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KyivPost

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On Oct. 12, ArcelorMittal got the government to back down from a lawsuit that threatened the company's ownership of the Kryviy Rih plant, the nation's largest steelmaker. But the battle may not be over for the steel giant and other investors.

BY JOHN MARONE
MARONE@KYIVPOST.COM

Journalists, observers and various people supporting ArcelorMittal, Ukraine's biggest foreign investor, packed the small hall of the Kyiv Economic Court on Oct. 12, expecting drama. They got it.

The hearing came in response to the unexpected lawsuit filed in July by state prosecutors against the global steel giant. The state's case, depending on how the court ruled, threatened to overturn a landmark privatization deal going back to 2005.

But instead of hearing the merits of the state's claims that the steel giant had reneged on its legal → 14

Kryvorizhstal steel mill in Kryviy Rih is pictured in this file 2008 photo. (UNIAN)

Yanukovych turns up heat on rival

BY YURIY ONYSHKIV
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The Ukrainian authorities raised their attacks on the previous government of opposition leader Yulia Tymoshenko to an international level on Oct. 14, when an all-star team of U.S. lawyers and investigators released a report alleging

that several hundred million dollars were misspent during her latest term as prime minister, from the start of 2008 to March 4.

The 176-page report by two U.S. law firms, Trout Cacheris and Akin Gump Strauss Hauer & Feld, as well as detective firm Kroll, suggested that members of Tymoshenko's gov- → 18

INSIDE:

- Business Focus puts the spotlight on corporate law. Pages 8-13.
- Missing manhole covers create dangers for city pedestrians. Page 18.
- Debate over how Yanukovych will use new constitutional powers. Page 5.

Will Ukrtelecom sale be honest?

BY KYIV POST STAFF

Ukraine's government on Oct. 13 formally launched a privatization tender for a controlling stake in fixed-line telephone monopoly Ukrtelecom, the sale of which has long been stalled due to political gridlock.

The auction, to be wrapped up by

Dec. 28, sets the stage for the nation's biggest auction since top steel mill Kryvorizhstal was bought for a record \$4.8 billion by the world's largest steel group, ArcelorMittal.

With a starting price of \$1.3 billion, the Ukrtelecom sale is likely to raise badly-needed fresh cash to cover stretched state finances. But → 15

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CORRECTION

In the Oct. 1 edition of the Kyiv Post (Issue 40), a mistake was made in the article "Ukrainians: Visas still too difficult to obtain for travel to European Union nations." Yevheniya Boyko and Maksym Zaitsev applied for visas in the Spanish Embassy.

Tomorrow's News

Khoroshkovsky makes U.S. visit

Valeriy Khoroshkovsky, the head of the Security Service of Ukraine, will conduct a one-day working visit to the United States on Oct. 15.

The Ukrainian intelligence chief is expected to meet with top officials in the U.S. Federal Bureau of Investigation and the Central Intelligence Agency, as well as the U.S. State Department.

One of Ukraine's richest people, Khoroshkovsky is a media mogul who is also a member of the High Council of Justice, which appoints the 10,000 judges in Ukraine.

Critics have accused Khoroshkovsky of using his media empire, which includes Inter TV channel, and his various government posts to silence dissenting views and opposition politicians.

Venezuela's Chavez to visit on Oct. 18

Venezuelan President Hugo Chavez will arrive in Ukraine on Oct. 18 for his first visit to the country, the head of the presidential administration of Ukraine, Serhiy Lyovochkin, told journalists on Oct. 13. "Hugo Chavez will pay a two-day official visit," Lyovochkin said.

Chavez is a fervent opponent of U.S. foreign policy and sees many of the countries on his itinerary as sharing his goal of lessening Washington's dominance in world affairs. He is renowned for his flamboyant public speaking style, which he puts to use in his weekly live TV program.

The first stop of his 10-day trip will be Moscow, where an agreement to develop nuclear energy, the purchase of Russian tanks and a joint bank are

all on the agenda. Chavez will also visit Belarusian President Aleksander Lukashenko.

Chavez' visit to Kyiv is aimed at improving business and other cooperation with Ukraine, according to Venezuelan news agencies.

Ukraine is scheduled to pump a trial consignment of Venezuelan oil to the Mozyr Oil Refinery via the Odessa-Brody and Druzhba oil pipelines. The go-ahead was given on Oct. 12 in a session of Ukraine's Cabinet of Ministers upon the recommendation of Fuel and Energy Minister Yuriy Boyko.

Venezuelan foreign affairs expert Carlos Romero said Chavez wants to convey his nation's to commitment to nations considered as U.S. opponents.



Venezuelan President Hugo Chavez reviews an honor guard upon arrival at the Vnukovo II government airport outside Moscow, Russia, on Oct. 14. Chavez started his 12-day tour of Eastern Europe with a visit to Russia. He comes to Ukraine on Oct. 18 (AP)

Suspects still free in big cybercrime case

BY OLESIA OLESHKO AND JAMES MARSON
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After the heralded breakthrough of this month's arrest of alleged cybercrime masterminds in eastern Ukraine, the investigation is beginning to drag. With the suspects yet to be charged, concerns are being raised that Ukraine's history of failure in prosecuting cybercrime could repeat itself.

Insiders name Ukraine as a haven for hackers and blame the country's notoriously corrupt legal system and weak laws for the failure to secure convictions. One Ukrainian man accused of hacking by the U.S. Federal Bureau of Investigation now heads the Internet Party of Ukraine.

The five alleged cyberthieves detained last week and later released by the Security Service of Ukraine

(SBU) as part of an international operation into a \$70 million scheme are free. An SBU spokesperson said criminal charges hadn't been drafted yet, as experts need more time to study the evidence.

The scheme involved siphoning money from European and American bank accounts, and the suspects are expected to be charged with unauthorized interference into computer networks, dissemination of personal information and numerous counts of financial fraud, as well as organized crime. If found guilty, the suspects could be sentenced to up to 12 years in prison and have their assets seized.

Computer security experts praised the arrests in Ukraine as a breakthrough, but said the toughest work lies ahead. "The overall impact depends on how successful [Ukraine's] justice system is in prosecuting the suspects," said Don Jackson, director of threat intel-

ligence for U.S.-based Internet security firm SecureWorks.

The Interior Ministry said it investigated 86 percent of 700 cyberscams reported in 2009, and 83 percent of those investigated were transferred to courts.

But that's where the problems start, according to Yuriy Orlov, director of the cybercrime research center at Kyiv's police academy. Prosecution, he said, remains the weakest link in fighting cyber crimes in Ukraine.

"Police operatives can spend months hunting for cyberthieves; they work hard to collect evidence and when the cases are brought to the court a judge simply lets them go," Orlov said. He noted several reasons: vague legislation regulating cybercrime, the fact that this problem is relatively new to Ukraine and the desire to play down the dangers of this crime.

"While in the United States cyber criminals spend 20-30 years in prison and pay million-dollar fines, Ukrainian ones are left at large," Orlov said. According to him, the toughest sentence a cyberthief ever got in Ukraine up to date was three years in jail.

Some cases have had even more complex and surprising conclusions. Dmytro Golubov, an alleged hacker accused of trading credit card details stolen from websites, was detained in 2005. U.S. investigators pushed hard to get him on trial, but when the case came to court, he was released.

Golubov told the Kyiv Post that the FBI had asked then-Ukrainian Interior Minister Yuriy Lutsenko to catch him, providing as evidence only a scanned copy of his passport and the phrase "I am a cool hacker; I am not afraid of anyone" found on a website.

"Fortunately the court didn't take that evidence seriously," Golubov added.

Golubov was eventually bailed out by two Party of Regions lawmakers — Volodymyr Demiokhin and Volodymyr Makeyenko.

Golubov said he was cleared due to lack of evidence. Lutsenko told the Kyiv Post he couldn't comment as he didn't have the exact details in front of him, but said: "The most probable [reason] is corruption and this atmosphere of criminal impunity that we see in the

country. It's so much like the '90s when all the criminals who had political protection were released."

The court that heard the case did not respond to questions.

In April, the Justice Ministry registered the Internet Party of Ukraine, headed by Golubov. He wouldn't disclose the funding of his party and denied affiliation with any major political party.

Golubov said the party promotes universal Internet access. He has also supported a variety of other causes, including using his computer skills to help feminist group Femen in its struggle against websites that promote prostitution and pornography.

The greatest success in catching Ukrainian hackers has come abroad. In 2007, Turkish police detained Kharkiv resident Maksym Yastremsky while he was vacationing in the popular resort town of Kemer. Yastremsky was charged with stealing more than \$11 million from Turkish, European and American bank accounts. The United States requested his extradition, but Turkish authorities denied the request and passed his case to a local court. The judges sentenced him to 30 years in prison. Yastremsky's parents insist he was not guilty and appealed the court ruling, a process which is ongoing.

Ukrainian lawyers as well as law enforcement official suggest toughening legislation would be key to an efficient crack down on cybercrime. In 2001, Ukraine signed and later ratified the Council of Europe's convention on cyber crime, which stipulates criminal liability for unauthorized access, selling or other illegal dissemination of passwords, account data and other personal information that might lead to a cybertheft.

Nevertheless, Orlov from Kyiv's police academy said there is no specific article in the criminal code that deals directly with cybercrime. "Legislation should be toughened and there should be criminal liability for committing cyberscams," Orlov said. "I can't say what should be an adequate sentence for it; that's a task for our lawmakers to decide."

Kyiv Post staff writer Olesia Oleshko can be reached at oleshko@kyivpost.com and James Marson at marson@kyivpost.com.

October 26, 2010, Hyatt Regency Kiev

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Leaders Talk

Leaders Talk: CDA a.i. Mr. Vítězslav Pivoňka.

JUST 20 YEARS AGO THE CZECH REPUBLIC AND UKRAINE WERE NEIGHBOURING SOCIALIST BLOCs AS PART OF CZECHOSLOVAKIA AND THE USSR. TODAY, SEPARATED BY SLOVAKIA, THE TWO COUNTRIES INTERACT AS YOUNG INDEPENDENT STATES WITH FREE MARKET ECONOMIES. THIS WEEK THE EBA SPOKE TO THE CZECH CDA A.I. MR. VÍTEZSLAV PIVOŇKA TO DISCUSS ECONOMIC AND POLITICAL RELATIONS BETWEEN THE CZECH REPUBLIC AND UKRAINE.

MR. VÍTEZSLAV
Pivoňka,
Czech CDA a.i.



How would you describe the trade relations between the Czech Republic and Ukraine?

"Economic and trade relations between the Czech Republic and Ukraine represent an essential part of the bilateral relations. Ukraine is a priority country for the Czech Republic's external economic relations. We are developing a lot of areas of economic cooperation from trade, investment, production cooperation, science and technological cooperation to interregional relations. Therefore, we can say that our relations in this area have a comprehensive character. For example, one can mention the assembly plant for Skoda cars in western Ukraine or our recently inaugurated project of the joint production of trolleybuses. Besides these, Czech companies are active in the Ukrainian energy sector, in machinery, pharmacy, infrastructure, agriculture and many other markets."

How does your Embassy and the Czech Government support trade and industry here?

"The commercial and economic department of our Embassy in Ukraine is one of the most important elements of the Czech 'Comprehensive State Export Support System' and in economic diplomacy as well. Our Consulates General in Donetsk and Lviv and our agencies Czechtrade, Czechtourism and Czech Centres work together with our Honorary Consulates to provide a broad support base for our companies. They provide support through consultations, presentations, supply of information, participation in fairs/exhibition and by organising entrepreneurial missions to the regions."

