Sea shelf, at the Prykerchenske oil and gas field. However, in April 2008 the Ukrainian Environment Protection Ministry cancelled the license issued to Vanco Prykerchenska. After that the company appealed to the International Court of Arbitration with a complaint against Ukraine.

In July 2010 Vanco Prykerchenska informed on the beginning of the negotiation process with the objective of signing an amicable agreement and suspension of the arbitration in the Stockholm court of arbitration.

In July 2011 the Ukrainian Cabinet of Ministers approved a draft of the amicable agreement with Vanco Prykerchenska.

A reminder that Vanco Prykerchenska is equally owned by Vanco International, DTEK Holdings Limited of Ukrainian business tycoon **Rinat Akhmetov**, Shadowlight Investments Limited of Russian tycoon **Yevgeniy Novitskiy** and Integrum Technologies Limited, with each owning 25%.

**Commissioning of
nuclear fuel
fabrication plant in
Ukraine postponed for
two years**

Fabrication of nuclear fuel in Ukraine to start later than announced.

The director general of Ukrainian state-owned company Nuclear Fuel, **Tetyana Amosova**, said on 20 September 2011 that Russia and Ukraine scheduled the date to start operation of the nuclear fuel fabrication plant. According to Amosova, the new plant will start assembling of fuel assemblies in 2015 and will start making own components for fuel assemblies – zirconium parts, nuclear fuel powder and fuel pellets only by 2020. The design of the plant will be ready next year, but the construction will take another three years.

We note that the dates of commissioning were actually delayed by two years – the parties said earlier that assembling of fuel assemblies would be started in 2013 and full-scale production would begin by 2017. These deadlines were included in the tender proposals based on which Russian TVEL was selected the contractor to build the plant.

Many experts believe the construction is delayed by the Russian party, as the two-year delay in the commissioning of the plant means that TVEL will make money supplying nuclear fuel to Ukraine for two more years.

A reminder that the contract for setting up a joint company for construction of the nuclear fuel fabrication plant in Ukraine was signed between the Ukrainian state-owned company Nuclear Fuel and Russian TVEL on 9 September 2011. Ukraine's share in the plant would be 50%+1 share, Russia would own 50%-1 share.

Another reminder that that the US-based Westinghouse also offered to build a similar plant, but unlike its competitor, the winner of the tender offered in its bid to transfer to Ukraine all the required technologies.

The European Union intends to allocate Ukraine 70m euros for energy efficiency**The European Union intends to allocate Ukraine 70m euros for support of the state program on energy efficiency and energy savings till 2015.**

According to the Head of the State Agency on the energy efficiency and energy saving of Ukraine **Mykola Pashkevych**, the funds will be allocated in three tranches: 31m euros and two tranches of 16m euro each. Besides, the EU will allocate the technical aid in the amount of 7 m euros for these purposes.

Each of the tranches will be allocated after Ukraine achieves a number of performance indicators, Pashkevych added.

The EU has already approved the allocation of the first tranche in the sum of 31 m euros according to the Support program of the implementation of the Ukrainian Energy Strategy in the sphere of energy efficiency.

Ukraine has confirmed its position in the Transdniester conflict settlement in the 5+2 format**Ukraine welcomes the renewal of the official negotiations on the Transdniester settlement.**

As reported by the Ministry of Foreign Affairs of Ukraine, a regular round of informal consultations on the Transdniester settlement was held in Moscow in the 5+2 format with the participations of the conflict sides (Moldova and Transdniester), the mediators (Russia, Ukraine, OSCE) and the observers (the USA and the EU). The main result of the negotiations is the decision to resume the official program "Permanent Conference of the political issues in the framework of the Transdniester settlement negotiations in the existing 5+2 format".

In this regard, the Ministry of Foreign Affairs of Ukraine has stated that "Ukraine confirms its position in the Transdniester settlement: any settlement model must be approved by the conflict sides with the assistance of the mediators and observers within the existing 5+2 format framework", this model also must guarantee the special status for the Transdniester within Moldova. Ukraine also confirms its respect towards the sovereignty and the territorial integrity of Moldova.

The debt of Naftogas Ukrainy in the sum of 1.88 bn dollars has been written off**State Tax Service has written off the instalment plan of Naftogas Ukrainy to the sum of 1.88 bn dollars.**

Media report this with reference to sources in the tax authorities.

Yulya Tymoshenko government official has agreed with his verdict**Ex-first head deputy of Naftogas Ukrainy Igor Didenko has decided not to challenge his conviction.**

Didenko was found guilty on September 5th, 2011 according to Part 2 of Article 364 of the Criminal Code "Abuse of authority or official position, resulting in grave consequences". Didenko was sentenced to 3 years in prison with deferral of punishment. He was released from custody on the same day.

Parliament decreases the numerical force of the army**The Ukrainian Parliament adopted the President's draft law "On the number of the Armed Forces of Ukraine for 2012" on September 20, 2011.**

The draft law provides the reduction of the Armed Forces of Ukraine to 184,000 people on December 31st, 2012, including 139,000 soldiers. It is intended that the total number of the Armed Forces of Ukraine will decrease by 8,000 people, including 5,000 soldiers, during 2012.

The current authorities plan to reduce the number of the army by 20% during the next five years.

