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Squeeze Play

Retailers balk at price-fixing accusations, will fight fine

BY KATYA GORCHINSKAYA
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Ukraine's major retailers received an extension on a deadline to dispute the accusation from the nation's anti-trust body that they formed an illegal price-fixing cartel.

The government's anti-trust watchdog found last month that the retailers were engaged in price-fixing and ordered 18 of them to pay fines amounting to 20 percent of their annual turnover. The retailers were supposed to present their case by the end of last week, but received a two-month extension, according to Karel de Gucht, European Union Commissioner for Trade, who visited Ukraine on Oct. 2 and argued their case to top government officials.

Jan Tombinski, head of the → 2

Experts: Free trade pact will eventually benefit nation

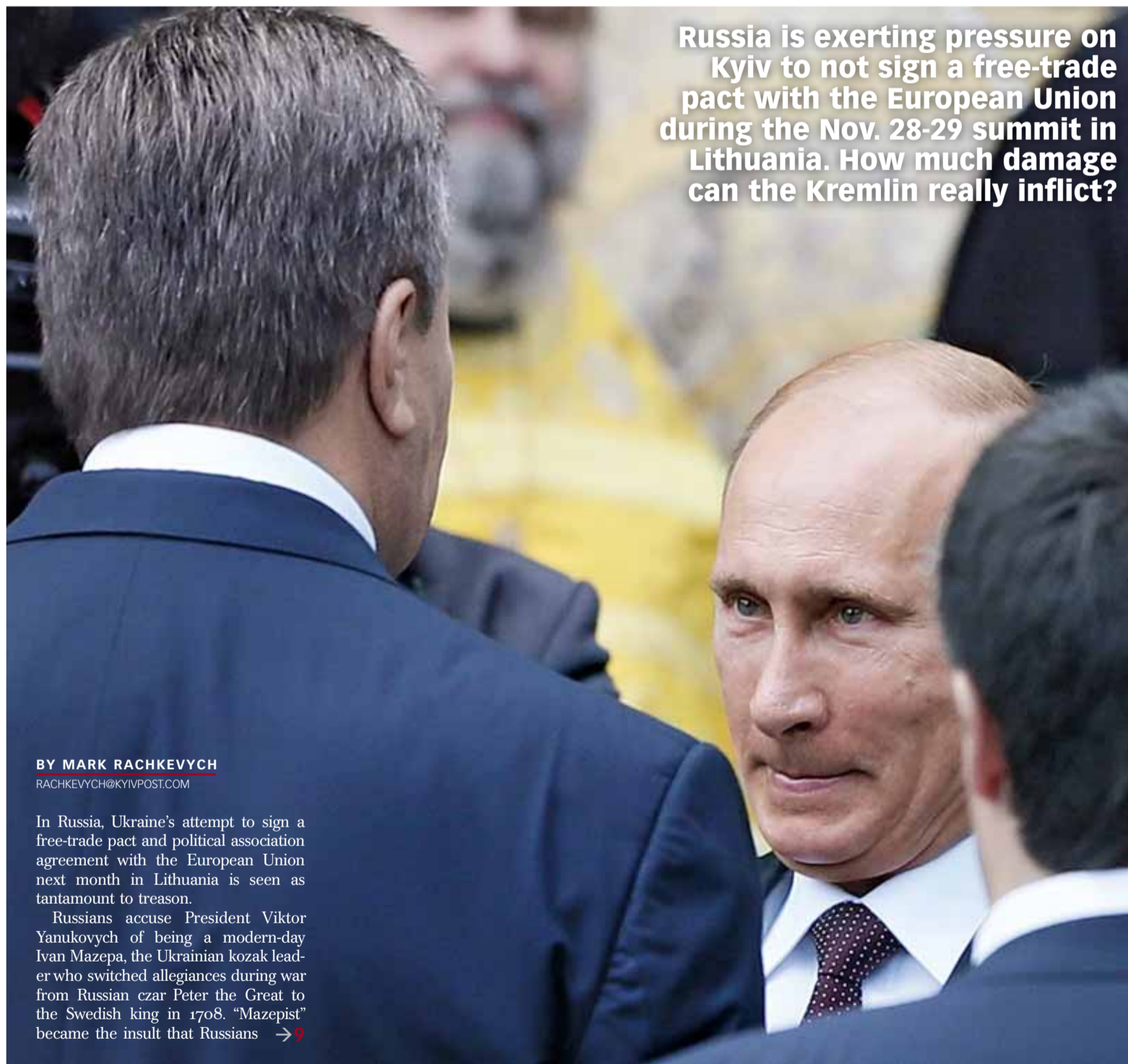
BY KATYA GORCHINSKAYA
KATYA.GORCHINSKAYA@GMAIL.COM

If Ukraine and the European Union reach an agreement to sign a free-trade pact – called a Deep and Comprehensive Free Trade Agreement – the nation will get a tremendous impetus for economic growth, experts say. But that will happen only if the nation seizes the chance to make fundamental changes in an under-performing economy that still has too many Soviet features.

These are some of the findings of a recent study by the Institute of Economic Research and Political Consultations, a think tank, released in Kyiv on Sept. 30. The institute analyzed the text of the deal, which is part of an Association Agreement – a 2,000-page document in English that includes seven chapters, 486 articles and 43 attachments.

Karel de Gucht, the EU commissioner for trade, who visited Ukraine on Oct. 2, said that most of → 8

Russia is exerting pressure on Kyiv to not sign a free-trade pact with the European Union during the Nov. 28-29 summit in Lithuania. How much damage can the Kremlin really inflict?



BY MARK RACHKEVYCH
RACHKEVYCH@KYIVPOST.COM

In Russia, Ukraine's attempt to sign a free-trade pact and political association agreement with the European Union next month in Lithuania is seen as tantamount to treason.

Russians accuse President Viktor Yanukovich of being a modern-day Ivan Mazepa, the Ukrainian kozak leader who switched allegiances during war from Russian czar Peter the Great to the Swedish king in 1708. "Mazepist" became the insult that Russians → 9

Ukrainian President Viktor Yanukovich (L) and Russian President Vladimir Putin during a prayer service to mark the 1,025th anniversary of medieval Kyivan Rus' adoption of Christianity. Putin, who appears to be trying to recreate an updated version of the Soviet Union through a Eurasian Customs Union, is putting pressure on Yanukovich to not sign a free trade and political association agreement with the European Union in Vilnius, Lithuania, on Nov. 28-29. (UNIAN)

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Hr 8.2 to \$1

Oct. 3 market rate



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Government records database crashes

BY KATERYNA KAPLIUK
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At least a part of civil, credit and real estate transactions in Ukraine were temporarily on hold after 18 electronic data registers managed by the Justice Ministry crashed, possibly because of hackers.

Among the databases that went down are registers containing information about real estate ownership, property, powers of attorney and other highly sensitive personal data, paralyzing real estate and credit transactions in the country.

The prosecutor general launched an investigation into what it referred to as "unauthorized interference" into the registers, but employees of the state company responsible for database management believe they've become targets of illegal data harvesting. They suspect information has been copied with the intention of misuse.

On Oct. 1, Justice Ministry announced

that registers managed by the state-owned Information Center are not accessible "for technical reasons." The next day, the general prosecutor's office said the matter was more serious as the Justice Ministry servers had been hacked.

The events "caused significant property damage to the state budget and the citizens of Ukraine who were unable to enter into contracts for sales, to give power of attorney, to register their property rights and so on," the general prosecutor's press service said. The Interior Ministry is investigating.

The failure of registers made it impossible to conduct proper registration of civil acts and notary services, among others, Justice Minister Olena Lukash said. According to the ministry's press service, on Oct. 3 a gradual recovery of the system began, and up to 75 percent of the information was recovered. Despite the databases' failure, authorities were able to register marriages, births and deaths manually.

By mid-day on Oct. 3, registration of operations with real estate also became possible. "My colleagues received calls, and they were told it was possible to conduct (the deals)," president of the Realtors Association of Ukraine Serhiy Zlyden said.

Employees of the state-run Information Center, in a letter signed by 18 of them and released on Oct. 3, said that unauthorized hacking of the system was pre-organized theft of personal data. "It was not just a hack, but a raider attack on state registers containing all the confidential information about citizens of Ukraine, by unknown persons," the letter says.

The letter said that on Sept. 23 the Information Center got a new director, Leonid Bohdanov, who asked on the first day for a copy of all databases. Bohdanov was not available for comment at the time Kyiv Post went to print.

Justice Ministry's representatives denied accusations of illegal data harvesting. "As a result of unauthorized

access to the network of these registers, their routing was stopped. Registers themselves are not affected, no third parties have touched them, but routes were damaged," Lukash said, according to Ukrinform state-owned news agency.

Lukash believes that employees could have written the letter because of an ongoing audit of the enterprise. "Due to the fact that the audit results were pretty disappointing for those who were engaged in the spending of public funds in a very impudent way, some of them, having access and all possibilities to influence the registers' routing, a few days ago did what they did," Lukash said.

However, Information Center deputy director Vadym Khoruzhenko, one of the letter signatories, denies the allegation of money embezzlement in the state company, Ukrainska Pravda writes.

Kyiv Post staff writer Kateryna Kapliuk can be reached at [katapliuk@kyivpost.com](mailto:atkapliuk@kyivpost.com).

Retailers dispute claims of price-fixing, challenge penalties of Hr 20 billion

→ 1 EU delegation in Ukraine, said the issue was raised with President Viktor Yanukovich, Prime Minister Mykola Azarov and other top officials.