Are Czech companies focused or concentrated in any specific regions of Ukraine?

"The regional vector of our bilateral economic relations plays a very important role and this element of our activity is an inevitable part of our pro-export strategy in the Ukrainian market. We are practically active in many regions, but owing to the potential and structure of our relations we are particularly active in the eastern part of the country. At the same time we develop our inter-regional and intercity relations with our partners in Ukraine from west to the eastern part of the country."

The EU recently released a firm statement of concern about personal and press freedoms in Ukraine. How do these freedoms relate to economic issues?

"Freedom of press and human and civil rights as well as free market economy are essential components of a liberal democracy and European values. If Ukraine wants to be a truly European country and boost political and economic ties with the EU, not to mention integrate into European structures, as stated by your government and president, a strong commitment to protect all human and civil rights and freedom of press is inevitable. The Deep and Comprehensive Free Trade Agreement (DCFTA) proposed to Ukraine by the European Union is the deepest and the most complex form of economic integration which the EU has ever proposed to any partner country. It is part of the Association Agreement, which is based on Ukraine's wish to integrate with the EU. Should the situation of freedom of expression and human and civil rights further deteriorate, it will without any doubt have strong influence on political relations and DCFTA negotiations as well."

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In Focus:

Tax Code punishes agricultural exporters

EBA member Ruben Bellaev of ADM Ukraine recently highlighted a potentially damaging anomaly in the governments Draft Tax Code which may have a significant impact on agricultural exporters operating in Ukraine. The new regulation would create different rules depending on your position in the supply chain and favour farmers over traders.

It seems that, in favouring farmers, the government hopes to remove the burden of VAT refunds and stimulate farmers to export directly. However, it is quite possible that the actual results would damage exporters and thus reduce the market price that they are able to offer to farmers.

Valentin Belinsky,
Legal & Tax Manager of
Bunge Ukraine explains
the situation



VALENTIN Belinsky

Currently, the system works in the following way: all supplies of grain or seeds within the territory of Ukraine are taxed with 20% VAT. This means that either the farmer or trader accrues a 20% VAT tax on top of the contract value of the goods. The difference between the VAT collected from the buyers and the VAT paid to the sellers is paid to the state budget (a farmer, who chooses the so-called 'special tax system', is in a privileged situation because, in comparison with a trader he will not pay to the state the positive difference. Instead he will be allowed to spend it for buying pesticides, Agri equipment, seed grains, etc.).

If the grain or seeds are exported from the territory of Ukraine, the exporter is entitled to a refund from the State of the VAT he paid to his supplier when buying grain within the territory of Ukraine. This should be done because, one of the principles of international trade is that exported goods should be cleared from domestic taxes (VAT is a pure domestic tax) so that goods from different countries can compete with each other without the complication or burden of local taxes. Also, VAT paid to

service suppliers which accompany the export process (throughput, storage, transportation, etc.) will be refunded to the exporter.

According to legislation, smooth VAT refunding is guaranteed to exporters provided that certain criteria are met. However, the government is not currently playing fair and simply chooses not to refund VAT, preferring to channel it to the State Budget.

The intention of the new legislation is to get rid of the majority of VAT which is due to exporters: since any transactions with grain (either domestic or export sales) will be exempt from VAT, no VAT will be paid to supplier so no VAT will be due for refund by the Government (with an exemption for farmers who will benefit from the current VAT regime on sale of grain and will still accrue 20% VAT and not pay the positive difference to the state budget, please see above). On the other hand, traders will not be able to refund VAT paid within the value of services accompanying export (throughput, storage, transportation, etc.) and this VAT will be allowed for referral to expenses, thus, decreasing the amount of Corporate Income Tax that is due.

The problem is that the proposed wording in the Draft Tax Code (i.e. exemption from VAT except for the first sale) establishes different conditions for farmers and traders, namely: farmers exporting their products will be able to refund VAT they paid to their suppliers (including suppliers of auxiliary services) whereas traders will not be eligible for such refunds. This gives an economic advantage to farmers and stimulates them to export directly (however, on the other hand, many of the farmers are small companies not willing to be exporters and, thus, traders will be offering them lower prices for grain in order to compensate all their losses as mentioned above).

If this goes ahead, sales of grain will be exempt from VAT (except for the 1st sale) as of 1 Jan 2011, their export - as of 1 Jul 2011 and this could result in decreased acquisition prices for which traders will be ready to buy grain, this resulting in decrease of profitability of the farmers.

This could be avoided through either (a) introduction of 0% VAT rate for any exports of grain and/or (b) exclusion of the exemption 'except for the first sale'.

REGIONAL News

Work starts on the construction of the temporary terminal at Kharkiv airport

Preparatory works began at Kharkiv international airport for the construction of the new temporary terminal. The construction site is being cleared and cleaned and the necessary equipment is being installed. However, to call the terminal "temporary" - it is not entirely accurate. Rather it will be a constant aero salon during the Euro 2012, when there will be the large flow of fans; it will be temporarily used as a passenger terminal. After the tournament the building will be used for other purposes explained the President of DCH Group, the general investor and coordinator of the preparation of Kharkiv for Euro 2012 Olexandr Yaroslavskiy.

About \$5 mln has been invested in the project and will be allocated until autumn 2011. The total area of the temporary terminal will equal 5,184 sq m. 25% for a show room and 75% infrastructure of business aviation.

'Swedish Days' in Lviv - 14th and 15th of October, 2010

A new business project "Swedish Days in Lviv" will be held in Lviv with the support of the Swedish Trade Council, the Swedish Embassy in Ukraine and in partnership with the EBA.

The concept for the 'Sweden Days' project is based around a mixture of business promotion and cultural exchanges in areas where both Ukraine and Sweden have an interest in strengthening co-operation.

The main purpose of the event is to provide new opportunities for co-operation and investment between Swedish and Ukrainian business. Swedish Days will also promote Swedish culture and society in the region.

The main activities of the program 14th -15th of October will include:

- Individually tailored programs for Swedish business including opportunities for finding local business partners;
- Presentations of Swedish experiences in sectors such as innovation and energy efficiency;
- A seminar with work-shops in different sectors: textile, IT, metal working, outsourcing, automotive industry, etc.;
- Swedish cultural events at different local venues (movies, DJ, jazz).

New Gas Pipeline Is Opened in Svyatogirsk

The grand opening of the first in Ukraine pilot project of high pressure gas pipeline built by Donetskoblgas was held in Svyatogirsk on the 8th of October 2010.

According to Anatoliy Blyznyuk, the Chairman of Donetsk Regional State Administration, it is the first project of plastic gas pipeline construction in Ukraine. Plastic pipes have a lot of advantages against steel ones such as efficiency and high durability. It is planned that implementation of this project will encourage overcoming of unemployment problems and also enhance environmental safety in the region. Moreover, the new gas pipelines building norms were created on the basis of this pilot project.

Things to know

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Editorials

Stealing themselves

The strange case of Ukraine's biggest foreign investor, ArcelorMittal, reveals a lot about the state of the nation – most of it bad, but not entirely.

The government – through the always politically malleable prosecutors – abruptly lodged major accusations against the owner of the country's largest steel mill, in Kryvyi Rih. The charges appeared out of thin air in July, and then disappeared just as suddenly on Oct. 12.

Ukraine's general prosecutor claimed that the company violated an agreement to make certain investments in the plant after the \$4.8 billion privatization deal in 2005. Fearing that the lawsuit may result in revoking the sale and loss of the investor's money, ArcelorMittal raised an international stink about the case.

This time, the publicity paid off handsomely. President Viktor Yanukovich publicly backed down on Oct. 8 during his visit to France, saying the case will not get to the courts. Sure enough, four days later, the drama was cut short in court as the general prosecutor withdrew its accusations without any explanation. The judge did not question the decision.

What does it show us? That Ukraine has no judicial or prosecutorial independence, to start with. That lawlessness and corruption still permeate the nation; that the president tightly controls the executive and judicial powers. But those who run afoul of the administration can sometimes fight back and win, as ArcelorMittal showed. But the steel giant should not hurry to crack open champagne yet. It's not clear whether the issue with investment obligations will arise once again, in a different form, from a different government agency.

Presidential chief of staff Serhiy Lyovochkin promised on Oct. 13 that no reprivatization of this plant or any other will take place under this president, and that the agreement detailing ArcelorMittal's investment obligations will hopefully be signed next week during the visit of the company's president to Ukraine.

In the end, sanity prevailed – for now. It may have happened because the administration decided that fighting with the largest investor is not good for the nation's image ahead of key privatization sales of telecoms giant Ukrtelecom.

ArcelorMittal's supporters scored big PR points by portraying the lawsuit as a government-sponsored raider attack. But the rights and property of investors are being routinely trampled. And most of them don't have the clout of ArcelorMittal, the world's largest steel producer. What will happen to them?

The only thing that is clear from this case is that anyone who is bold enough to invest in Ukraine should learn how to shout – the louder, the better.

Company they keep

Something is deeply wrong when the political leadership and business elite of a nation as impoverished as Ukraine spend millions of dollars in an effort to buy legitimacy, influence or expertise that they cannot earn themselves.

It does not surprise us that Washington, D.C. law firms and private detectives will do anything for money and come to any conclusions their paymasters want from them. But ex-public officials who were elected or appointed to serve the interests of all only sully their reputations by making the wrong choice of friends. As your mother might have said, you are judged by the company you keep. If so, the judgments are harsh for these politicians who recently made the news for their less-than-savory Ukrainian ties:

- Ex-U.S. President Bill Clinton spent four days this month in Ukraine with the Pinchuks, Victor and Olena, the son-in-law and daughter of ex-President Leonid Kuchma. The Pinchuks got fabulously wealthy under Kuchma's authoritarian reign. It is clear what each side is getting from the deal: for Clinton, it is millions of dollars for his library and charities; for the Pinchuks, it's legitimacy that comes from hobnobbing with a former U.S. president.
- In the American state of Rhode Island, ex-U.S. Sen. Lincoln D. Chafee's ties to Ukrainian's richest billionaire, Rinat Akhmetov, have become a campaign issue in this fall's three-way race for governor in which Chafee is the independent candidate. Chafee serves on the board of Akhmetov's Foundation for Effective Governance, for up to \$100,000 a year, he told Rhode Island journalists. Akhmetov, in turn, gets the imprimatur of a high-profile U.S. politician, further helping him dim memories of his questionable past, replacing it with a new image as a philanthropic billionaire.
- Pauline Neville-Jones, the shadow security minister for David Cameron before he took over as the United Kingdom's prime minister, was turned down for the top British intelligence post. The reason, according to a source for the Daily Mail, was her connections to two tycoons with controversial reputations. One of them was Ukrainian Dmytro Firtash, who partly owns the gas-trading RosUkrEnergo. A British national who manages Firtash's assets provided funding for Neville-Jones' political campaign and office.

The point? Ukrainian politicians and business elite can hire whomever they want, but oftentimes all it gets them are foreigners interested in a fast buck. To many Ukrainians, both sides in these pairings demonstrate their lack of regard for the welfare of the nation's 46 million people.