Note that according to the social research conducted by Gorshenin Institute during September 12th – 14th, 2011, the majority of the Ukrainian population (68.3%) think that Ukrainian army is not able to defend the country in the event of a real military threat. For more details, see **page 15**.

“Land reform has turned from an agrarian problem into a political one” – experts

Gorshenin Institute held a round table called “Who is to take benefit of the land reform”, where the participants discussed primary tasks during the reform implementation, as well as possible consequences.

Credit Agricole Bank Board Adviser on Agriculture JEAN-JACQUES HERVE thinks that the attempts to accelerate the land reform and create the agricultural land market are a mistake. “The biggest mistake now would be to accelerate the reform”, he noted. According to him, the changes to the land law should be implemented gradually, taking into account the interests of the farmers and small holders. “We need to work with the local banks that can grant loans to the farmers”, the expert stated.

According to **the Member of Parliament (PR), the deputy of the Verkhovna Rada Committee on Agricultural policies and land relations VALERYI BEVZENKO**, the land marker law will not tolerate the discrimination of the subjects. “The equality of large and small land owners will be guaranteed”, he stated. According to him, the conditions of sale and purchase will be regulated, the guarantees against land speculations introduced to ensure the equality of the market subjects.

Bevzenko also supported the view of Herve that any Ukrainian bank can grant the necessary loan secured by land and the existing financial institutions can perform the functions of the Land bank. The MP stressed that there are no such institutions in Europe. “There is no need to create such land bank or agricultural bank. The land reform does not make any provisions for the creation of such land banks; it is not the way out. The existing banks and financial institutions can perform these functions. There is no need to create extra structure for the distribution of funds”, the MP thinks.

The MP also believes that the government should facilitate the evolution of the agricultural sector and avoid direct interference. “It is wrong to interfere, change the price formation for the benefits of those who lease the land. No one should interfere in the land relations, the situation in the rural areas should develop in accordance with the specific rules. Such rules should be offered by the government and the Ministry of Agricultural Industry”, he stated. Meanwhile, the MP noted that the government does not perform such functions. “The government does not instruct the farmers. The legislation with restrictions will not change anything. The officials must raise the awareness of this matter”, the MP said.

In his turn, **the Member of Parliament (BYuT) VOLODYMYR YAVORIVSKYI** disagreed that the state would be able to keep low interest rates on loans through the Land bank, while commercial banks will determine them independently. Moreover, the MP is sure that the foreign investment will not be interested in the agriculture even after the free sale of agricultural land starts due to the high level of bureaucracy and corruption in the state. “Who will trust [from the investors] the current authorities?”, he asked the rhetorical question.

The MP also noted that the farmers cannot afford to buy land, so all the land plots would be purchased by the large businesses.

According to **the Chairman of the Association “The Union of Ukrainian exchange houses” BORIS BERENSTEIN**, the false acts for right of land use,

found, in particular, in the Kyiv region during the inspection, can create problems for the land market. “The Kyiv region governor Prysyazhnyuk announced recently that the big number of false acts for right of land use had been found during the inspection. How can we start the land market in such the environment?”, the expert stated. He also noted that the land reform had turned from the agricultural into the political problem recently.

Unlike his colleagues, Berenstein believes that Ukraine needs a separate land bank, “where all the public funds will be accumulated to finance the agriculture through this bank, in order to have the same rules for everyone”.

On 12-14 September 2011, Gorshenin Institute conducted a telephone survey about the state of the Ukrainian Army. 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. In your opinion, will an increase in funding of the defense sector in 2012 improve the state of the Ukrainian Army?

1. Definitely yes – 3.5%
2. Probably yes – 10.9%
3. Probably not – 45.2%
4. Definitely not – 27.7%
5. No answer – 12.7%

2. Tell us, please, how much do you trust the Ukrainian Army?

1. Completely trust – 3.9%
2. Rather trust than distrust – 20.3%
3. Rather distrust than trust – 46.2%
4. Completely distrust – 22.5%
5. No answer – 7.1%

3. In your opinion, if other countries pose a real military threat to Ukraine, will the Ukrainian Army be able to defend it?

1. Definitely yes – 3.6%
2. Probably yes – 19.8%
3. Probably not – 44.9%
4. Definitely not – 23.4%
5. No answer – 8.3%

4. What kind of army do you think Ukraine should have?

1. Consisting of conscripts only – 7.9%
2. Consisting of private military contractors only – 25.1%
3. Consisting partially of conscripts and partially of private military contractors – 58.7%
4. No answer – 8.3%

5. Do you condemn those young men who are eligible for draft but avoid conscription?

1. Definitely condemn – 10.3%
2. Probably condemn – 14.4%
3. Probably do not condemn – 41.7%
4. Definitely do not condemn – 26.2%
5. No answer – 7.4%

6. Why do you think many young people are reluctant to serve in the Army?

(you can select more than one answer)

1. Loss of a year that could be used to pursue an education or for professional advancement – 47.9%
2. Bad health of young people eligible for draft – 33.7%
3. Hazing, bullying by more senior conscripts and officers – 32.7%
4. Effeminacy, fear of difficulties and challenges of army life – 30.7%
5. No sense of duty to serve the Homeland – 29.4%
6. Poor living conditions and nutrition – 27.8%
7. Undermining of the Army's image by the mass media – 11.5%
8. Dissemination of a pacifist mood in the society – 4.7%
9. Other – 5.6%
10. No answer – 6.2%

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