If the retailers, including international giants such as German METRO Cash & Carry, French Auchan, Lithuanian Novus, Austrian Billa and Dutch Spar, fail to persuade the Anti-Monopoly Committee that they are not guilty, the fines could amount to Hr 20 billion, according to Forbes Ukraine's calculations.

The anti-trust regulator claims that in 2010-2011, these and other companies formed a cartel and fixed prices, as well as conditions for the supply of goods.

"In the course of investigation, which was started by the committee in May 2012, it was discovered that the defen-

dants in the case conducted anti-competitive actions, the result of which was, in particular, increase of the price in retail networks in 2010-2011," the Anti-Monopoly Committee stated on Sept. 17.

"At the same time, the defendants coordinated their format of cooperation with suppliers, which hurt the interests of the latter, and created a cartel, at the center of which is located AC Nielsen Ukraine," the statement said.

But AC Nielsen Ukraine, a market research company, denies all accusations, saying its brand name is "synonymous with objectivity, expertise and independence as a source of information services" in more than 100 countries. "Nielsen never conspires

with anyone and never aids anyone else's, including the retail networks," said Olga Khriptulova, marketing and communications leader for Russia and North East Europe.

Most retailers among the list of alleged violators have shied away from the media spotlight. Instead, the international companies have taken their case to their embassies.

Igor Balenko, owner of the Furshet chain of stores, told Forbes Ukraine that retailers are not guilty and portrayed the government action as a desperate attempt to increase revenue. "The retailers simply sold (the goods)," Balenko said, and faced price increases from wholesalers.

Because the committee found two types of violations – price fixing and

fixing supply conditions – it doubled the maximum legal fine of 10 percent of annual turnover, enough to bankrupt some retailers, analysts said.

The case quickly became the latest sign internationally of the worsening business climate in Ukraine. Alain Remy, French ambassador to Ukraine, told Den newspaper on Oct. 1 that French and European companies have faced appalling pressure lately. "We're feeling the worsening of the business climate," Remy said.

De Gucht has the same impression: "What I hear from business is that (the climate) is rather getting worse than better."

Kyiv Post deputy chief editor Katya Gorchinskaya can be reached at katya.gorchinskaya@gmail.com.

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Smoke bombs, threats disrupt screening of Mezhyhirya documentary, other films

BY OLENA GONCHAROVA
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The show did go on, despite a delay of more than an hour after threats that the cinema was mined and after 30 people who looked homeless – and who were carrying what turned out to be fake press accreditations – set off smoke bombs.

The disruptions came during the Sept. 27 screening of several short documentaries at Kyiv's Kinopanorama cinema.

After the Soviet-style cinema got aired out, the Open Access project showed four movies – including ones about an Afghan war veteran, schools in Poltava Oblast and a Kyiv resident's attempt to save a local landmark from redevelopment. A fifth one will be screened later.

But the show that provoked the disruptions, organizers believe, is a documentary on Mezhyhirya – the multimillion-dollar palatial mansion that somehow ended up in President Viktor Yanukovich's hands after the state sold it.

"The organizers of Open Access movie screening assume that Ukrainian authorities might have something to do with disruptions during the film presentations, because it includes the documentary about Mezhyhirya. Civil activists and journalists ask Viktor Yanukovich to influence the situation," according to their statement published on the Ukrainska Pravda website.



A Sept. 27 showing of documentaries was delayed when some people in attendance set off smoke bombs to disrupt the screening. Despite a one-hour delay, the movies – including one about President Viktor Yanukovich's palatial Mezhyhirya estate – were shown. (Natalie Sedletska/Facebook)

The 22-minute film called Mezhyhirya features the work of Serhiy Leshchenko, the Ukrainska Pravda journalist who has investigated the complex transactions involving Yanukovich's estate.

The audience numbered several hundred people and packed the theater.

On Oct. 1, journalists filed a request to Yanukovich asking for additional safety measures during Open Access

screenings. "Now it's a high priority to guarantee the safety for our visitors, who want to get access to the movie screening and stay sane," civil activist Svitlana Zalishchuk said.

Aksinia Kurina, a journalist who is the project's producer, hopes to bring the documentaries to 10 more cities. "But now it's going to be tough to negotiate with cinemas to screen it," she said.

The same movies – packaged as

a single "almanac" – were shown in March during Docudays, an annual international human rights documentary festival in Kyiv, and also other times during the year in 20 other Ukrainian cities.

Kurina initially had wanted to make a film about the "Stop Censorship!" movement. Then she shifted focus. Along with Zalishchuk and film director Volodymyr Tykhyy, they came up with the five films which took more than a year to produce.

"We managed to show that the law is a tool which can be used by ordinary people who don't have much power or their own attorneys to defend the rights," Kurina said.

The opening story, Mezhyhirya, shows Leshchenko trying to file numerous requests to find out how Yanukovich got control of the mansion from the state. He gets no answers.

"Volodymyr Tykhyy insisted on Leshchenko as the main character of the story," Kurina added "And Leshchenko didn't want to be filmed, actually, because of his shyness."

The second movie shows a middle-aged veteran of the Soviet war in Afghanistan who has been waiting for an apartment for about 20 years, something he's legally entitled to have. He sent information requests to the local government to find out when he could get a new apartment for his family. The response? He's still 116th on the list, the same place that he was five years ago.

The third video tells about two schools in Poltava Oblast. The local government decided to close the older school, ostensibly because of lack of funding. But school activists began to investigate the case.

A fourth movie, called House with Chimeras, features native Kyivan Oleksandr Glukhov, who used to live on Mala Zhytomyrska Street in the city center. His residence was Murashko house, named after the famous Ukrainian artist Oleksandr Murashko (1875-1919) who lived there once. Authorities sold the building, but Glukhov's family refused to move and were determined to preserve the city's landmarks.

The fifth movie, Cornered, will be screened soon. Information can be found on the Open Access website <http://www.vidkrytyi-dostup.com/home/>. Cornered will be presented at the Leipzig International Festival for Documentary and Animated Films later this year.

Kyiv Post staff writer Olena Goncharova can be reached at goncharova@kyivpost.com.

Open Access

Documentary
Ukraine, 2013
Language: Ukrainian with English subtitles
Trailers can be found at www.vidkrytyi-dostup.com

Advertisement

Mixing Beauty and Business



ELENA STARKOVA
General Director
AVON
Ukraine & Georgia

Please could you introduce yourself and provide an overview of your company? What is your company's strategic positioning within the Ukrainian market?

There are two passions in my life — medicine and business. While studying medicine at university in Moscow (I am Russian), I established my own company. It was a pretty successful business. After my graduation I started a career as a surgeon in one of the leading clinics in Moscow, until I decided to return to business...

It happened 17 years ago during my maternity leave, when I met AVON and became a representative. I realized the great earning potential in building a business with AVON. After six months I received the offer from the company and became one of the first sales managers in Russia. This meeting with AVON actually changed my life completely. Since that moment I worked 10 different positions in four countries, completed the executive business education and received an extended international business and cross-cultural experience.

AVON is a well-known international beauty company represented in more than 100 countries around the world. It is absolutely unique due to its dedication to women and satisfying their needs. It provides not only top quality beauty products, but great earning opportunities and the possibility to build your own business. I am very proud that the company I am working for promotes women's health and family values.

Avon Cosmetics Ukraine is one of the biggest direct sales companies and one of the top cosmetic brands in the Ukrainian market. For several years we have been the #1 company in the Fragrance category and we hold strong positions in such key categories as Skin Care and Color Cosmetics.

What is, in your opinion, the best tool to obtain brand loyalty?

Remain in touch with your customer, maintaining dialogue at all times. This has been one of the company's key values globally for many years. Moreover, the non-commercial part of business, the "human" face of the company is a kind of emotional connection between the brand and the customer. The brand's ability to influence the world and affect positive change is crucial when it comes to winning the customer's loyalty.

What key market drivers are positively impacting your business?

The Ukrainian market really supports direct selling. According to Ipsos research, 70% of clients feel positively about the direct selling approach. This means that the client is ready to buy our products rather than a retail item. From all the data we have, our channel has a higher market penetration than western countries or even Russia. Why? I would mention 3 factors:

- First of all, the attractiveness of entrepreneurship among our population. It is very popular run your own business and we are providing a great opportunity to start without financial risks and investments. Moreover, we have the system of training and a flexible earning model, which significantly increases the success rate among new entrepreneurs.
- The second thing is not so positive – the low income of average Ukrainian family, which stimulates people to look for extra earning opportunities.
- And the third is development of the Internet, which brings us new marketing and communication tools within the techno-world.

"Challenges and chances. From working in such a dynamic business I am always on edge. And this is what the word "business" is about"

What are your top three priorities for the next 12 months?

The first and most important priority for us is product innovation. Every year our company launches around 1000 new products, with most available in Ukraine.

In October 2013 we officially opened an AVON online shop in Ukraine. Our plans are to actively develop this area, creating more and more functional options and educating our representatives to work

alongside it.

Another area of focus is providing earning and professional growth opportunities for young people.

What has been the most important management lesson you have learned?

In my view, this lesson was provided to me eight years ago by John Higson, now Senior Vice President & President, Avon Europe, Middle East & Africa. John was my boss at the time and worked as General Manager for Avon Poland. I worked as Sales Department Director, Avon Poland and was very keen to fill the vacant positions in my unit. John told me: "Never compromise when selecting people for key positions". It might be less critical for a business to have vacant positions unfilled for a few months, than to hire the wrong person.

What are the main innovation tools you use for the production?