NEWS ITEM: Hanna Herman, deputy chief of the presidential administration, said on Oct. 11 that the solution to the national debate about the official language should be introduction of three languages, Ukrainian, Russian and English. At the same time, some members of the government, such as Prime Minister Mykola Azarov, an ethnic Russian, have trouble speaking Ukrainian and often become the center of language-related jokes. President Viktor Yanukovich is also infamous for making mistakes, both linguistic and factual. In the latest one, during his official visit to France on Oct. 7-10, he said he supports the "majoritarian" system of election to parliament. (Drawing by Anatoliy Petrovich Vasilenko)

Fearing scandal for being different, politicians keep themselves, nation in closet



SVITLANA TUCHYNSKA
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Opposition lawmaker Oleh Lyashko made headlines last week, but not because of his strong political agenda. The sensation centered on the private life of the Bloc of Yulia Tymoshenko parliamentarian: A video was released on the Internet in which he talked about sexual relations with another man.

Shot back in 1993, the footage showed a young Lyashko, then chief editor of a small newspaper, revealing to a police officer the truth about his intimate relations with an undisclosed male politician, Borys.

Lyashko had been rumored to be gay for a long time before the video appeared. However, the day after the video was leaked, he disappointed me and many other people when he issued a statement accusing political opponents of doctoring the video using "modern technologies."

I picked up the phone to talk to Lyashko and asked him if he thinks there is a problem with gay people coming out of the closet in Ukraine.

"I cannot speak for my colleagues, if there are any gay people among them. I was never interested in that matter," Lyashko said. "Personally, I have a traditional sexual orientation. If you want to know about other public people, ask doctors."

I am not a specialist in video-doctoring techniques, but something tells me that the chances are, in fact, that the video is genuine.

I don't know anything about Lyashko's sexual life, but the fact is Ukraine has yet to see a politician come out of the closet about his or her homosexual orientation. I do believe they have reasons to be scared. In this generally conservative country, people are afraid of admitting that they are different from what they think the majority of people are. And this tendency stretches way beyond sexual orientation.

Take religion for example. The majority of Ukraine's politicians rush to appear in Orthodox churches in front of the cameras, hoping to score political points with Orthodox citizens who follow the nation's dominant faith. They do this even though many of them are atheists, while others privately belong to other religions. For some reason, they think that that revealing to the public what their beliefs or behavior really is will cost them so many votes that their career in politics will be over. Their strategy is a simple, yet backward one, like the train of thought from the Middle Ages: Go with the flow.

→ 17

KyivPost

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After constitutional change, what now?



Then-Ukrainian President Leonid Kuchma (C) on Nov. 26, 2004, announces a deal to amend the 1996 constitution, part of a deal to end the Orange Revolution by diluting the presidential powers of his successor, Viktor Yushchenko (L), who prevailed over Viktor Yanukovich (R) despite a rigged presidential election that year. (UNIAN)

Strong president is good for nation



KOST BONDARENKO

Many politicians saw the decision by the Constitutional Court to cancel the constitutional reform of 2004, thereby handing President Viktor Yanukovich more authorities, as a usurpation of power.

But there is an opposing view: that it will allow Yanukovich to push through political and economic overhauls. It was always clear that Yanukovich, the president since Feb. 25, would cancel the 2004 amendments. The questions now are – why did he do it, and what next?

I suggest he has done it in order to continue political reforms. He needs new political reform to change the country, to transform it. Some might argue we're giving him the benefit of the doubt; but there is a high chance that the president will bring reform to life.

This is the moment for Yanukovich to think how history books will describe him: as a twice-convicted person who turned into a regional leader and then leader of the Party of Regions, or as a person who, despite his controversial past, brought positive changes.

Yanukovich has reached the top of his political career. This is the moment for him to think how history books will describe him: as a twice-convicted person who turned into a regional leader and then leader of the Party of Regions, or as a person who, despite his tough and controversial past, managed to become a key figure in Ukraine's history who brought about positive changes?

Yanukovich is an ambitious man

who thinks about these things.

Understanding that power is not an end in itself but an instrument, Yanukovich will develop and improve the new constitution. He would very much like it to be Yanukovich's constitution, bearing his name, like the Napoleonic Code or Stalin's and Brezhnev's constitutions in the Soviet Union.

More than half a century ago, Charles de Gaulle started his presidency in France by changing the constitution. He was then able to bring order and successful reform to the country. Like de Gaulle, Yanukovich decided to change the country through changes to the constitution that give them maximum power for reform.

What kind of changes can Yanukovich make in the near future?

First – and this might again sound paradoxical – he might have to broaden the functions of local self-government, increase the power of mayors and thus turning them into allies in carrying out regional policies.

Back in 1995, then-President Leonid Kuchma made formerly elected heads of regional administrations totally dependent on the president. They started off as his opponents, and eventually turned into reliable weapons in his hands, called "governors."

Today, most of the potential mayors who will take part in local elections on Oct. 31 are completely loyal to Yanukovich, and are in opposition to governors. By increasing the functions of mayors and territorial powers through a new constitution, Yanukovich might actually end up with a more effective and manageable system, which can change the country at its roots.

The second tendency one might predict is centrifugal forces within large political groups – primarily → 16

Dubious process erodes credibility



VICTOR TKACHUK

Former Ukrainian Prime Minister Yulia Tymoshenko and the remainder of the opposition will seek to make international capital out of the recent move to change Ukraine's Constitution. Yet perhaps they have just cause as the administration has not followed due democratic and parliamentary process and has created a precedent for further changes in the future, thereby undermining the whole credibility of the Ukrainian Constitution.

First, the established process to change the constitution was bypassed: namely 300 lawmakers, not the courts, should vote to agree to change it. Second, the Constitutional Court was not asked to reconsider the 2004 changes in full but selectively. This would enable President Viktor Yanukovich to assume more power while not tying his hands over issues that might restrict him. This and their total disregard for the rights of the people, do not bode well as it clearly suggests constitutional manipulation as opposed to real reform.

A return to the 1996 constitution could be a positive step as it would clear up many of the ambiguities that have plagued the past five years, especially if the process followed the law and is accompanied by a restoration of the independence of the courts, the rule of law, the regulation of the currently unlimited immunity of members of parliament and a degree of morality in the Verkhovna Rada. Sadly, this is not the case.

In fact we can only speculate as to the president's intentions as no

plans have ever been made public, no manifesto for change has ever been published, let alone voted upon. The people of Ukraine have no idea of their president's intentions; they can only draw assumptions from his speeches to the international community and hope that he really means what he says. This is not a true democratic process and judged against history it is close to the establishment of, at best, authoritarianism. When coupled with the recent pressure on media owners and international non-government organizations, unwarranted interference by the tax police and restrictions on freedom of assembly, it is cause for concern.

Let us assume that the president is serious about democratic reform and truly wants to clear up much of the confusion. He does not need more personal power to achieve this. He could earn himself credit by establishing a transparent all-party constitutional commission with international support to carry out a thorough review and align himself politically to the process. The Venice Commission of the Council of Europe would no doubt assist in this process. Its secretary, Thomas Markert, was polite by describing the recent court decision as "unusual" given that the court declared the constitution invalid after six years of it being in operation.

If we assume that the president wants to restore order in society then a good first step would be to ensure that all Ukrainian citizens are equal under the law. He needs to make corruption in the courts, prosecution services and the police a criminal offense punishable by mandatory prison sentences. He already has the power to do this.

If we assume that he wants Ukraine to be a modern European state, then he can demonstrate this by working according to European norms and European values. Again he does → 16

VOX populi

WITH TETYANA BOYCHENKO



Do you think Hanna Herman's idea that Ukraine should have three official state languages – Ukrainian, Russian and English – is a good one?



Natalia Reznichenko

Retired
"I don't see anything bad about this idea. However, it is not realistic."

Anyway, some people will still speak Ukrainian, some will speak Russian. For example, in Crimea, Ukrainian will never take root. I lived there and know it. The Tatar language is more likely to take root there. Besides, there are a large number of Russian immigrants living there who don't accept Ukrainian."



Oleh Zakrevsky

Economist
"Frankly speaking, I don't approve of this idea. In any case we use these languages [Ukrainian,

Russian, English], but Ukrainian should be the only official language."



Zhanna Artemenko

Retired
"I think the more languages a person knows, the better. Such a person is of higher

intellect."



Maryna Marinina

Civil servant
"I don't support this idea. I suppose we have our own state – Ukraine – and the

Ukrainian language is the most optimal option. I don't even welcome Russian."



Roman Boyko

Student
"I support it. I am a linguist, and I study languages. The more languages we know, the better."

I've never been against Ukrainian or Russian. I am very happy we have a possibility to know both Russian and Ukrainian at the same time. And if we have English [as an official state language] – maybe it obliges someone to do something – but I think it will only be for the better."

Vox Populi is not only in print, but also online at kyivpost.com with different questions. If you have a question that you want answered, e-mail the idea to news@kyivpost.com



Germany's Metro continues expanding in Ukraine

METRO Group, the German retail and wholesale giant which has expanded its business in Ukraine with lightning speed since entering the country six years ago, launched a new store in the central Ukrainian town of Kirovohrad on Oct. 12. From left, Jonathan Torr, METRO's customer management director, Kirovograd Mayor Volodymyr Puzakov and store manager Denys Yevsikov, tour on opening day. The first METRO Baza store in Ukraine was launched last July in Kremenchuk, targeting sales to small stores. METRO plans to open two more stores with this format in Ukraine at the end of 2010 and beginning of 2011. Since entering the country six years ago, METRO has pumped more than 475 million euros into 25 wholesale stores under the METRO Cash & Carry brand, as well as the two METRO Baza stores launched this year. (Courtesy)

Mykolayiv musters 5,000 in protest against proposed tax code

More than 5,000 citizens working or owning small- and medium-sized business gathered on Oct. 13 in the southern Ukrainian town of Mykolayiv to protest the government's proposed new tax code. The group threatened to follow up with more protests by blocking bridges and state buildings if the government does not meet their demands. The protest symbolizes the growing disapproval among small- and medium-sized businesses. They see the new tax code being pushed by President Viktor Yanukovich's government as offering sizable profit tax cuts to big businesses, while increasing the tax burden on many smaller businesses. The tax code was adopted in the first reading by parliament earlier this month. Officials have since said that the final version should be adopted by early November and could still undergo substantial changes. (Ukrinform)

→ On the move

Send On the Move news to gnaviv@kyivpost.com, or contact Olga Gnaviv at 234-6500. Send business photos and press releases to: news@kyivpost.com, or contact the newsroom at 234-6310.



ALEXEY DOLGIKH has been appointed country manager for Ukraine at Pedersen & Partners, an executive search firm. Dolgikh has a successful track record of over eight

years in the executive search industry, having worked in Russia and Ukraine and gained expertise in the retail, consumer and pharmaceuticals sectors. Before joining Pedersen & Partners, he worked in the Kyiv office of international recruiting firm Hudson and the Moscow office of executive search firm, Ward Howell. His key responsibility is the search for the top level professionals in finance, marketing and sales. Dolgikh started his professional career in a law firm in Donetsk after graduating from Donetsk National University with a degree in law. He is now pursuing a joint MBA program at the University of New Brunswick, Canada and the International Institute of Business in Ukraine.



ELENA KOVTUN was promoted to strategy planning director at Starget PR Agency, a part of DVL Communications, an advertising and communications holding. In the new role, she

will oversee strategy planning and the development process for both current and potential clients. Prior to joining Starget, Elena worked at a Russian advertising agency and was an editor of New Marketing magazine. During her three and a half years at Starget in the post of project manager, Kovtun implemented nearly 20 campaigns. Her recent projects included long-term integrated campaigns for the Culture and Information Office of the Embassy of Turkey in Ukraine, pharmaceutical holding STADA CIS, projects for the Borjomi TM and the Ukrainian Association of Gaming Operators.



OLEKSANDR DOMASHENKO has joined the litigation practice of law offices of Orlov, Mikhailenko & Partners (OMP) as a senior associate. Prior to joining OMP,

Domashenko worked for three years as an associate in the corporate and merger & acquisition practice at Voropaev & Partners, providing legal services to leading Ukrainian and international companies in M&A, corporate, commercial, investment and labor law. He also participated in M&A transactions in the mining and ore industries. Domashenko graduated from the Kyiv Institute of International Affairs at Shevchenko National University.



OLEKSANDR MERESHKO has become an external counsel for ENGARDE law firm. Before joining ENGARDE, Merezhko worked as an expert for the working group on

drafting the New Civil Code of Ukraine. During his 15 years of experience in the legal field, he has authored 12 books on international private law and works in the field of contract law, international conflict law and international trade. His book "Introduction to Philosophy of International Law" was awarded a special prize from the Society of Lawyers of Ukraine. Merezhko is a professor at the John Paul II Lublin Catholic University, professor at Kyiv University of Economics and Law "KROK" and doctor of legal sciences at the Institute of International Relations at the Kyiv National University.

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Business Sense

WITH NATALIYA MYKOLSKA
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Editor's Note: Business Sense is a feature in which experts explain Ukraine's place in the world economy and provide insight into doing business in the country. To contribute, contact chief editor Brian Bonner at bonner@kyivpost.com

Businesses should be more proactive to benefit from WTO

Two years have passed since Ukraine joined the World Trade Organization, but have companies and the government increased their understanding of the new rules of doing business?

Accession to the WTO means joining a club with an entrance fee – concessions by both the state and businesses to be subject to increased competition and more liberal rules of trade. In turn, it creates plenty of opportunities for its members and their businesses. However, joining the WTO changes the rules of the game for governments and businesses by prohibiting increases in tariffs and using export or import quotas.

Unfortunately, understanding of how to work efficiently in the new circumstances is lacking among Ukrainian businesses. The government has also been slow to adapt to WTO rules. There has been some progress, but many problems and misconceptions still exist.

The government still occasionally attempts to use traditional methods of market protection, such as last week's decision to introduce of limits on grain exports and the provision of tax breaks for certain industries.

Furthermore, the government is still not deeply vested in the WTO rules and procedures. This quite often allows our foreign trading partners to use WTO rules in bad faith in order to get the most favorable treatment for their products and services.

However, the government actively uses trade remedies permitted under WTO rules to protect the interests of the domestic industry in foreign markets. Following requests from domestic producers in Ukraine, it solved the problem of discriminatory excise duties for products imported into Georgia, meaning better market access for Ukrainian companies. The government has also launched formal consultations under the WTO dispute settlement procedure with Armenia regarding its discriminatory taxes and duties on alcoholic beverages and cigarettes.

But the government could do much more to protect Ukrainian businesses

if all businesses notified the authorities of problems.

The main Ukrainian business and financial corporations have not only adapted their way of doing business to new conditions and the benefits and risks associated with them, but they are already actively working under these conditions. However, the majority of Ukrainian companies are still not fully aware of the opportunities that the WTO offers and do not know that the WTO rules can help to solve problems with their international trade.

The majority of Ukrainian companies still does not seriously consider using the permitted triad of trade defense remedies – anti-dumping, anti-subsidy and safeguard measures. Ukrainian producers can effectively prevent unfair competition if subsidized or dumped products are imported and if there is a surge of imports.

This is especially important due to the recent move to a closer cooperation with China and the expected increase in imports, which are substantially cheaper than Ukrainian goods, domestic producers may lose their market share. If cheap imports are subsidized by the importing country, Ukrainian producers can solve the problem by using an anti-subsidy investigation. Certainly, these procedures are time-consuming and require specialized legal advice, but the result will pay off.

The WTO can help not only at home but can also secure market access abroad. In export markets Ukrainian companies have been working according to the WTO rules for some time now. However, they do not always fully understand that they are equals, as Ukraine is a WTO member and can upon the request use all possible WTO remedies starting from unofficial consultations up to the initiation of dispute settlement procedures. If Ukrainian producers notice discrimination against their imports, such as differences in taxation compared with domestic products, they should gather information and inform the government. Through the govern-

ment, industries can initiate formal proceedings against trading partners violating WTO provisions. Georgia and Armenia are already successful examples.

In addition, Ukrainian or foreign industries can in some cases even solve problems by themselves. WTO agreements have a direct effect in Ukraine: Provisions of the WTO agreements are part of Ukrainian legislation and companies may challenge the actions of state bodies or sue them in courts for the violation of WTO provisions. This can effectively prevent state agencies, such as the State Customs Service, from abusing their powers and violating WTO rules.

Finally, WTO agreements are amended through negotiations, and Ukrainian producers should show their interests by submitting official positions. Industries need to understand that WTO agreements concluded by the government directly affect them and can bring more profits or losses. Given that the current Doha Round of WTO negotiations is still not concluded, the business community should take a chance to ensure that their interests are represented and reflected in the final WTO agreements.

To sum up, the initiative is in the hands of Ukrainian producers. They have paid the entrance fee by losing market share, but the time to benefit from the security and predictability of market access has come, and industries should not lose the opportunity to use it in the most efficient way.

Ukrainian producers certainly have to put in effort, time and resources to avoid the risks and use the opportunities provided by the WTO. Most states and governments do not have the capacity to protect the interests of industries without their own initiative and support. Businesses should demonstrate their problems or show their support by gathering information, analyzing the problem and preparing action plan.

Nataliya Mykolska is senior associate at Kyiv-based law firm Vasil Kisel and Partners. She can be reached at mykolska@vcp.kiev.ua.

In case you missed them, read the last five Business Sense columns by experts online at kyivpost.com



Oct. 8 with **Michael Willard**, chairman of Willard, a public relations and advertising company: "Paying for news only feeds corruption"



Oct. 1 with **Leonid Antonenko** and **Nikolai Sorochinskiy**, senior associate and an associate with Asters: "Judicial overhaul: Good news for investors or not?"



Sept. 17 with **Natalia Pakhomovska**, senior associate at the Kyiv office of DLA Piper: "Revised permit law could help business, but needs more work"



Sept. 10 with **Volodymyr Vorobey**, partner at CSR Ukraine Community: "Companies catching on to corporate responsibility"



Sept. 3 with **Andriy Yarmak**, independent agri-business expert: "Government is eating hand that feeds it"

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BUSINESSADVISER

CORPORATE LAW OF UKRAINE: COMPLIANCE WITH NEW REQUIREMENTS



SERGIY OBERKOVYCH
Partner

In recent years, foreign investors carrying out their business activities in Ukraine as well as Ukrainian entrepreneurs have been experiencing the effects of changes made to Ukrainian corporate law on their economic activities.

In this interview, Attorney at Law Sergiy Oberkovych, a partner in the law firm Gvozdiy & Oberkovych, notes the most important amendments made to legal acts in the sphere of corporate law and provides practical advice intended to help businessmen and investors navigate the new legislative realities.

Q: Could you give some examples of the latest legislative norms of which businesses, from the point of view of the corporate law practice, must be aware in their activities?

A: One of the most relevant and essential legal innovations that our clients have already come across during the incorporation of their companies in Ukraine is the extended list of documents required to be filed by them for their entities to be registered by Ukrainian authorities. Founders of a legal entity, among other paperwork, must submit information and corresponding documents confirming the ownership structure of legal entities – founders of such newly-incorporated subject of economic activities, making it possible for a State Registrar to establish the identity of individual persons – owners of major participation shares of such legal entities. Corresponding amendments were made to legislation concurrent with adopting a new statutory wording of the law "On Prevention and Counteraction of the Legalization (Laundering) of the Proceeds from Crime."

In consideration of the clients' problems and with the aim of creating an optimal ownership structure of a newly-incorporated company, we suggest involving into the process a number of affiliated foreign founding companies incorporated in the corporate jurisdiction of countries that allow the use of nominal founders. The aforementioned scheme permits simultaneous compliance with the legislative requirements and ensures a certain level of business security and sufficient level of confidentiality.

Q: Except issues related to material law requirements that investors are to comply with while initially entering the Ukrainian markets, what problems of a corporate nature are the existing companies currently facing in Ukraine?

A: On April 30, 2011, the term for bringing the activities of joint stock companies in compliance with the final and transitional provisions of the law "On Joint Stock Companies" will expire. This stipulates that joint stock companies should undertake such actions as bringing their bylaws and internal corporate documents in compliance with the requirements of the law, including changing the name of a joint stock company (from open to public and from closed to private). Furthermore, starting from May 1, 2011, all joint stock companies will have to carry out requirements of the law on an exclusive non-documentary form of shares.

We also need to pay attention to lawmakers' intention to regulate the issues of accrual and payment of dividends by joint stock companies by introducing corresponding amendments to the laws regulating the corporate sphere by the law "On the State Budget of Ukraine." So, in 2010 joint stock companies paid their dividends from their net profit gained within the reporting year and/or from non-distributed profit within six months of the end of the reporting year in the amount of not less than 30 percent (the previous wording stipulated for payment of dividends in the amount established by a resolution of from a general meeting of a joint stock company).

Regardless of the fact that corresponding amendments were established for 2010, investors should not expect drastic changes concerning regulation of this issue in 2011.

Q: Peculiarities of which legal branches connected with the corporate law sphere must foreign investors be aware of while considering all preferences and shortcomings of making investments into a certain economic sphere?

The agricultural sphere, exploration of natural resources and alternative electrical energy spheres are those three spheres closely related to the settlement of corporate matters and are the main concern of the majority of our clients. For example, helping you to understand the essence of interrelations of such issues, I can point out that for all the mentioned spheres land issues constitute an integral element of successful and profitable economic activities. At the same time, land legislation stipulates for restrictions in relation to the acquisition of title for the lands of a certain type for incorporation under Ukrainian laws of enterprises with non-residents being the holders of certain shares in their charter capitals.

Having lawfully built a corporate structure of such an enterprise, our foreign clients have legally acquired the title for land plots for further construction of electricity generating facilities, execution of geologic exploration and carrying out mineral resources prospecting works. Under such circumstances, regardless of the fact that provisions of corresponding legislative acts allow the execution of said economic activities by foreign companies directly, from the point of view of corporate and land law of Ukraine, execution of such business activities through competently incorporated structures built in Ukraine has undoubted advantages.

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Deadlines on corporate governance law loom

BY OLGA GNATIV
GNATIV@KYIVPOST.COM

With Ukrainian joint stock companies facing two major deadlines to meet the terms of a major law passed in September 2008, market insiders say many firms are struggling to meet the deadline.

A failure to comply with the regulations, experts say, present legal risks and leaves Ukraine lagging in the corporate governance stakes, exactly what the law was supposed to improve.

The first deadline comes on Oct. 29, when all joint stock companies should have converted their securities and shares from paper-based form to electronic.

The second deadline, set for April 2011, requires all joint stock enterprises to rename themselves from open and closed stock companies to public and private and make the relevant legal changes.

After both dates, the old laws and regulations for joint stock companies will give way to the new law that went into effect in April 2009. From that time, companies were given two years to make all necessary changes.

Market insiders say that the vast majority of joint stock companies will fail to meet these deadlines and will not bring their documents into compliance with the new law, which was touted as a major breakthrough set to clean up Ukrainian companies' notoriously murky corporate governance. Many of the companies hope that they'll be given an additional two years for transition, as there are several draft laws registered in parliament to postpone the transition.

"If parliament approves the postponement [of both deadlines], reforms to improve corporate governance in the country will be slowed down," said Dmytro Tevelyev, head of the State Commission for Securities and Stock Market.