All our innovations take their beginnings in the heart of our company — the main research and development center in Suffern, New York. There are 300 scientists from different areas of science work based in the center. This year we are proud to announce two big innovations. The first is Mega Effects mascara, which contains a revolutionary ergonomic brush and tube construction. The second successful innovation is within the field of skin care — a serum and face cream containing the A-F33 molecule. The technology of these products is based on the discovery linked with the Nobel Prize award.

How did your studies in one of the top business schools INSEAD influenced on your career path?

For six weeks straight, I have studied business in a group of 24 other general managers and top-managers from different industries and business sectors from all over the world.

I have gained a unique experience through communicating with them on joint training projects and tasks, which have given me a vivid understanding of my future career aspirations.

I have been trained by some of the world's most outstanding business gurus with the highest expertise. As a result, I have reviewed my vision of management systems, in particular have found new approaches to generating value for shareholders.

Remarkably, I have left the school with one more attainment: a co-marketing alliance with Disney. Eventually, Avon customers in Russia, where I

worked at that time, will gain the option to get tickets to the most popular new parts of Disney's production, which were being shown at movie theatres at that time. And an Avon commercial was shown prior to each screening.

What inspires you? Do you have a kind of a 'dream' project?

Challenges and chances. From working in such a dynamic business I am always on edge. And this is what the word "business" is about. It is like surgery from my previous life — you have to be prepared for any situation, take decisions quickly, and keep your mind open.

Could you share the main methods for motivating your team?

Often adults don't like to be instructed, instead they like to take their own decisions. So the main rule for me in working with my team is to collaborate. We take all the main decisions together. The second rule is to be positive. I am an optimist by nature, so this is easy. At the same time, when something is going wrong it is extremely important to demonstrate confidence and not to transfer the negative feeling from the situation onto people. And the third rule is to be consistent in what you are saying and doing. Leadership is a vision first of all. It is a direction of travel for your people.

If you look ahead five years, how do you see the future of Avon?

Avon is constantly changing along with the customer, their expectations and their needs. First of all, in five years time, I believe that we will become the best online store for customers. We will provide an extensive choice of the highest quality beauty-products, consultations from beauty experts and the prompt delivery of orders to our client.

Secondly, I believe our product offering will change significantly. Besides such key categories as color cosmetics, skin care products and fragrances, our portfolio split will be altered by various groups of beauty products, and the Avon brand will be as well-known in such categories as, say accessories, as it is famous in fragrance and color cosmetics.



More on www.eba.com.ua

Editorials

Fan misbehavior

Only the quirky bureaucratic procedures of FIFA, the world soccer governing body, saved Ukraine from playing its next World Cup qualifier behind closed doors. After FIFA penalized Ukraine for the racist and threatening behavior of its fans, including setting off pyrotechnic devices during a qualifier in Lviv, Ukraine's football association filed an appeal.

The world soccer regulator said it wouldn't review the case before the crucial Oct. 11 game against Poland, so it lifted its stadium closure order. A fine of \$50,000 still stands as does a ban to play in Lviv for the next World Cup qualifying cycle, pending the appeal review.

Ukraine's football association challenged the severity of the punishment but not many of the accusations. It acknowledged that neo-Nazi paraphernalia was on display in Lviv during the Sept. 6 match against San Marino. One fan wore a t-shirt with a code for "Heil Hitler." A banner featured a neo-Nazi slogan displayed by far-right groups around Europe with an image of brass knuckles and a razor blade. In another incident, a group of about 30 people made monkey noises and gestures after Edmar Halovsky, a Brazil-born and naturalized Ukrainian, scored a goal.

There were also nine incidents of pyrotechnic use, a clear violation of FIFA's match safety regulations.

After denouncing the actions, Serhiy Storozhenko – a vice president of the Football Federation of Ukraine – stressed that the association would, nonetheless, challenge the severity of FIFA's punishment. He argued that regional cultural and historical features exclusive to western Ukraine weren't given enough consideration.

His reasoning amounts to the argument that a few bad apples should not spoil the fun for the nation's 45 million people.

But Storozhenko was categorical about politics having no place in soccer. He was quick to remind journalists that FIFA and Europe's top soccer governing body have sent warning letters before that alleged other infractions had taken place in Odesa, Dnipropetrovsk, Donetsk and, most recently in Kyiv, where Ukrainian fans lit torches during the England World Cup qualifier.

He has warned regional football associations, local fans clubs and teams of the consequences of fan misbehavior. Ukraine's soccer governing body must have an ironclad policy that does not tolerate racist or threatening behavior. And it must back up this policy with tough enforcement that bans misbehaving fans from matches.

Targeting business

With the recent spate of raider attacks, mistreatment by government agencies and courts, hacker and other attacks, businesses are clearly under threat.

Last week, the Kyiv Post reported on raider attacks at such major businesses as McDonald's, Horizon Capital, Swissport and Globus shopping mall, as well as fears in the telecoms sector.

This week, we follow up with the story of a police raid on UkrSotsbank, a case involving 18 major retailers who are accused of forming a price-fixing cartel and who could face collective fines of up to Hr 20 billion. We are also report on the hacking of all databases run by the Justice Ministry and the investigation into whether personal records of millions of people involving real estate, marriage, power of attorney and other normal transactions have been stolen.

All these stories are a manifestation of the same malaise: poor state governance, poor institutional development and absence of rule of law.

It is all the more important for Ukraine to sign an Association Agreement with the European Union on Nov. 28-29 in Vilnius, Lithuania. It will make the nation commit to institutional changes and adopt a style of governance and economy that more closely resembles the far richer and much more advanced EU.

Ukraine will have to approve some 350 legal acts if it signs on to the EU conditions. Economic studies show that Ukraine could benefit tremendously if it chooses to reconstruct its economy along Western lines of transparency, regulation and accountability. People will eventually see boosts in personal income as Ukraine's economy is forced to compete more vigorously, lower its trade barriers and modernize. Such a turn of events will help Ukraine break the grip of oligarchs, bureaucrats and political hacks.

As Igor Burakovskiy, head of the Institute for Economic Research and Political Consultations, says, Ukraine is a sick patient at the moment. It can take a pill and forget about its headache for awhile, but the relief will only be temporary. Or Ukraine can choose to start exercising, watch its diet and live a better and more fulfilling life. It will reap much greater and longer-lasting benefits – and not just for business.

Investors are watching and voting with their wallets. Lately, the sounds we're hearing is of those wallets snapping shut.



NEWS ITEM: Negotiations over the release of imprisoned ex-Prime Minister Yulia Tymoshenko are continuing ahead of a Nov. 28-29 summit between the European Union and Ukraine, as well as other nations in the EU's Eastern Partnership – Armenia, Azerbaijan, Belarus, Georgia and Moldova. At the summit, Ukraine hopes to sign a free trade pact and political association agreement with the EU. But leaders of the 28-nation union say that Tymoshenko, considered a political prisoner by Russia and the West, must first be released. Tymoshenko has been in prison since Aug. 5, 2011, and is convicted of "abuse of office" as prime minister. (Petar Pismestrovic, Kleine Zeitung, Austria)

Yes to YES



KHADIJA NIAZA

I went to the Yalta European Strategy conference from Sept. 19-22 to speak on the panel "Next Generation + Education + Innovation = CHANGE."

I was there with Daphne Koller, an Israeli-American professor at Stanford University and Michio Kaku, an American theoretical physicist, and a few more! I left my house in Pakistan on Sept. 17 and headed for Tashkent, Uzbekistan. We exchanged dollars for their currency and we became millionaires because \$100 is 214,670 Uzbek soums!!!

Thus it was not fitting in my father's wallet and it was tiresome to count. Even the shops had counting machines. One Coca-Cola is 4,000 soums. Why can't they have giga-soums? That would be awesome. I wonder why their currency is so devalued. The prices are still high, so it makes no difference. Instead of wallets they have briefcases. Strange and silly.

Finally we made it to Ukraine's Simferopol. A van picked me and my family up and took us on the drive to Yalta. Yalta in three words: beautiful, amazing, breathtaking. Then we went to the welcome dinner. So the next day I was supposed to speak at the panel. I was very inspired by the views given by Koller and Kaku.

Koller is a really remarkable lady and the work she is doing is really amazing. And who else knows the worth of her work like I do, because I have completed 10+ courses from Coursera, the online education system, and got a learning experience which I could not have gotten at my age (if I used the normal school system).

No wonder Ukraine's overall literacy rate is 99.7 percent and this clearly showed in their culture and in their country. You can see the progress of Ukraine by looking at the condition of the country. Even though I didn't see many people talking in English, they were still talented and educated in their own unique way.

As far as Pakistan is concerned, it is still struggling to cross 60 percent in literacy rate and yet we call ourselves a nuclear power. And still the electricity we produce by nuclear power is 53 percent, whereas Ukraine produces

→ Teenager from Pakistan returns home impressed with success of Ukrainian people

46.2 percent of electricity by nuclear power. This is strange because we have an extreme power shortage in Pakistan and we have 12-13 hours of (blackouts daily). And here we are, not even utilizing our nuclear resources for the production of electricity.

The exciting part came when Ukrainian member of parliament Petro Poroshenko and Russian official Sergei Glazyev had "The Great Debate." Poroshenko was talking in English but every time Glazyev spoke, I had to quickly put on the translation headphones so that I wouldn't miss his reply. They were debating on CHOCOLATE! :)

Poroshenko reminded him that Ukraine's chocolates are the best but then Glazyev begged to differ and said: "But if someone can find cocoa in Ukraine, it will be a new word in botany."