The transition to electronic form of holding shares and public/private forms of corporate management are aimed to improve the system of share registration, ensure better protection of shareholders' rights and more corporate transparency for public companies.

According to experts, only 15 percent of all joint stock companies use electronic stock, just two weeks ahead of the legal deadline. Only 10 percent have reclassified themselves as private or public six months before the deadline. The State Commission for Securities and Stock Market reports that there are 31,000 joint stock companies in Ukraine, out of which 9,000 are open and 22,000 are closed.

The new law on joint stock companies requires all enterprises with fewer than 100 shareholders to become private while those with more than 100 shareholders need to become public.

"In order to become public or private, joint stock companies need to change their names, make changes in charters documents and internal regulations. It is time- and resource-consuming," said Albert Sych, senior manager and M&A law leader at Ernst & Young.

Many have become laggards. However, the insurance and banking industries are leaders in adopting the

new corporate standards. "Financial market players are the most active in bringing its charters and internal regulations in compliance with the new joint stock company law," said Artem Sokurov, a lawyer with Schoenherr law firm.

Joint stock companies that failed to meet the deadline may get a break. "There are two laws registered in the parliament that may shift the deadline," said Andriy Snegiryov, chairman of the board of Sokrat investment bank.

The joint stock company law includes neither sanction for failure to comply with these requirements, nor incentive to those who want to comply.

"Legal risks for non-compliance are plentiful. Non-compliant joint stock companies, for instance, can be sued by their shareholders, demanding a change in company name and internal documents in line with the current legislative requirements," said Olena Shcherbyna, counsel with Kyiv-based Sayenko Kharenko law firm.

Ukrainian businesses which became joint stock companies during the privatization process in the 1990s, and often have 1000s of minor shareholders, face a dilemma when deciding which type of joint stock company to become.

With 100 shareholders or more, they cannot transform into private joint stock companies, while the much tighter requirements for public joint stock companies under the law discourage them from considering this type either.

Companies that have a small number of shareholders (fewer than 10) prefer to become limited liability com-

panies; those with fewer than 100 shareholders can transform into private joint stock companies; those with more than 100 shareholders have to either become public joint stock companies or – in case they find it inconvenient – consider other options, including becoming companies with additional liabilities.

"The change of name from closed/open to private/public will require companies to reissue all permit documents – licenses and patents – as well as property rights for land plots, vehicles etc., which is very time-consuming and brings additional expenses," said Shcherbyna from Sayenko Kharenko.

"Only those closed joint stock companies that have more than 100 shareholders and plan to go public (with an initial public offering) in the future are seriously considering transforming into a public joint stock company," Shcherbyna said.

Meanwhile, companies that don't move to private/public status will operate with outmoded regulations

"The activity of a company will appear outside the law, and it may cause many conflicts within enterprises, including raider's attacks," said Sych from Ernst & Young. "This is very bad for the market overall."

And a serious situation.

"We will address each case for violating the deadline, examine their reasons for it and give additional time, up to several months, to fix the problem," said Tevelyev of the State Commission for Securities and Stock Market.

Kyiv Post staff writer Olga Gnativ can be reached at gnativ@kyivpost.com

Alternative exchanges offer firms advantages

BY OLGA GNATIV
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In early October, Agrotan, one of the biggest agricultural producers in eastern Ukraine, announced plans to place shares on a foreign stock exchange. The company expects to raise \$60 million for a 26.2 percent stake on the Warsaw Stock Exchange.

Agrotan is one of few Ukrainian companies carrying out plans to conduct an initial public offering this year. It is the latest agriculture company to go to the market after Avangard and Kernel raised over \$250 million between them in placements earlier this year.

With many initial public offerings postponed this year, could 2011 be a boom year for IPOs? Is the Agrotan placement in Warsaw is part of a trend of turning to alternative exchanges?

The Kyiv Post sat down with Olexander Zadorozhnyy, a lawyer from German-based international law firm Noerr, to get some answers.

Kyiv Post: Many Ukrainian companies that planned to conduct an IPO in 2010 postponed their plans until 2011. Do you expect them to make it happen in 2011?

Olexander Zadorozhnyy: Today we are witnessing a certain "revival" of the stock markets globally. The investors seem to be regaining interest and more funds to invest are appearing. However, it is difficult to predict whether this trend will continue in 2011. If we witness further growth in investor activity in the following year, we may see some IPOs of Ukrainian companies afterwards.

If the market demonstrates a certain "cooling," the companies will → 9

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London seen as prestigious exchange, while Warsaw suits agricultural firms

→8 most likely seek other sources of financing, such as issuing bonds, private placements etc. The potential IPO candidates are very sensitive to the market conditions and watch those carefully; if these are bad or unclear in their opinion, the decision on IPO will most likely be postponed, if not cancelled at all.

KP: How do companies choose where to conduct an IPO?

OZ: The choice of an appropriate venue for an IPO depends on a number of factors. First of all, it is the price of listing and associated expenses (preparation of documents, services of consultants, auditors and lawyers, fees of the stock exchange etc.).

Second, the liquidity of the market in general and the stock exchange in particular, in other words how much the company will be able to raise as a result of an IPO.

Third, the overall readiness of the company for an IPO is essential: how prepared the company is, how reorganized it is to meet the requirements, how transparent it is and so on.

Finally, objective factors such as prestige – for example, London is perceived to be more prestigious than other European stock exchanges – and the specialization of a certain market – Warsaw is more specialized for agricultural companies – also play a role here.

KP: London is a popular destination for Ukrainian IPOs. Do you see a rise in activity on

other exchanges – London AIM, Warsaw and Frankfurt? Are there any alternatives for those three? What advantages does each hold?

OZ: London was traditionally perceived as a success sign among Russian and Ukrainian companies. However, taking into consideration the cost of an IPO on the London Stock Exchange, many Ukrainian companies are looking more towards Frankfurt and Warsaw Stock Exchanges. London's AIM is also an option.

Each of these exchanges offers its advantages. The common advantage is the lower cost of listing and related expenses. Frankfurt offers a higher liquidity and a broader range of potential investors. Warsaw has more understanding of the business peculiarities from the side of Polish investors and a more specialized market for certain companies (e.g. agriculture).

While these three "alternative" destinations remain popular among Ukrainian companies, due to economic and political reasons Russian stock exchanges (such as the RTS and the MICEX) might attract more interest in the upcoming years. The advantages of the latter are clear: the higher interest of investors and the growing liquidity. At the same time, we may witness some IPOs on Asian stock exchanges, such as the Hong Kong and Singapore. Asia offers a substantial advantage of liquidity while the interest from the side of investors towards Ukrainian companies is still rather questionable. Apart from the above options, Ukrainian stock



Olexander Zadorozhnyy

exchanges also are the focus of certain companies.

KP: When did interest in these exchanges begin and why?

OZ: The interest in these exchanges started as Ukrainian companies began to look at different ways of attracting additional financing using the capital markets several years ago. Most candidates seem to be analyzing several possible options before adopting the final decision to list their securities abroad. While certain exchanges are active in carrying out different educative seminars and conferences for potential issuers, the others seem to be successful in completing large IPOs, which serve as a benchmark for judging their success and an effective tool to attract potential issuers.

KP: What are the advantages

of listing on a smaller exchange? Why would a company choose a smaller exchange? As a stepping stone, or an end goal?

OZ: One of the advantages of being listed on a smaller exchange is typically a more specific interest of investors towards a certain segment of economy or towards a certain peer group of companies.

Second, the requirements towards the prospectus for listing and the reporting requirements may be lower than on large stock exchanges.

Third, the listing on a smaller stock exchange is more likely to be completed in a shorter time and with less considerable expenses.

A company can later adopt a decision to transfer its listing to a larger stock exchange. Whether listing on a smaller exchange is a stepping stone or an end goal depends on the company in every single case. We have witnessed very rare occasions where it would be just a stepping stone. However, it can sometimes be used as a tool for measuring the interest of investors towards the company.

KP: What are legal challenges for IPO of Ukrainian companies on foreign markets? What steps have to be taken to prepare a company? How long does it take? Is it quicker than for a bigger exchange?

OZ: One of the biggest challenges for an IPO of a Ukrainian company on foreign market is the corporate governance: how the company is built internally. Many Ukrainian companies

therefore need restructuring before a foreign IPO.

Transparency requirements have to be met. After a company has gone public it has to report almost on everything that happens in it; investor relations service has to be put in place and has to be operating. Many Ukrainian companies are not used to doing that and have a hard time adjusting to it.

International accounting and reporting standards also have to be in place, which is often an obstacle, as Ukrainian companies generally do not keep their books according to internationally recognized standards. Therefore, in order to prepare a Ukrainian company for an IPO, a number of steps have to be taken, among which the most important are the corporate restructuring; implementation of transparent business practice and implementation of accounting and financial reporting according to international standards. The process of preparation may take from nine to 12 months for larger exchanges and from six to nine months for smaller exchanges and depends in each case on the requirements of the particular stock exchange.

KP: Companies from which sectors of the economy are most likely to list abroad?

OZ: In our opinion, the most likely candidates for a foreign listing are the Ukrainian agricultural businesses, as well as large energy companies and metallurgical industry enterprises.

Kyiv Post staff writer Olga Gnativ can be reached at gnavit@kyivpost.com

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Led by Russian buyers, mergers and acquisition activity inches up

BY OLGA GNATIV
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Merger and acquisition activity is still far from pre-crisis levels, when transactions boomed in the years running up to the 2009 global recession, generating big earnings for Ukraine's law firms and consulting service providers.

But it is picking up, albeit at a much slower than expected pace.

The value of mergers and acquisitions so far this year already exceeds 2009 by 30 percent, according to Kyiv-based investment bank Phoenix Capital. From the beginning of the year, the total value of transactions stands at \$2-2.5 billion, up from \$1.3 billion in 2009.

Sectors that were hit the hardest by the crisis, like banking and real estate, don't see a much interest from potential investors. Tastes have switched to the agriculture and food processing industries, telecommunication, fast moving consumable goods and, traditionally, towards the lucrative steel, mining and energy sectors.

The face of potential buyers of Ukrainian assets has also changed. If before the crisis European and U.S. investors were leaders, now cash-rich Russian businesses are seeking to snap up distressed Ukrainian assets at bargain prices.

Agriculture, food

Investment experts say the consumer sector that includes agriculture and food processing industries was among

the least affected by the crisis and remains among the most attractive, especially for Western investors.

"The agriculture sector is currently going through a stage of consolidation while larger players are seeking to acquire the maximum amount of smaller enterprises in an attempt to increase their land banks," said Vladyslava Grudova, senior associate of investment banking at Phoenix Capital.

A larger number of companies in consumer industries have already entered the phase of growth and are recovering from the crisis, which is an excellent time for international players to enter the market or increase their presence, Grudova added.

"There are many good and big food processing companies in Ukraine in sectors such as dairy and food production, which may be interesting to investors," said Olena Malitska, director of investment banking at Astrum, another Kyiv-based investment bank.

Banking and finance

The only sector of economy where the share of foreign capital exceeds 50 percent, the banking sector is suffering the most from the lack of activity. In the years heading into the 2009 recession, European banks rushed to snap up banking operations in Ukraine, then seen as a promising market. The new European arrivals often paid more than \$1 billion for domestic banks only to see them nearly go bust during the recession. Now they are struggling



Zaporizhstal, nation's No. 5 steelmaker, changed ownership this year.(UNIAN)

to clean up billion-dollar piles of bad debts.

"The expectations for the banking business were largely overestimated. It was easier to give loans than now to get them back," said Mykhaylo Ilyashev, a managing partner at law firm Ilyashev & Partners.

According to Ilyashev, most merger or acquisition deals in this sector will be done as a rescue measure from debts. The demand for bank assets is very low and many of them have reached the lowest price level since the boom in 2005-2008. For some investors it may be a good time to buy.

"There are some signs of a revival of the banking business while the

prices remain low. This situation gives room for promising investments," said Maksym Uslysty, a senior associate at Paritet law firm.

"In the third quarter of 2011 we may see a lot of bank purchases," Uslysty predicted.

Energy, heavy industry

Heavy industry has, so far, had the biggest number of merger and acquisition deals this year. Earlier this year, Ukraine's fifth largest steel mill Zaporizhstal – valued at more than \$1 billion – was sold to Russian investors represented by the Russian government controlled Vnesheconombank by two Soviet-born businessmen Alex Shnaider and Eduard Shifrin, who now live in Canada and the UK, respectively. Earlier in the year, the same Russian group, also represented by Russian businessman Alexander Katunin, snapped up 50 percent control over a leading Ukrainian steel group, Industrial Union of Donbass.

Meanwhile, Metinvest, the largest of Ukraine's steel groups controlled by Ukraine's richest man Rinat Akhmetov, has purchased a 75-percent stake in another of the country's largest steel mills, Illych Steel and Iron Works in Mariupol (MMK Illych).

When major consolidation of the heavy industry is done, more deals could be made if privatization picks up, foremost in the energy sector, says Phoenix Capital's Grudova.

"There is potential on the market for mid-size independent energy com-

panies," said Myron Rabij, a partner at Salans, an international law firm with an office in Kyiv. As the most recent example, he talked about the \$45 million purchase of a 70 percent share of KUB-Gas, a private producer of natural gas in Ukraine, by Kulczyk Oil Ventures, a Polish oil and gas company.

What to expect

The combination of changes in political relations and economic circumstances has resulted into a bigger interest for Ukrainian assets from Russian capital. While Western investors show less interest for acquisitions in various sectors of the economy, apart from agriculture, Russians are eager to buy, experts say.

Thanks to strong Russian government support, they have access to "loans ... and also have bigger interest and more understanding of the Ukrainian market" to begin with, said Astrum's Malitska.

Despite the fact that a slow recovery is the general global trend, industry experts are convinced that some changes and activity can come to Ukraine sooner, if government creates an investment friendly environment.

"The climate may be boosted if the government keeps its promises, for example, by approving a business friendly tax code and further cutting the number of licenses for operating businesses in Ukraine," said Rabij from Salans.

Kyiv Post staff writer Olga Gnativ can be reached at gnativ@kyivpost.com

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(044) 287-5359 (044) 287-5359	Elena Peshkova	100/0	Kyiv, Ukraine	11	WND	English	Corporate, labour, tax, procedure, intellectual property, litigation and arbitration	Advising Glas Trösch Euroholding AG & Co. KGaA on business acquiring	WND
(044) 531-3018 (044) 414-8855	Diana Antohina, Alain Vorontsova	100/0	Kyiv, Ukraine	7	70-350 Euro	English, Italian	Corporate, tax, M&A, bankruptcy, banking & finance, investments, real estate, employment, litigation & arbitration	WND	Leading Ukrainian and international companies
(044) 453-7787	Dmitriy Alexandrov	100/0	Kiev, Ukraine	25	WND	English, French	Corporate, M&A, competition law, real estate, land, construction, securities, investments, tax and finance	Advising Ukrainian investor on acquisition of Billhofer Maschinenfabrik GmbH. Investment amount - over 3 mln Euro	WND
(044) 289-4242 (044) 289-3888	Alexander Zlenko	100/0	Kyiv, Ukraine	16	WND	English	Tax law, corporate, commercial and financial law, representation in courts, liquidation, registration of enterprises	WND	WND
(044) 390-5533 (044) 390-5540	Sergiy Shkyar	WND	Kiev, Ukraine	76	90-360 Euro	English, German, French	Corporate/M&A, real estate, antitrust and competition, IP, energy, litigation, tax, banking/finance, PPP, employment	WND	Porsche Holding, Henkel, Johnson Controls, Immorent, Bayer AG, CAPAROL, Rhenus, Raiffeisen Bank Aval, YKK Group, Bunge etc.
(044) 490-7001 (044) 490-7002	Andrey Astapov, Oleh Malskiy	100/0	Kyiv, Ukraine	55	WND	English, Polish, German, Spanish, French	Arbitration, GAFTA/FOSFA cases, litigation, real estate, PPP, corporate, M&A, international financing, tax, restructuring	Advised Donetsk Electrometallurgical Plant in sale to Mechel for over 400 mln USD	PKO BP, BUNGE, NEMIROFF, EFKO, RZB, VORSKLA STEEL, SOYUZ-VIKTAN, GAZPROMBANK, RODOVID BANK, NUTRICIA, JONES LANG LASALLE
(044) 230-6000 (044) 230-6001	Oleksiy Didkovskiy, Armen Khachatryan	100/0	Kyiv, Ukraine	100	WND	English	Banking and finance, M&A, capital markets, corporate, commercial, competition and antitrust, IP, telecommunications	Advising IFC on USD 75 million quasi-equity and renewable financing of working capital to the Mriya group of companies	Boeing, Coca-Cola, Citibank, EBRD, IFC, ING Bank, GlaxoSmithKline, Nissan Motor, Philip Morris, Telenor, World Bank
(044) 272-5321 (044) 272-3821 (044) 272-3841	Dmytro Oleksiyenko	100/0	London, UK, Kyiv, Ukraine	31	WND	English	Audit, M&A, tax and legal advisory, corporate law, registration, restructuring and liquidation of entities	WND	TNK-BP, Lukoil, Energetic Company Of Ukraine, XXI Century, Azot
(044) 220-0335	Mykola Stetsenko	100/0	Kyiv, Ukraine	20	WND	English, German, French	Banking and finance, capital markets, mergers and acquisitions, restructurings, antitrust/merger control, real estate	USD40 mln. investment in Datagroup; Sale of Rosinka; Acquisition of 50%+1 in Sky Mall; Sale of Vik Oil (USD313 mln)	MHP S.A., AvangardCo, Datagroup, Orangina Schweppes, Vik Oil, UniCredit Leasing, Rise, Kernel, Privatbank, KIG
(044) 490-6000 (044) 278-1000	Bate C. Toms	WND	Kyiv, Ukraine, London, UK	38	WND	English, French, Polish, German, Italian, Spanish, Russian, Ukrainian	Corporate, agricultural, oil and gas, banking and finance, tax, litigation, M&A, commercial, restructuring and B/bankruptcy, labour, IP	WND	WND
(044) 590-0101 (044) 590-0110	James T. Hitch	0/100	Chicago, USA	93	WND	English, German, French, Ukrainian, Russian	Corporate/M&A, securities, real estate, tax, telecommunication, restructuring, private equity, employment	WND	Multinational corporations, banks & organizations, leading Ukrainian companies
(044) 220-1260	Serhiy Moliboh	100/0	Kyiv, Ukraine	17	100-350	English	International structuring, corporate law, M&A, real estate & construction, litigation, investment, competition law	Complex international structuring of Arkadia Group	Slavutich, Lirene, Orgachim, BMS Consulting, Arkadia Group, Tass Travel
(044) 494-0400 (044) 494-0401	Dr. Julian Ries, Felix Rackwitz	0/100	Munich, Germany	WND	WND	English, German, Polish	Corporate, M&A, real estate, restructuring, banking and finance, capital markets, labor law, tax and customs, litigation	WND	WND

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(044) 461-7575 (044) 461-7576	Jaroslawa Johnson	0/100	New York, USA	38	WND	English, Ukrainian, Russian, French, Polish, German	Corporate/M&A, banking and finance, dispute resolution, tax, financial restructuring, antitrust	Representing a large group of lenders in a US\$600 million debt restructuring of a Ukrainian bank	EBRD, IFC, OPIC, Bank of Cyprus, Interpipe, Khortytsia, Turkcell, Exim Bank of the US, Wizz Air Ukraine
(044) 390-5885 (044) 390-5886	Jared Grubb	0/100	London, UK	26	WND	English, Polish, French and German	Corporate and M&A, banking and finance, debt restructuring, real estate, capital markets	WND	WND
(044) 391-3377 (044) 391-3388	Adam Mycyk	0/100	London, UK	50	WND	English, Ukrainian, Russian, French, Czech, Hungarian, German, Turkish	Corporate/M&A, commercial, EPC, RE/construction, banking, dispute resolution, consumer products, IP, hotel and leisure, PE	Nestlé S.A. on a transaction to acquire Technocom LLC (the largest producer of dehydrated culinary product in Ukraine)	WND
(044) 490-9575 (044) 490-9577	Margarita Karpenko	0/100	London, UK	70	WND	English	Business setup, M&A, transaction structuring, corporate governance, corporate restructuring & reorganization, (IPO)	Advising owners of Concern Stiroi on its sale to a strategic investor	Donetsksteel, Stiroi, EBRD, BSTDB, TNK-BP, Sibur, United Coal Company, Inditex SA, Saint Gobain, Slavutich, ITE, OBI, Regus Group, Antonio Merloni
(044) 222-8939	Dr. Viktor Dovhan	100/0	Kyiv, Ukraine	7	WND	English	Corporate, investment, tax, project finance, real estate, energy, litigation & arbitration	WND	Lviv Bank, Standart NV, Aviatechservice, East Vector, Ukrtechnofoods
(044) 249-7905 (044) 249-7906	Helen Volska	0/100	Kyiv, Ukraine	85	WND	English, German, French, Spanish, Italian	Taxation, finance, restructuring, real estate, registration, liquidation	WND	WND
(044) 498-7383 (044) 498-7385	Irina Nazarova, Andriy Vyshnevsky	100/0	Kyiv, Ukraine	23	WND	English, French	Dispute resolution, corporate law, M&A, international trade law and investments, competition and antitrust	Representing foreign investors in acquisition transaction of Amstor network, the largest retail chain in Ukraine	Smart Group, Zamil Steel, Henkell & Sohnlein, Horwath, Holmer, Ukrzernoprom
(044) 490-3000 (044) 490-3030 Donetsk: (062) 340-4770	Alexei Kredisov, Country Managing Partner, Vladimir Kotenko, Partner, Head of Tax and Law	WND	London, UK	519	WND	English	Financial institutions, oil and gas, real estate, FMCG, media and leisure, tax law, labor law	WND	WND
(044) 599-7141 (044) 495-5424 (057) 758-5606	Muravyov Vladimir	WND	Kharkov, Ukraine	80	WND	English	Tax law, civil and employment law, Due Diligence, banking and finance, real estate, FMCG trade etc.	WND	WND
(044) 206-0980 (044) 206-0981	Karl Hepp de Sevelinges	0/100	France, Paris	20	WND	English, French, German	Corporate, M&A, banking & finance, IP, competition, tax, labour, dispute resolution, PPP, real estate, energy	WND	WND
(044) 494-4933 (044) 494-4944	Yuriy Rylach	60/40	Moscow, Russia	9	90-220 Euro	English, German, French	General corporate consulting, corporate structuring, corporate governance, intra-group tax structuring	WND	WND
(062) 335-9632 (062) 335-9770 (062) 335-9830 (044) 230-4771 (044) 230-4781	Dr. Igor V. Golovan Managing Partner	100/0	Donetsk, Ukraine	31	1000-2500 UAH	English	M&A, energy companies legal support, telecommunications, litigation, arbitration	WND	WND
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(057) 728-0000 (057) 714-0628	Tetyana Gavrysh	WND	Kharkiv, Ukraine	56	Senior Partner -300; Partner -250; Senior Attorney - 200 Attorney - 150; Junior Attorney - 100	English	Litigation, bankruptcy, debt recovery, corporate, M&D, international finance, competition, taxes, employment	ILF attorneys have helped one of the major Russian banks in Ukraine to recover a debt in the amount of USD 14,5 mln.	Megabank, SEB Bank, Ukrsofsbank, VTB Bank, VOLVO, DCH, Agroliga, MTS, PZU, LOGICA, EchoStar, Johnson & Johnson, P&W
(044) 494-1919 (044) 494-1999 Kharkiv: (057) 717-5497 (057) 717-5964	Mikhail Ilyashev	100/0	Kyiv, Ukraine	20	90 - 430	English	M&A, anti-trust, incorporation, reorganisation, liquidation, insolvency and corporate recovery	WND	Leading Ukrainian and international companies in Ukraine and abroad
(044) 391-3853 (044) 391-3854	Vyacheslav Korchev	100/0	Kyiv, Ukraine	124	100-400 Euro	English, German, Spanish, French, Polish, Italian, Portuguese, Chinese, Kazakh	Trade finance, banking & finance, M&A, corporate law, dispute resolution, corporate finance, real estate and construction	WND	Bayer, SC Johnson, NEFCO, OTP-bank, Hochland, Kimberly Clark, Leroy Merlin, Euler Hermes, KUKA, Agro-Soyuz, MHP
(044) 499-1355 (044) 499-1354	CEO of Konsu Group, Manfred Janoschka; Deputy Director Oksana Kochmarska	0/100	Finland, Russia, Germany Konsu is member of Accountor Group www.accountorgroup.com	11	WND	Finish, German, English, Swedish	Business start-up services, company law, legal consulting, HR & Payroll solutions, tax advisory and financial management outsourcing/ accounting services	Registration of legal entities, labor contracts, international trade service contracts, tax planning, compliance review, Due diligence	WND
(044) 569-1562 (044) 569-1962 (067) 507-8054	Vyacheslav Mierko	99/1	Kyiv, Ukraine	25	50 - 100 \$	English	Due Diligence, S&P of business, Land & Real estate, Corporate law, Litigation & Arbitration, Taxation, Legal consulting	WND	Louis Vuitton, Piraeus Bank, Schneider Electric, Subaru, Alfred C. Toepfer, Aeroflot - Russian Airlines, Honeywell