And I can very well imagine Poroshenko's anger when Russia stopped importing his chocolates. It was really interesting to hear Glazyev warning Ukraine about joining the European Union and hearing Poroshenko's optimistic replies. It was a peculiar sight when Stephen Sackur, the presenter of BBC's "Hard Talk," tried to mellow out his debate.

I was very proud that I represented my country Pakistan. I hope Pakistan will strengthen their ties with Ukraine. There is so much they can achieve together. Pakistan should work with Ukraine on the education sector and seek advice on how to achieve a 90 percent literacy rate. They can also help in building power plants.

Khadija Niaza, 13, lives with her parents in Lahore, Pakistan, and is a high-achieving student who has completed eight courses through Coursera, the online education program. The article is adapted from her blog here: <http://world-studies-with-me.blogspot.com/2013/09/yalta-european-strategy.html>

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Impact Media program helps journalists soar

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ANASTASIA FORINA



How do you cope with the lack of indoor heat?

Editor's Note: Kyivans are shivering from cold – and getting colds and other ailments because of it. While the average temperature in Ukraine has been around 10 degrees Celsius for the last two weeks and authorities have promised to start the heating season ahead of the normal Oct. 15 start-up in most of the nation, central heating is still not turned on in Kyiv. The Kyiv Post asked Kyivans how they are coping.



Iryna Novynska,
nurse

"It's inhuman. I'm working in the hospital and the heat there hasn't been turned on yet.

Patients are freezing and so do the workers of the hospital. Relatives of the patients bring space heaters to keep them warm."



Volodymyr Korniyenko,
purchasing manager

"It's not the first year we face the situation when we have no heat at homes

when it's cold outside. Of course, I would like the authorities to start the heating season earlier and relate it to the weather conditions."



Nataliya Felmetzger,
bank employee

"We put on warm clothes and turn on a space heater, although that doesn't save from cold. The

heating season should start earlier, but it's not easy to do that as winter often comes unexpectedly."



Ivan Ogorodnyk,
university professor

"I changed the windows and doors and do not feel cold. The authorities should act as

the conditions demand."



Kateryna Popova,
service sector worker

"On Sept. 30, the authorities promised to start the heating season soon but haven't done

that yet. We hope to get the heat by Oct. 5 as it's very cold in apartments. To warm up, we switch on a space heater and drink hot tea."



OLENA GONCHAROVA
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Eighteen journalists are sitting in a big meeting room, their tables piled with cups of coffee, papers and markers. They're making cartoons to diagram and describe the writing process.

However, it's not a new episode of "The Newsroom" television series. It's just another day at Impact Media, a professional development program that started in July and ends in October. The four education modules, sponsored by the Foundation for Effective Governance, expose a select group of Ukrainian journalists to some of the best minds in the industry for tips on how improve coverage of economic and financial issues.

The whiteboard in the corner is full of notes – describing such themes as a "source wheel," "creativity traps" and "beat maps." All eyes of the attendees focus on Jacqui Banaszynski, who holds the Knight Chair in Editing at the University of Missouri's journalism school. Banaszynski served as coach of the first session in summer. When she briefly outlined her Pulitzer Prize-winning series called "AIDS in the Heartland," about a gay couple who suffered from AIDS yet stood by each other until death, the room became silent.

Banaszynski, a former reporter and editor at several American newspapers, shares her "access strategies," giving her Ukrainian students useful tips in how to communicate with government bodies or church representatives. A journalist's job is to come up with good stories. "If you don't understand the situation, you should find somebody who explains it to you. Don't be afraid to ask as many questions as you need," she stresses.

The program has brought to Kyiv more than a dozen leading journalists from Columbia Journalism School, The New York Times, Reuters and Boston University and other places around the globe.

Besides Banaszynski, the first session lineup includes Romanian editor Cristian Lupsa, former Fortune magazine executive editor Rob Norton and New York Times writer Diana B. Henriques. From them, we learn six paths to a good story, learn how to write a good "nut graph" – the part of every story that tells the reader the main point of the story and why it's important. We get lessons in the complicated intricacies of the U.S. Federal Reserve system and how to apply those lessons in Ukraine.



Impact Media fellows listen to Dmytro Shymkiv, who heads Microsoft Ukraine, talks about challenges in Ukraine's information technology sphere. (Courtesy)

→ Foundation for Effective Governance program brings top journalists to coach in Kyiv

We also get a chance to learn how to cover financial and business topics from the likes of Dean Starkman, editor at Columbia Journalism Review; Chuck Jaffe, senior columnist for Market Watch; Joanna Ossinger, a team leader at Bloomberg news and others.

At a recent session, we talk about Ukraine's place in the financial world with Jerome Vacher, the International Monetary Fund's representative

in Ukraine. We find out more about real estate in Ukraine from Nick Cotton, the managing director at DTZ Ukraine. We learn what to focus on when analyzing a company's financial statements from Andriy Bulakh, a partner in the audit department at Deloitte.

One of the most interesting experiences is a case study method, conducted by Donald Nordberg, a professor at Bournemouth University in Great Britain. While preparing an exercise on Metro Cash & Carry's expansion to India, I understand the importance of details and analysis from all angles. The journalist's trick is to make even complicated business stories easily understandable.

"As one of my editors once said, paraphrasing Einstein, your story should be as simple as possible, and no simpler," Nordberg told us.

Ivan Verstyuk, one of the Ukrainian journalism fellows in the program who works as a news editor at RBC-Ukraine news agency, says learning from the Western experts is a powerful driver for his professional growth.

"All the components of the program have been useful, but what we heard about the coverage of the world financial crisis of 2007-2009 is critically important. I also think, each of the program participants should share his or her knowledge on this issue with one's colleagues," Verstyuk says.

Impact Media gives strong journalism education – lots of active discussions, long reading lists and practical exercises. Ukrainian journalism schools should adopt at least part of this program.

Nataliya Bugayova, a project manager at the Foundation for Effective Governance and a former Kyiv Post journalist, hopes that Impact Media will boost the profession. The organization, funded by billionaire Rinat Akhmetov, is considering make the program an annual event.

"The goal of the foundation is to foster economic development in Ukraine. The quality of economic journalism affects greatly such developmental factors as quality of economic discourse among policymakers and society, and, in particular, the demand for economic reforms," Bugayova says.

Henriques says it's important for journalists in emerging democracies to have a benchmark for their work.

"It's a yardstick that allows the journalists to mark their progress. Impact Media provides that, by bringing in established journalists from other countries to share their experience and expertise," Henriques says. "I am personally impressed that Impact Media made business journalism its initial focus, because strong financial and economic reporting is so important to readers, regulators, everyone! As Ukraine's economy finds its future, good journalism must be overseeing and monitoring that process."

Kyiv Post staff writer Olena Goncharova can be reached at goncharova@kyivpost.com. Kyiv Post staff writer Anastasia Forina contributed to the story. Goncharova, Forina and Kyiv Post staff writer Kateryna Kapliuk are taking part in Impact Media.



Rob Norton, former executive editor at Fortune magazine, and New York Times journalist Diana B. Henriques conducted training seminars for Impact Media in Kyiv. (Courtesy)

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Regulators, prosecutors fail to stop massive theft

BY KATERYNA KAPLIUK
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Every year, the Ukrainian government spends billions of hryvnia in taxpayer money on public procurement. In 2012, the figure was Hr 428 billion, according to the State Statistics Service. But much of this money ends up in the pockets of corrupt officials and associated businesses, whose dealings are regularly exposed by journalists and watchdogs, but stubbornly ignored by the law enforcement bodies.

Poor legislation remains one of the reasons for lack of oversight of government tenders. As a result, many tenders remain below the public radar. Even when violations are discovered, agencies that make the discoveries often lack powers to pursue cases further and are unable to punish the guilty. Because many in government and in parliament benefit from the status quo, officials are reluctant to make changes.

The margin of profit from shady deals in government procurement could be about 25 percent, according to co-editor of Nashi Groshi public procurement watchdog Yuriy Nikolov. That means that over Hr 107 billion of public funds could have enriched private individuals because of excessive markups and kickbacks.

"According to official data, corruption on public procurement costs taxpayers about 10 to 15 percent of budget expenditures every year. But the real situation is even worse. The biggest part of losses is hiding in the shadows now – after the ruling majority in the parliament relieved state-owned enterprises from the need to conduct procurement tenders (in the summer of 2012)," Batkivshchyna lawmaker Lesya Orobets says.

Huge waste though public procurements caught the attention of the Security Service of Ukraine, head of the board of the Anticorruption Action Centre Vitaliy Shabunin says. According to Dzerkalo Tyzhnya news-



An old woman measures the power of her punch during a street performance "Hook On Corruption" designed to celebrate International Anti-Corruption Day in Kyiv (UNIAN)

paper, in April SBU head Oleksandr Yakymenko wrote a letter to Prime Minister Mykola Azarov about losses through procurement. They were estimated at about Hr 35-52.5 billion per year, the newspaper said.

One agency that has some powers to dig deep into the government expenses is the Accounting Chamber of Ukraine, a parliamentary financial controller. But its discoveries are modest. According to its annual report, in 2012 Hr 12.94 billion was spent in violation of the budget law. Violations of public procurement procedures account for a quarter of that amount.

But even when the Accounting Chamber discovers the shortfalls, it has no power to punish the guilty. For example, in March the chamber published a report on the use of public funds during preparation for last year's European football championship. At least Hr 3.7 billion was spent in violation of law, but auditors were not able to punish those responsible for the waste.

"The effectiveness of the Accounting

Chamber is zero. For example, in last year's report on public procurement they wrote about Hr 18.8 billion that was split up without justification through the procedure of single-bid procurement. As a result, no one was punished, no penny was returned into the state budget, no recommendations from the report of the Accounting Chamber have been taken into account," Shabunin says.

There are other government agencies that have a slightly more impressive mandate, such as the State Financial Inspection and the prosecutor's office. The agency recently released a report boasting that in the first 8.5 months of 2013 the institution prevented waste of nearly Hr 1.25 billion of public money.

By auditing a number of state-owned companies in the first half of 2013, it issued more than 11,600 protocols on administrative violations. Only 647 of those were related to public procurement and made it to court, though.

The State Financial Inspection has powers to stop the violations and go to

court. But it only received this power a couple of weeks ago through new regulations, so it's too early to evaluate.

The General Prosecutor's Office also has powers of oversight, investigation and prosecution. In 2011-2012, it submitted to court 245 criminal cases related to public procurements.

Ukraine's Unified Register of pre-trial investigations has 350 entries about cases related to violations in public procurement since November of last year, but less than 50 of them have been sent to court, the general prosecutor's office wrote in its response to a Kyiv Post query. It also said that in the past 1.5 years, more than 2,000 government officials were prosecuted for such violations, but without elaborating on the details, including the types of punishment.

Curiously, the general prosecutor does not pursue some of the most scandalous allegations of waste of public money, preferring instead to go after smaller fish. For example, one of the cases it investigated recently

was Ukrzaliznychpostach, a company related to national railway carrier Ukrzaliznytsia that specializes in supplies. In 2009-2010, it spent Hr 28.5 million in public funds.

At the same time, there is no investigation into allegations related to oil rigs purchased in 2011, also known as "Boyko's Rigs" because Yuriy Boyko was the energy minister then and allegedly coordinated the purchase. Opposition members and journalists discovered that an oil rig bought in 2011 by Chornomornaftogaz, a Naftogaz subsidiary, for \$400 million, actually costs \$250 million. Rather than face investigations, Boyko got promoted to deputy prime minister last year.

The civil society sector is trying to pick up the slack. The Anticorruption Action Centre alone investigated 185 corruption cases and saved about Hr 1 billion worth of state funds by challenging tender results and referring other types of cases to the prosecutor's office, with the help of the opposition.

In one case, it stopped Ukrzaliznytsya from wasting Hr 835 million through attracting extremely expensive loans. Some of their ongoing cases are related to suspicious tenders by state-owned Ukrzaliznychpostach, Ukrtransgaz and Donbasenergo, which was sold recently.

But even if public procurement violations are caught and reversed, it is rarely followed up by a guilty verdict for individuals involved. Glib Kanevsky, an expert of the Center of Political Studies and Analysis, says most commonly people end up with meaningless administrative punishment like fines and reprimands.

Experts say Ukraine needs a single supervisory body with a full mandate to investigate and punish corruption. It also doesn't help that procurement standards are written out in a way that officials have room to interpret it their own way and benefit personally, without breaking the law, Kanevsky explains.

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Ukraine's economic challenges grow as Nov. 28-29 Vilnius summit nears

BY ANASTASIA FORINA
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As next month's Vilnius summit gets closer and Ukraine renews its attempt to borrow from the International Monetary Fund, the nation's economic challenges are growing.

On Sept. 20, Ukraine's sovereign credit rating was downgraded to Caa3 from B3 and placed on review for further downgrade by Moody's, the international rating agency. This will make borrowing by the government more expensive, if possible at all.

Ukraine's foreign reserves have fallen 11.8 percent since the beginning of the year. They are now perilously low at \$21.6 billion. The dip is a major reason for the lower credit rating, according to Moody's report. Moreover, the reserves are expected to fall more due to debt repayments.

By the end of the year, Ukraine must repay about \$2 billion -- including \$1.6 billion to the IMF for previous loans and \$400 million owed by the state Naftogaz company to Russian investor VTB Capital. Another \$10.8 billion in external debt repayments must come by the end of 2014.

Meanwhile, government bond yields went up to 14.5 percent from the 7.5 percent level in April, when it successfully placed 10-year Eurobonds worth \$1.25 billion. As a result, the government attracted only \$750 million in external loans, which surprisingly



Members of the citizen action group rally in support of Ukraine's European integration in Kyiv on Sept. 2. With less than two months left before the Nov. 28-29 Vilnius summit, the nation's economy is facing serious financial challenges spurred by recent credit rating downgrades. (Kostyantyn Chernichkin)

came from Russia, since then.

"There is clearly no surprise in the Moody's downgrade -- the situation in Ukraine is risky indeed," says Alexander Paraschiy, head of research at Kyiv-based investment bank Concorde Capital. "For Ukraine it means the window for cheap international borrowings is closed. So, now it's evident that Ukraine has to restart negotiations with IMF -- the sooner the better."

Ukrainian officials plan to attend the IMF's annual meeting on Oct. 10 in Washington, D.C., according to Oleksandr Dobykhvyst, director of the department of foreign exchange reserve regulation and transactions in the open market at the National Bank of Ukraine. Since 2010, Ukraine has received only \$3.4 billion from the fund.

Additionally, investors and rating agencies are watching to see if Ukraine and the European Union sign a free

trade and political association agreement in Vilnius, Lithuania, on Nov. 28-29.

Moody's considered the risks of Ukraine getting no IMF loan, referring to the lender's three key requirements that Ukraine refuses to comply with: a rise in domestic gas prices, a flexible exchange rate and reduced deficit. If Ukraine can get IMF lending restarted, an additional €610 million credit will come from the EU, according to EU Commissioner for Trade Karel de Gucht.

An IMF deal will also help Ukraine avoid steep devaluation of the hryvnia.

"The only way I can see this administration preventing the hryvnia going to 11-12 is by cutting a deal with the IMF," says Timothy Ash, emerging markets strategist at Standard Bank. "With an IMF programme, I think the hryvnia can be held at 9-9.5, but I have little confidence without an IMF program that a much sharper move in the hryvnia can be avoided."

At the same time, a new economic development forecast released by Ukraine's Ministry for Economic Development predicts the average currency rate to be at Hr 8.5-8.7 per dollar in 2014.

In 2012, the hryvnia devalued by five percent but since the beginning of 2013, it has strengthened by 1.3 percent, according to Dobykhvyst.

Apart from dwindling reserves and no IMF deal, Moody's pointed out risks

related to deteriorating relations with Russia. Analysts from Fitch, another international rating agency, also name relations with Russia among the possible risks of downward pressure on Ukraine's credit ratings. As of June, it rated Ukraine as B2, two degrees higher than Moody's.

"Without access to foreign currency from the international bond markets at affordable rates, or IMF lending, Ukraine will continue to draw on its dwindling stock of foreign reserves to meet large external repayments falling due in the remainder of 2013 and 2014, so undermining sovereign creditworthiness and putting downward pressure on the ratings," says Charles Seville, lead analyst on Ukraine at Fitch.

"If domestic investors lost confidence in the hryvnia the pace of reserve loss would accelerate and aggravate the situation. A blow to foreign trade with Russia, if that materializes, would also be negative," Seville added.

Stanislav Dubko, general director of Ukrainian credit rating agency said in Kyiv on Oct. 2, doesn't expect more downgrades soon by international rating agencies.

"I don't think they will make any changes now. Moreover, I think all rating agencies are now waiting for the results of IMF talks and the Vilnius summit," Dubko said.

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How to protect against raiders? Ukrasotsbank case provides clues

BY OKSANA GRYTSENKO
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When Ukrasotsbank, Ukraine's sixth biggest by assets, was raided by dozens of armed special police officers in search of documents last month, many in the business community had one question: Is there anyway to prevent such an event?

Some say yes and recommend regular external audits to mitigate the risks that prompted police to storm Ukrasotsbank on Sept. 20, shutting down the bank's central office and Kyiv branch for the day.

The officers were investigating the alleged embezzlement of property worth "tens of millions of hryvnias," the police said. The search was ordered by the Donetsk-based Leninskyi district court and, even though the bank said it was ready to voluntarily surrender all the required documents, police applied brutal force anyway.

The case came as another blow to a bank that has yet to recover from the global economic crisis of five years ago. "Any rough work with a bank -- and it was rough work -- is dangerous when the banking system is weak," says Oleksandr Sugoniako, head of the Association of Ukrainian Banks.

Federico Ghizzoni, chief executive of the Italian UniCredit Group, which owns Ukrasotsbank, announced on Oct. 3 that they were considering leaving Ukraine, according to a Reuters report.

→ External audits, foreign investors can lessen risks of raid

The raid on Ukrasotsbank, which is a subsidiary of UniCredit Bank Austria AG, was connected with a longstanding but still unsettled conflict with a debtor, ISA Prime Development Group, that goes back to 2005. The bank claims that it loaned \$190 million for the construction of business offices in Kyiv to ISA Prime Development, which in turn accused the bank of an attempt to take over its real estate.

A leaked protocol of interrogation of one of the witnesses in this case, published on Sept. 24 by RBK-Ukraine news agency, featured testimony of a state registrar who said he was blackmailed by his boss to re-register the property in question to the bank's ownership. Kyiv police could not immediately confirm or deny the authenticity of the protocol.

Leonid Muzykus, deputy chief editor of RBK, told the Kyiv Post he received this document from ISA Prime Development.

But on Sept. 30 Oleksandr Bashenko, chairman of ISA Prime Development, said in a statement that it had nothing to do with the police search in the bank.

It didn't have to happen this way. Many of the bank's problems could have been prevented by external auditors, whose job is to study business practices, not just accounts.