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TEL/ FAX	TOP EXECUTIVE	OWNERSHIP, UKRAINIAN / FOREIGN (%)	HEADQUARTERS	# OF FULL-TIME EMPLOYEES IN UKRAINE	PRICE RATE \$, (PER HOUR)	FOREIGN LANGUAGES	LEGAL SPECIALIZATION	MAJOR DEALS IN FIRST HALF 2010	MAJOR CLIENTS
(044) 492-8282 (044) 494-9927	Maxym Lavrynovych, Managing partner	100/0	Kyiv, Ukraine	48	WND	English	Corporate Law/M&A; financial law; international law; real estate; litigation; competition law; PPP	WND	OTP Bank, NPC "UKRENERGO", NC "Alliance", Maspeks Wadowice, United Aviation Services, Aeroc Ukraine, Procter&Gamble
(044) 285-2164	Mykola Kovalchuk, Managing Partner	WND	Kyiv, Ukraine	12	WND	English	Agricultural and land law, corporate, tax law, litigation and arbitration, investments project, banking and finance, bankruptcy	Legal advisor of JSC "Energomashspetsstal" at the Arbitration Institute of the Stockholm Chamber of Commerce	WND
(044) 492-8282 (044) 206-7766 (044) 492-8272	Andrew R. Mac	WND	Kyiv, Ukraine	137	WND	English, German, French, Spanish, Polish	Banking & finance; competition law, IP; international arbitration; M&A and corporate; oil and gas; real estate and construction; tax	USD 23.8 billion merger of Altimo and Telenor USD 2 Billion Eurobond Deal - Ministry of Finance of Ukraine	Altimo, Deutsche Bank, Goldman Sachs, Intesa Sanpaolo, Naftogaz, JP Morgan, Mof, PZU, Saint-Gobain, Shell, SSL, Ukravtodor
(032) 298-8540	Khrystyna Onyshchenko	WND	Lviv, Ukraine	100	WND	English, Russian, German	M&A support, purchase of assets, due diligence, registration and management of affairs of foreign entities, antimonopoly corporate law	WND	WND (clients from the whole Ukraine)
(044) 545-6777 (044) 545-6575	Roman Khrustenko	100/0	Kyiv, Ukraine	14	100-400\$	English	JSC, M&A, due diligence, authorities, antimonopoly, bankruptcy, corporate law & company registration, tax	WND	WND
(044) 281-0600 (044) 281-0601	Oleksandra Pavlenko, Larysa Poberezhnyuk	100/0	Kyiv, Ukraine	15+	WND	English, German, Polish	Litigation, ADR, resolution of corporate conflicts, securities&funds litigation, protection from hostile takeovers, RE, PPP	Defense of Sibir Airlines (S7) in a dispute vs. Ministry of defense; legal support in recapitalization of UkrGasbank	Promsvyazbank; Sibir Airlines (S7); TAS investment-financial group; UkrGasbank
(044) 581-1120 (044) 581-1121	Alexander Poels, LLM.	0/100	Prague, Czech Republic	15	WND	English, German, Czech, Slovak, Dutch	Commercial, M&A, competition, real estate, labor, intellectual property, financial, tax, PPP, litigation	WND	Peugeot Citroen, Veolia Voda, Shostka, ECE, Manship Holding, Björk Eklund, ADB, Novo Nordisk, Konica Minolta, KRKA
(044) 586-2303 (044) 586-2304	Klaus Kessler	0/100	Nuremberg, Germany	WND	WND	English, German, Russian	Corporate tax planning, tax applications, value added tax, compliance review, disputes with the tax authorities	WND	WND
(044) 494-4774 (044) 494-1991	Oleg Batiuk, Managing Partner, Kyiv	0/100	International law firm, 22 offices worldwide / 1 office in Ukraine	70	WND	English, French, German	Corporate / M&A, banking and finance, real estate, tax, employment, competition, energy / natural resources, dispute resolution, IP	WND	Multinational corporations, developers, commercial and investment banks, insurance companies, investment funds
(044) 537-3940 (044) 537-3955	Ievgen Kubko	100/0	Kyiv, Ukraine	35	90-350 Euro	English	Legal services in all spheres of business	WND	WND
(044) 499-6000	Michael Kharenko	100/0	Kyiv, Ukraine	80	WND	English, French, German	Antitrust, business crime, cap. markets, corporate, litigation, finance, IP, labour, real estate, restructuring, tax	Sayenko Kharenko acted on all Eurobond issues by Ukrainian issuers in 2010 so far, for the total amount of over USD 1.5 bln	UBS, Credit Suisse, CME, Porsche, Coca-Cola, Evraz
(044) 220-1400 (044) 220-1411	Peter Teluk	0/100	Cleveland, USA	20	US\$ 125-550	English, Russian	Corporate, project finance, private equity, real estate, communications, transportation, energy, agribusiness	WND	3M, ArcelorMittal, BP Bunge, Columbia Capital, Czech Export Bank a.s., DuPont, Eaton Corp., The Boeing Company
(044) 253-3221 (044) 353-0019	Mykola Syutkin	100/0	Kyiv, Ukraine	7	50- 250 Euro	Russian, English	Corporate law, due diligence, commercial law, corporate conflicts and litigation, legal disputes, corporate disputes, real estate, land law, M&A	WND	WND
(044) 501-7917 (044) 254-3969	Anatoli Tovstopylot, Director	100/0	Kyiv, Ukraine	13	WND	English	FMCG, real estate, oil & gas, pharmaceuticals, show business	WND	WND
(044) 581-7777 (044) 581-7770	Oleg Makarov Managing Partner, Denis Lysenko Partner, Head of Corporate/ M&A practice	100/0	Kyiv, Ukraine	110	WND	English, German, French, Polish, Swedish, Spanish, Italian	Antitrust and competition, banking and finance, corp. / M&A, energy, IP, dispute resolution, intl trade, labour, PPP, real estate, tax	WND	Alcatel, BASF, Bayer, BNP Paribas, CME, Dell, Du Pont, Eurosport, Fitch, LG, Philips, Siemens, Shell, Volkswagen
(044) 207-0270 (044) 207-0272	Oleksiy Volkov	0/100	Kyiv, Ukraine	30	WND	English, German, French	Corporate, dispute resolution, tax, banking & finance, international trade, antitrust, real estate	WND	Cargill, Hy-Line, Unilever, McDonald's Ukraine Ltd, Kuwait Energy, Samsung Electronics, ABN AMRO, Astarta
(044) 490-5528 (044) 490-5529	Sven Henniger	0/100	Hamburg, Germany	20	WND	English, German	Taxation, finance, M&A, registration, liquidation	WND	WND

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Lawsuit against steelmaker ends

→ 1 investment commitments for the Kryviy Rih plant, the government prosecutor dropped the case – unexpectedly and without explanation.

Now ArcelorMittal executives and lawyers are left to wonder whether the threat to the company's investment in Ukraine's biggest steel mill, formerly known as Kryvorizhstal, has passed.

The abrupt and unexplained circumstances of the aborted case of the state vs. ArcelorMittal expose several worrisome, recurring problems in Ukraine.

One of them is the utter lack of judicial independence.

In recent weeks, ArcelorMittal raised such an international outcry over the attacks on the company that President Viktor Yanukovich felt compelled to respond publicly on Oct. 8, assuring the investor that the government had no intention of seizing the plant. It took prosecutors only two days (not including the weekend) to act on the presidential edict.

If ArcelorMittal had truly violated legal obligations made during its 2005 purchase, then why was the case dropped? It looks like yet another case of politics trumping justice – and just about everything else – in Ukraine.

The state's willingness to back down, however, is touted in some circles as evidence of the Yanukovich administration's interest in improving its international reputation among investors, especially with the coming privatizations of several giant state businesses, including telecommunications monopoly Ukrtelecom.

ArcelorMittal officials responded with guarded praise, signaling that the steel giant doesn't think all its battles with Ukrainian authorities are behind them.

"I'm happy," said Svitlana Romanova, a lawyer for the Baker & McKenzie law firm, which defended ArcelorMittal in the high-profile case. But Romanova and company representatives told the Kyiv Post that the Oct. 12 ruling by Ukrainian Judge Oleh Khrypyn may not preclude the state from reopening the case and possibly even repossessing the prized mill eventually.

"The question I have is: Was the claimant in this case the Ukrainian state, thus ruling out a repeat lawsuit? Or was it just the prosecutor general's office, meaning that another state entity could file a similar lawsuit against our client somewhere down the road?" Romanova asked.

Khrypyn, a judge who is no stranger to controversial cases, dismissed the dispute without explanation after the lone prosecutor withdrew the state's claims, also without explanation.