Oleksandr Redko, head of the National Center for Accounting and Audit, said an external audit could have helped to identify credit risks and flaws in credit management. In July, Forbes.ua placed Ukrasotsbank bank in the top spot in the number of bad loans, an indication of lax lending practices. "The external auditor comes and says -- guys, you could get problems here," Redko says.

Apart from evaluating business risks, external auditors can assess the company's risk for being victimized by raiders and advise on steps to prevent such attacks.

Valeriy Bondar, managing partner of HLB Ukraine, says that prevention is always better than after-the-fact damage control. Auditors also can help in dealing with preparation of claims and counter-claims, he said.

Serhiy Verlanov, senior manager at

PwC Ukraine, a major auditing firm, said that mistakes -- or worse -- by staff are common problems for big companies, including Ukrasotsbank. So PwC offers its clients help to develop a transparent, reliable system for making business decisions. "This system should work like clockwork and prevent the problems," he said.

Generally, Verlanov said, the more transparent the company, the less attractive it is for government inspectors or potential raiders. He added that businesses with some foreign ownership are relatively safer. He cited the case of Kostiantyn Zhevago's initial public offering with his Ferrexpo firm. "All issues about his ownership or possible re-privatization disappeared," Verlanov said.

"Now this company belongs to the investors, who play at the London Stock Exchange."

Even if a company faces a hostile takeover, external auditors can help. Verlanov said that PwC often advises companies on minimizing risks and protecting company shares.

But given murky court decisions, legal methods of property protection might not work, experts admit.

In such cases, auditors advise going public.

"The best way to protect against raiders is to shout out loud that we are under a raider attack," Redko said. "The more publicity here, the better."

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Experts: EU free trade pact will bring lasting benefits

→ **1** the clauses of the trade pact will provisionally go into effect immediately after the document is signed and ratified by the Ukrainian and the European parliaments.

He said less than 1 percent of the trade deal will take effect later, involving issues still decided by individual countries. These include criminal liability for breach of intellectual property and issues relating to road transport. The deal could be signed at the Nov. 28-29 summit in Vilnius, Lithuania.

"It's very important to demonstrate to Ukrainian citizens that (the trade deal) is giving them something," he said. "But it's up to the Ukrainian authorities to apply it."

The effects of the agreement will vary and affect many groups of population and industries. Igor Burakovskiy, director of the Institute of Economic Research and Political Consultations, and co-author of the study, said that in the long term, the personal income of Ukrainians may improve 4.3 to 11.8 percent as a result of the trade deal.

"If the structure of the economy changes, the effect will be more significant," he said.

The study found, for example, that for consumers, the prices for many goods and services are almost certain to go down, while their variety will increase through competition and reduction of trade barriers. Domestic businesses, however, will face greater competition from EU countries. Those companies that fail to improve standards may be forced out of business.

Deregulation combined with more transparency in the application of rules and governance are expected to create greater opportunities for starting business. Access to sources of financing, procurement tenders within the EU, as

well as an alignment of standards and removal of tariff and non-tariff barriers are expected to be beneficial eventually.

Business owners, however, have yet to learn about the new opportunities, according to a separate poll of 313 businesses across Ukraine conducted in July and August by the same institute.

"Business is poorly informed about the technical details of the trade agreements and does not know about all the possibilities that open before the Ukrainian entrepreneurs in case of implementation of the Association Agreement," the author of the study, Oksana Kuziukiv and Inna Chenash, conclude.

They also discovered that 45.7 percent of the polled businesses think that Ukraine's legislation should be aligned with that of the EU, while 43.1 percent think that trade legislation should be aligned with the Customs Union of Russia, Kazakhstan and Belarus. They prefer European legislation in case of conflict.

By signing the agreement, Ukraine will commit to changing 350 legal acts and regulations over time, a costly and time-consuming process the EU will assist with financially.

Apart from business, the agreement should have a positive impact on ecology, education, health care and social standards – but again, at a risk of increased costs.

"Implementation of the regulatory changes envisaged by the Agreement, will stimulate economic growth, which will be positive for budgetary income, while increase of efficiency of governance should optimize its expenses and improve its effectiveness," the authors of the study conclude.

Kyiv Post deputy chief editor Katya Gorchinskaya can be reached at katya.gorchinskaya@gmail.com.

Some effects of the Deep and Comprehensive Free Trade Agreement with European Union

Positive	Negative	Positive	Negative
Consumers		Agriculture	
Increase in competition from EU imports will reduce prices	Extra expenses for ensuring safety standards will drive up prices	Import duties will be reduced from 23.8 to 0.3 percent as of the signing date	Increased competition for agricultural producers from EU farmers
Cancellation of import duties and simplification of trade will drive prices down	Increase in protections for intellectual property and associated expenses will be an extra cost	Cancellation of export duties from Ukraine, export subsidies in EU countries	New standards require investment from producers
Increase of business activity will have a positive impact on prices, variety	Goods that do not fit EU standards will be squeezed out	Introduction of EU standards in agriculture	
Employees		Food	
More social guarantees, higher employment standards for employees	In some sectors, demand for workers might reduce due to greater competition from the EU	Import duties will drop from 23.2 percent to 0.7 percent on average	Increased competition from the EU in Ukraine because of cancellation of duties
Improved labor mobility		Implementation of new standards from EU, harmonization of health and safety standards	Additional expenses to move to EU standards Expenses for rebranding due to enforcement of legislation on regional products
Employers		Light industry, metallurgy, chemicals, machine building	
Improved business environment though aligning of regulations with the EU	Potentially more expenditure on ensuring higher employment standards	Cancellation of import duties by the EU	Increase of competition in Ukraine
More opportunities for small business		Increased alignment of regulation	Expenditures associated with adapting to new regulation
More options for self-employment, starting small businesses		Energy	
Rural areas		End of cross-subsidies, a move to market-dictated prices	Reform of monopolies
Programs for development of rural and economically depressed areas have potential to improve quality of life, employment opportunities there		Increase in investment oppor	Creation of a competitive environment and arrival of new players to the market
Nature, ecology		Improved security of supplies through a new mechanism for resolving conflicts	
Ukraine will have to align environmental regulations with the EU	Some industries might have to increase expenses on environmental protection	Financial services	
Greater availability of "green" goods and services.	In some industries, the demand and salaries for workers might go down	Better oversight of the financial system	Greater competition
Improvements in water, air, noise pollution standards, and, consequently, health		New types of financial services	System risks faced by modern financial systems
Increase in demand for specialists in new, "green" areas of the economy		New opportunities for attracting investment	
Medical services		Free access to payment and clearing systems, financing and refinancing mechanisms	
Cooperation with the EU in medical sector has the potential to improve the quality of medical services, including prevention of diseases	Cost of medical services might go up in some cases	Customs-related issues	
Eventual implementation of EU regulation in medical sector		Simplified customs procedures	Greater responsibility of business in meeting customs rules
Education		New mechanism for constant consultations	
Mutual recognition of education diplomas will enable greater labor mobility		Less spent on customs-related procedures	
New opportunities in education reform through cooperation with the EU		Intellectual property	
		Stimulation of innovation	Greater expenditure on buying products with intellectual property components
		Aid from EU for rebranding of products to meet legal requirements related to geographic names	Need to rebrand some types of products to meet geographical names requirements

Source: Institute for Economic Research and Political Consultations

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The Kyiv Post's Business Focus in its Oct. 18 edition will be on

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History, modern ties shape Russia's big brother stance

→ **1** gave to any Ukrainian perceived to be anti-Russian. Sergei Glazyev, Russian President Vladimir Putin's adviser, and Russian TV journalist Dmitry Kiseliyov are among those who have recently made the analogy.

Besides showing that Russia still considers Ukraine as part of its imperial realm, the insults and threats coming from the Kremlin are having the opposite effect: recent polls show Ukrainians more strongly support integrating with the European Union. Putin's heavy-handed tactics – which include stopping some Ukrainian imports to Russia – are earning Yanukovich sympathy and support among EU leaders.

"This is treacherous duplicity. I would call it neo-Mazepism," Kiseliyov said of Yanukovich's EU ambitions. "Mazepa also came to power in alliance with Czar Peter. And the current Ukrainian leadership, having benefited from Russian support, aims to relinquish Ukraine to the West."

Analysts say that increasing the tempo of Ukraine's Western integration might force Russia to change its perception of Ukraine as a less-than-sovereign territory.

"Ukraine has a special place in the Russian mentality," said Oleksiy Melnyk, foreign relations and security programs co-director at the Razumkov Center policy center. "Russians believe Ukraine is theirs, that they should have the full

right to order it around, to feel at home here and speak their language."

Sweden's Foreign Minister Carl Bildt last month blasted Russia's "brutal pressure against the partnership of countries of a sort that we haven't seen in Europe for a very long time."

Russia has leverage. Some 25 percent of Ukraine's exports go to Russia, giving a measure of credence to the Kremlin's predictions of financial catastrophe if Ukraine signs up to the EU program. Russia has also said that Ukraine could forget any hopes for cheaper energy critical to its heavy industries unless it joins the Customs Union of Russia, Belarus and Kazakhstan.

How far will the Kremlin go in squeezing Ukraine?

"I think the Kremlin is willing to consider almost any option short of military action," said Mark Galeotti, clinical professor of global affairs at New York University.

But possible military intervention was hinted on the sidelines of the recent Yalta European Strategy summit in late September by Glazyev should the state collapse and "if pro-Russian regions of the country appealed directly to Moscow," the Guardian reported

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**Will EU sign agreement
with Ukraine?**

from the conference. Melnyk of the Razumkov Center was quick to discount this scenario, saying it would show Russian leaders as unable to "think strategically."

So verbal threats and trade skirmishes are under way instead.

James Sherr, an associate fellow at Chatham House, a policy institute in London, told the Kyiv Post that if the agreement in Vilnius is signed, "Russia and its Customs Union partners are likely to raise tariffs and apply the full range of [Eurasian Customs Union] standards, real and bogus, and against key Ukrainian exports. Justification will also be found to raise energy tariffs beyond the stringently high levels already imposed."

Sherr also said Ukraine should expect that "a full range of financial resources

will be used to undermine Yanukovich's supporters in the Party of Regions, parliament, state institutions and the economy."

According to the Razumkov Center, numerous non-profit groups and cultural centers "unite the interests of the Russian diaspora and/or Russian-speaking Ukrainians." But the ties – linguistic, cultural and political – run deep between Ukraine and Russia, despite the friction over the impending EU summit.

On the intelligence front, 10 Russian intelligence and counterintelligence units legally operate in Crimea, subordinate to the Russian Federal Security Service, the successor to the Soviet KGB, according to a 2012 Razumkov center report. Moreover, the Russian Navy has a fleet based in Sevastopol, an arrangement that Yanukovich solidified with a lease extension to at least 2042.

"One way or another, Yanukovich might have reason to regret his earlier complacency over the Russian intelligence/counter-intelligence presence in Crimea and elsewhere," Sherr said.

Russia's weakness lies in the fact that it has no way to prevent Ukraine from signing the agreement with the

EU, other than to make life uncomfortable for its former subjects. The EU wants Ukraine to become an example of democratic progress and economic development, hopefully changing Russia as a result.

"Russians will see an alternative path toward developing society and demand this from Russia's leaders," said Melnyk.

Galeotti's advice is for Ukraine to "endure" the short-term pressure from Russia.

Another obvious course required, according to Sherr, "is a national effort to rally patriotic forces across the political divide." But he added that "Yanukovich's metabolism does not function that way."

Galeotti thinks Russia will calm down and adjust to Ukraine's Western ambitions, sooner or later.

"Moscow ultimately needs Ukraine too – and there are economic and political costs in its relations with Europe if it is too heavy-handed," Galeotti said. In a year, he said: "I suspect that the Russians will have adapted to new realities, worked out ways to use the EU agreement to their own advantage...and simply have added this to the existing store of background grudges they hold towards their 'ungrateful little brothers.'"

Kyiv Post editor Mark Rachkevych can be reached at rachkevych@kyivpost.com.



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Oct. 5

Klitschko vs. Povetkin

One of the most anticipated fights of the year. WBA heavyweight champion Alexander Povetkin and IBF/IBO/WBA/WBO heavyweight champion Wladimir Klitschko will have their fight in Moscow this Saturday. Watch the fight on TV or online: www.watch.online.ua/telecast/19234/boy-klichko-povetkin.

Klitchko vs. Povetkin fight. Oct. 5. 8:30 p.m. Inter TV Channel



Fashion Night Out

This is a call for all who enjoy shopping. This project, organized by Vogue, enlists the support of elite stores that will be open until midnight. They are expected to offer sales, fashion shows and champagne. Participants will be able to talk to the editors of Vogue and enjoy refreshments in more than 100 locations.

Fashion Night Out. Oct. 4 at 7 p.m. Mandarin Plaza (4 Basseyna St.), Hlobus (1 Institut'ska St.) for more locations visit www.vogue.ua/special/fashions-night-out-2013/shops.html



Oct. 4



Oct. 6

Titanic exhibition

This installation has fascinated people in many nations. Now it's coming to Kyiv. Artifacts from the actual Titanic, the liner that sank on April 15, 1912, killing more than 1,500 people, will be on display. People can learn the history and feel the legend. For more information visit www.titanic-ua.com/eng. **Titanic Installation. Oct. 6 - Mar. 16. 10 a.m. - 8 p.m. NSC Olimpiysky (55 Chervonoarmiy'ska St.). Hr 130-150**



Oct. 8 - 13

Fashion Week

Ukrainian Fashion Week represents the works of the most famous Ukrainian designers and gives a platform for creators from other countries. This year, the week will be filled not only with podium events but also a variety of fashion exhibitions, movie clips and lectures. The list of illustrious guests includes Renata Kharkova, fashion editor for ELLE Russia; Giulia Pacella, editor, ELLE Italy; and many more. Contact designers' offices for

invitations. For more information, visit www.fashionweek.ua/en. **Ukrainian Fashion Week. Oct. 8 - 13. Mystetskiy Arsenal (12-14 Lavr'ska St.).**



Oct. 6

Get healthy on Champion's Day

Famous Ukrainian swimmer Denis Silantiev wants to set a new world record. He plans to gather 20,000 people for the biggest outdoor exercise event ever. Champion's Day was a hit last year and got 15,000 Kyivans to exercise, have fun and stay healthy. For more information, visit www.syla.ch/ua.

Champion's Day. Oct. 6. 10 a.m. Obolon embankment. No registration is needed. Free



Oct. 6

Bugge Wesseltoft

One of the greatest jazz music geniuses, Norwegian musician Bugge Wesseltoft is coming to Kyiv. His story is one of a self-taught musician who started his career playing in various punk rock bands. He has also performed with famous bands.

Bugge Wesseltoft. Oct. 6. 7 p.m. National Music Academy of Ukraine (1-3/11 Horodets'koho St.) Hr 100-300



Oct. 5-6

Adding fall color

The festival of the colorful umbrellas is meant to brighten up gloomy autumn weather. The two-day event will be filled with entertainment for kids and adults, such as scrapbooking, an exposition of hand-made items, music delivered by Pur:Pur band and modern jazz singer Anya Chaykovskaya. After sunset, the audience gets to watch movies.

Colorful Umbrella Festival. Oct. 5-6. 10 a.m. - 8 p.m. Pushkin Park (40B Pobedy Ave.). Hr 30-60



Oct. 5

Hurts

These British guys quickly shot to popularity soon after they appeared on the scene in 2009. They are back again in Kyiv with their Exile tour. Their video "Wonderful Life" seems to have perpetually gone viral. The concert will include new material as well as songs that people have grown to love, including "Wonderful Life," "Happiness" and "Stay."

Hurts concert. Oct. 5 at 8 p.m. Palats Sportu (1 Sportyvna Sq.). Hr 350 - 1,500

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Alloise brings sexuality, joy to post-Gorchitza career

Alloise is the stage name for Alla Moskovka, the former lead singer of Kyiv's popular electronic band Gorchitza. Since striking out on her own last year, Alloise already has several popular songs such as "Love me or leave me," "Inception" and "I found you" from her new solo album "Bygone." (Anastasia Vlasova)

BY DARYNA SHEVCHENKO
SHEVCHENKO@KYIVPOST.COM

The young lady in a black gown with her perfectly styled blonde hair looks like a celebrity – even an arrogant one on the home page of her website alloise.com. But 28-year-old Alla Moskovka, who goes by the stage name of Alloise, is a down-to-earth star in real life.

Moskovka says she's no "queen" – on stage or in real life. "This is a classic Soviet pop school - you should go on the stage and be a queen there. Why on earth should I be a queen if I am not in real life?" she asks.

Alloise started her solo career about

→ 'I believe that the better the musician is in bed, the better he is on the stage.'

– Alloise

a year ago when she quit the Kyiv-based electronic band Gorchitza after spending five years as its lead singer.

"With Gorchitza I started, with Gorchitza I learned a lot and I am grateful, but my leave is still an open wound for me," she says. She remains reluctant to describe what triggered the split. "At some point I might become just insufferable, so they couldn't bear

me."

She promise herself to "create a better band than Gorchitza ever was". "Alloise is not just me, we have a great team, we laugh and drink together on tours and create our music together, we are definitely a band," she says.

During her time in Gorchitza and as a solo singer, Moskovka has been singing in English and writes her own

lyrics, and sometimes the music too. All of her English-language creations are edited by a British friend.

So far, Alloise has only one album to her credit. Her income mostly comes from corporate events and DJ sets.

Alloise says that singing has always been her only passion. She recorded her first song and distributed it to a radio station at age five. "I hardly remember that, but it was all about "oh our little girl sings, you know that," she laughs, recalling her childhood.

Moskovka's stage name also comes from the childhood days. "I had a book by Alois Jerasek, a Czech writer. I never read it though, but I liked the name. I added one more L and E at → 14



WITH OLGA RUDENKO
RUDENKO@KYIVPOST.COM

Biopic touted for Oscar hits big screen in Kyiv's Zhovten

On Oct. 3, Zhovten movie theater in Kyiv started screening "Parajanov," a biographical movie that Ukraine submitted for an Oscar nomination as Best Foreign Film.

Co-produced by Ukraine, France, Georgia and Armenia, the movie focuses on Serhiy Parajanov, a famous film director who was Armenian but who worked in Soviet Ukraine. One of his most famous works is "Shadows of Forgotten Ancestors" (1964), an adaptation of Ivan Franko's novel of the same name.

In 1973, Parajanov was convicted of homosexuality, a criminal offense in Soviet Ukraine. He was convicted on the strength of testimony in court by a Communist Party member who said he was victimized by Parajanov while drunk. One of the legends about Parajanov is that he got a positive "review" of sorts from other prisoners, who reportedly said "We've only been saying 'f*ck commies,' but you literally did it."

One of the other charges against the director was Ukrainian nationalism. "What kind of a Ukrainian nationalist am I? I'm a genius!" Parajanov says in a movie trailer.

The movie focuses on the most intense years of Parajanov's career, featuring episodes of his best movies, confrontation with Soviet authorities and imprisonment. Parajanov was played by the charismatic Serge Avedikian, who also directed the movie.

In a recent interview to Radio Svoboda film producer and the head of Ukrainian Oscar committee, Oleh Fialko blamed the movie for not investigating Parajanov's life deep enough. Nevertheless, "Parajanov" was chosen to represent Ukraine in Oscar's Best Foreign Film nomination. While criticizing the movie, Fialko says it must be good for people who know little about Parajanov, including the young generation of Ukrainians.

The story of Ukraine's submissions to the Best Foreign Film category is not long. Ukraine submitted movies nine times only during its years of independence, and the movies were never nominated. In 2004, "A Driver for Vera" was submitted and then disqualified, when jury discovered it was produced mostly in Russia.

"Parajanov" is screened in Zhovten movie theater (26 Kostyantynivska St.). Film runs in Ukrainian with English subtitles. For the schedule visit www.zhovten-kino.kiev.ua.

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The best in fashion blogs

BY MASHA DUMANSKA
MASHA.DUMANSKA@GMAIL.COM

Fall is the time for fashion to bloom. To navigate through the sea of trends, the Kyiv Post took a peak at what Ukraine's best fashion bloggers wear and post to see what's currently in vogue.

Owls Are Awesome
www.owlsareawesome.com

Anastasia Ukhova started her fashion blog in 2010 and has got quite good at it. Written in Russian, we like pictures she includes in the blog. They include daily Ukhova's daily looks as well as compilations of fashion photography and selected photos of shoes and accessories. She rarely bothers her readers with advertising.

Tina's Blog
tina-sblog.blogspot.com

This young lady can charm even least fashion-oriented person. Tina



Anastasia Ukhova,
owlsareawesome.com

Sazonova only posts photos of herself, and her daily looks easily can pass for those found in fashion magazines. Most of her clothes are from Zara and other fast fashion brands, but she sports them oh so very chicly. Clothing descriptions are in English.

Umka Estebanovna's blog

estebanovna.blogspot.com

Umka Estebanovna, or just Umka as she calls herself, is rather famous among Kyiv's fashion and art community. She posts reports from fashion parties and is particularly interested in Ukrainian designers. Her blog posts are mostly self-made collages and GIFs.

Tina Sazonova,
tina-sblog.blogspot.com



Umka Estebanovna post self-made collages to her blog estebanovna.blogspot.com.

It's so pink
itssopink.blogspot.com

Daria Belinska, easily recognizable for her curly brown hair, is a frequenter of fashion events in Kyiv. In her blog, she writes short reports from fashion parties and presentations and posts her own looks, mostly shot at fashion events.

TWIG-brochure
violetto4ka.blogspot.com

Blogger Violetta Fedorova has lately been working for Vogue Ukraine. The blog contains reports from fashion events in Kyiv, news from the world fashion industry, and catwalk reports from Ukrainian fashion week. Her blog is in Russian.

Myroslav Melnyk's blog
mtmfashion.blogspot.com

A perennial front-rower at Ukrainian fashion shows, Myroslav Melnyk is an educated fashion expert living in Kyiv. In his Ukrainian-language blog, Melnyk mostly posts catwalk photos and fashion shoots from Ukraine as well as the U.S., France and Italy. His main occupation is lecturing at a fashion department of one of Kyiv's universities.

Snob Fashion

timofeevsnob.blogspot.com

Roman Timofeev is another fashion events frequenter, who likes to report all fashion-related news in his blog. His interests are both Ukrainian and world fashion. During fashion weeks he pays attention to the outfits of guests as well as to the collections displayed.



Young woman photographed in Kyiv by Modotopia. (modotopia.blogspot.com)

Modotopia

modotopia.blogspot.com

Modotopia focuses on Ukrainian designers and street style in Kyiv. It collects photos of fashion savvy people taken in the streets of Kyiv. It also posts photos from the lookbooks of Ukrainian fashion brands and picture reports from fashion-related events, including new fashion products made by Ukrainian designers. All posts are bilingual.

Generique

generiqueblog.blogspot.com

Anna Litkovska, 19, is a freelance fashion stylist. Her blog is full of her own streetstyle looks, showing Litkovska's urbanistic style, and fashion photography that inspire her. As young as she is, Litkovska has already worked as a stylist for Vogue Italy editorial, as well as for Ukrainian Fashion Channel. Her works are also featured in the blog. All posts are available in English and Russian.



Roman Timofeev,
(timofeevsnob.blogspot.com)



Anna Litkovska,
generique.blogspot.com.

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Alloise seems content with career after breaking with Gorchitza to start solo act

→ 12 the end, so it would become female and it worked. Alla-Alloise you know, friends use it since my early years," she says.

Moskovka's adult singing career kicked off in a beau monde night club Tsar. That experience, she says, made her resistant to brutal comments or indifference from the audience.

"The guests there were mostly eating, drinking and paying no attention to me. It was a good school," she says.

Nevertheless, Alloise says she never doubted that she wanted to sing even though "so many people tried to dissuade me."

Alloise says she has more fans as a solo artist than with Gorchitza.

"You know, Gorchitza was some kind of an underground indie band, while what I sing now is more mainstream," she explains. The singer says that many regret her move towards mass culture, but she herself fails to identify her style as either pop, jazz or something else. "I guess I have a blues or soul voice, but I don't know and I don't really care what style I am working in," she says.

Alloise says she was also never taught how to perform on stage – nor does she want any training of that kind. "Now I can say I am a professional, but when I just started I always had problems with hands, never knew where to place them. But if someone would teach me it would be artificial," she says.

Now she says she is as natural as can be, tries to be a cosmopolitan singer and opposes the Soviet leftovers, especially the absence of sexuality. "And I don't mean performing in a bra, rather an inner sexuality," she explains. "I believe that the better the musician is in bed, the better he is on the stage," she adds with a playful smile, probably referring to her own skills in both fields.

Kyiv Post staff writer Daryna Shevchenko can be reached at shevchenko@kyivpost.com

Then & Now

Editor's Note: The Kyiv Post feature "Then & Now" takes a look at how places in the city have changed over time. To be an advertising partner of this special coverage, contact an advertising representative at advertising@kyivpost.com or call 591-7788.

Vozdvyzhenka changes dramatically in century; not for better, some say

BY OKSANA GRYTSENKO
GRYTSENKO@KYIVPOST.COM

The picturesque Vozdvyzhenka area, stretching from Andriyivsky hill to Zhytniy market in the historic Podil district, has changed beyond recognition in the last century.

The only thing that old and new photos of Vozdvyzhenka have in common is the ravine where the neighborhood is located. The buildings are significantly taller, more posh and more colorful, but less attractive for living. So now Vozdvyzhenka is often called a "millionaires' ghost town."

Since medieval Kyivan Rus times, this area was inhabited by craftsmen – potters and skimmers, after whom the local streets received their names. The legendary hero Kyrylo the Tanner (Kyrylo Kozhemyaka) was also believed to live there.

Vozdvyzhenka was named so after the local Khrestovozdvyzhenska Church, known as a place where the famous Soviet writer Mikhail Bulgakov was baptized.

A devastating fire in 1811 destroyed the old houses of Vozdvyzhenka but didn't change the area overall.

Prominent Kyiv architect Georgy Duchovychnyi remembers that, as a child, he loved to visit Vozdvyzhenka, with its unique old-city spirit, handicraft workshops and one- or two-story houses with people of various cultures and nationalities living side by side.

In the 1960s, local historians and architects were planning to reconstruct the district and create a museum complex called Ancient Kyiv in its place. "According to that plan, the top of the ravine could be seen from every spot of the area," Duchovychnyi said, adding that low-story buildings would preserve the historic character.

But the collapse of the Soviet Union

→ 'Millionaires' ghost town' created by new housing project that critics say was poorly built

and the tough period of the 1990s put an end to this project. Fires, believed to be arson, prompted authorities to resettle residents elsewhere.

A new plan of reconstruction emerged in early 2000s and the actual works started in 2003. A hundred brightly colored houses built in late 19th century-style emerged. Some find them beautiful, others think they are tasteless.

But the problems include cracks in the walls, water in the basements, irregular heating and water supplies and high prices. As a result, few wanted to buy an apartment at Vozdvyzhenka. Even a 50 percent cut in prices spurred by the 2008-2009 economic crisis – from €630,000 to €270,000 for a 120-meter place – didn't help much.

However, developers claim that their €100 million investment will be successful.

"There are 50 families living already there," said Taras Ziabkin, deputy head of Kievgorstroy-1, the company that developed the project. So only 200 more need to be sold. "Poor occupancy of such expensive objects is a general curse of Kyiv," he added.

While the residents on the cobbled streets of this luxury district don't appear to be very visible, Vozdvyzhenka remains a popular place to stroll and for wedding photo sessions. Unlike the always crowded Andriyivsky Uzviz, the popular pedestrian walkway con-



(Top) A view of Vozdvyzhenka at the end of the 19th or start of the 20th century. (Photo courtesy of architect Georgy Duchovychnyi). Today, developers have turned the Podil area district near the Dnipro River into a "millionaires' ghost town" with what some view as ill-conceived housing project. (Kostyantyn Chernichkin)

necting the upper and lower parts of the city, Vozdvyzhenka is a place for solitude in the very heart of the city – the opposite of what the developers

wanted.

Kyiv Post staff writer Oksana Grytsenko can be reached at grytsenko@kyivpost.com.



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