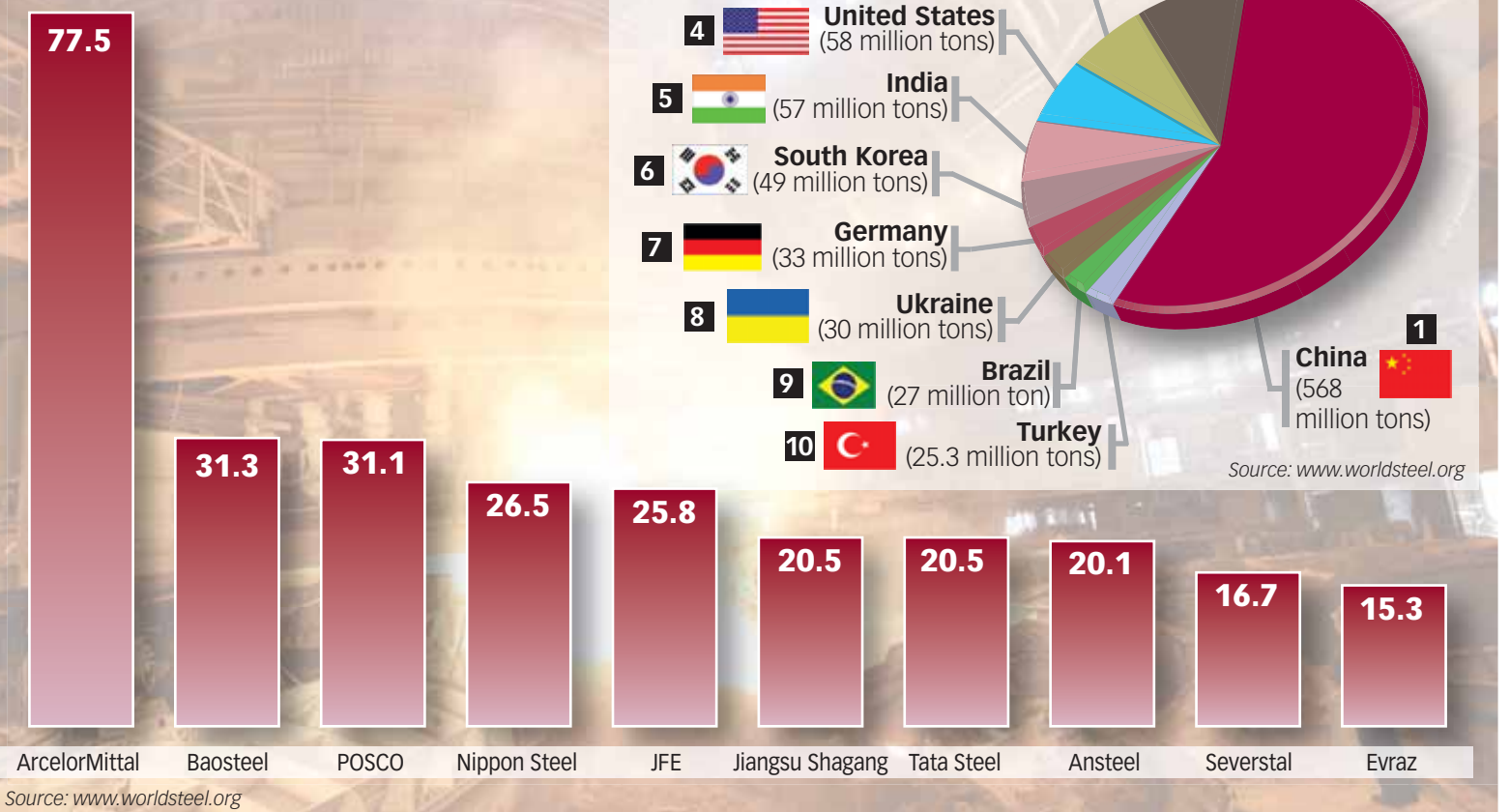
"Was today's decision a result of President Viktor Yanukovich's meeting in Paris with [French] President Nicolas Sarkozy? I don't know," pondered Romanova.

The issue was raised during Yanukovich's Paris visit because ArcelorMittal is part French-owned. France-based Arcelor merged with British-Dutch Mittal Steel in 2006 to form the world leading steel giant.

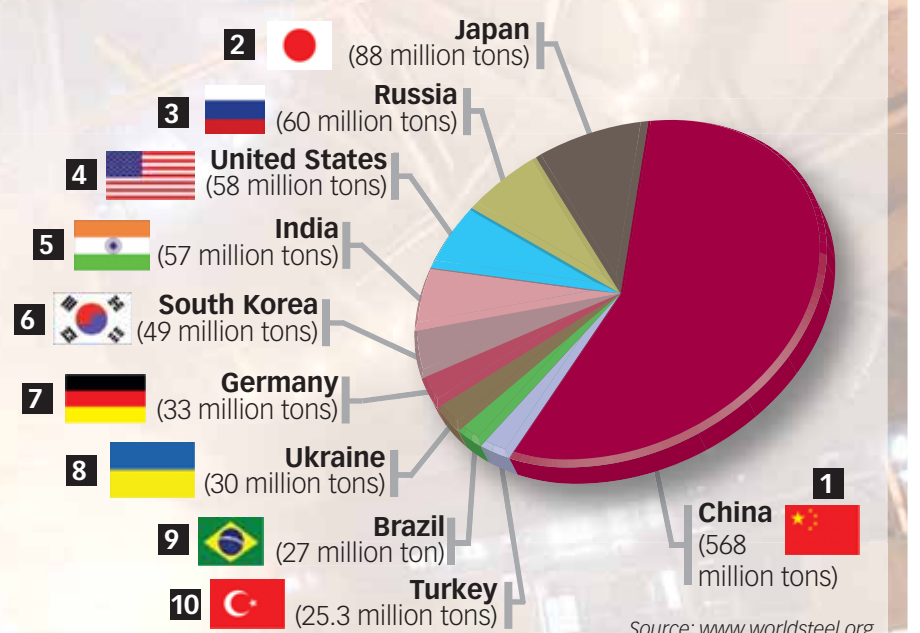
On Oct. 8, during an official visit to the French capital, Yanukovich tried to quell the controversy over the lawsuit.

"In my opinion, it will not develop further. In any case, I told President Nicolas Sarkozy yesterday that this question will most likely not reach the court, and the question of re-privatizing or cancelling the agreement

Top 10 world steel producers in 2009 (million metric tons)



The top 10 steelmakers in 2009



ArcelorMittal co-owner Lakshmi Mittal is to visit Ukraine next week to discuss his companies problems.



Rinat Starkov, chief executive officer of ArcelorMittal's steel plant in Kryviy Rih, the nation's largest.

on privatizing this plant will not arise," Yanukovich was quoted as saying in Paris.

ArcelorMittal, owned by Indian tycoon Lakshmi Mittal, bought Kryvorizhstal in 2005 during the country's cleanest state auction ever, fetching a record \$4.8 billion, far more than any other privatization sale since the collapse of the Soviet Union in 1991. The landmark deal signaled that Ukraine, at last, was open to foreign investment and finally determined to shed its "crony capitalist" reality, in which most Soviet state assets went to insiders for cheap in independent Ukraine.

The celebrated 2005 auction of Kryvorizhstal took place following the cancellation of its highly suspect sale a year earlier to a leading member of Yanukovich's Regions Party, billionaire Rinat Akhmetov, and Viktor Pinchuk, son-in-law of the outgoing president at the time Leonid Kuchma for only

\$800 million.

Since then, Ukraine's biggest investor has barely had a moment's peace.

Over the years leading up to the lawsuit filed by the prosecutor's office in July, ArcelorMittal Kryviy Rih has been accused by Ukrainian trade unions of renegeing on its investment obligations. More recently, the Security Service of Ukraine, successor agency to the Soviet KGB, began investigating the company for customs violations on imported coal.

Both grievances have been vigorously denied by top company executives, who for their part draw attention to the hundreds of millions of dollars owed to the company by the government in the form of refunds on value added taxes paid.

Strange and violent incidents also happened to plant workers. In October 2009, gunshots were fired at a company car, leaving one foreign employee wounded.

In line with earlier official statements made by his company, the Kryviy Rih plant's new chief executive officer, Rinat Starkov, noted the official origin of the administrative problems encountered by his company. Starkov said Yanukovich "has been fully briefed on the case against ArcelorMittal and knows exactly what is happening."

Yanukovich also is under pressure, however, to present a "reformist," law-and-order and free-market face to the international community, including such lenders as the International Monetary Fund, which has approved a \$15 billion credit line over the next two and a half years.

Ukraine also recently announced the privatization of state telecom giant Ukrtelecom, for a starting price of \$1.32 billion, which could bring in badly needed foreign investment.

But if investors don't feel their assets are safe in Ukraine, they won't come.

The prosecutor general's latest lawsuit relates to a 2009 force majeure – or emergency situation – agreement between ArcelorMittal and the State Property Fund. The deal allowed the steel plant to postpone investment commitments made under the terms of the original purchase in 2005 because of the global economic crisis that caused steel prices to plummet in 2008.

The state's July lawsuit names ArcelorMittal Duisburg GmbH, as well as Ukraine's State Property Fund as co-defendants.

ArcelorMittal's defense has hinged on the contents of both the 2005 purchase agreement and its 2009 force majeure addendum, which specifies an international arbitration court as the jurisdiction for deciding all disputes.

Both Starkov and Baker & McKenzie's Romanova expressed concern not only over the fact that Khrypyn's court

should not have been allowed to hear the case in the first place, but also over the speed with which the controversial judge has pushed the proceedings along.

"Three sessions in 10 days [Oct. 1, 5 and 10] is unheard of for such a case," Romanova said.

No less strange was the speed with which the prosecutor general's office and Kyiv Economic Court dropped their case against the multinational steel company.

Ihor Koliushko, who heads the Center for Political and Legal Reforms, told the Kyiv Post that the independence of Ukraine's judiciary has been so restricted that the judiciary no longer exists as an independent and separate branch of power.

"The Yanukovich administration's reforms have been so successful that the treatment has killed the patient," he said.

However, not everyone is convinced that the sorry state of the country's courts will necessarily lead to the confiscation of the country's largest steel mill from its largest foreign investor.

"Although in our country, the courts do all kinds of things, the idea of taking back this plant from such a serious international investor would be going too far. The damage to the country's investment reputation would be too great," Oleksandr Bondar, a one-time head of Ukraine's State Property Fund said.

More likely, according to Bondar, is that the Yanukovich administration is putting pressure on ArcelorMittal to increase its tax payments to the cash-strapped government. "They [ArcelorMittal] aren't the only company under pressure to contribute more to the government," Bondar said.

Kyiv Post staff writer John Marone can be reached at marone@kyivpost.com

Bidding restrictions raise fears of dirty sale ahead for state Ukrtelecom giant

→ **1** don't expect the biggest bidders to line up for Ukrtelecom, let alone a record-making sale price. The sale is proceeding with controversial restrictions that threaten to exclude leading global telecommunications companies from the bidding.

As the first big sell-off of state property under President Viktor Yanukovich, who took power on Feb. 25, the Ukrtelecom sale is being watched closely to gauge how transparently privatization will be conducted under his leadership. Concerns exist that valuable assets could be sold off at below-market prices to well-connected oligarchs, as happened when Yanukovich served as prime minister from 2002-2004 and again from 2006-2007.

It was, after all, in 2004 when Yanukovich served as premier that the Kryvorizhstal steel giant was first privatized for \$800 million to two billionaire oligarchs, despite bids nearly twice as high by steel groups. The winning bid then was by a consortium backed by longtime Yanukovich supporter Rinat Akhmetov, Ukraine's richest man, as well as billionaire Viktor Pinchuk, son-in-law to then President Leonid Kuchma.

The Kryvorizhstal steel mill was nationalized and resold after the Orange Revolution by the government, then headed by Yulia Tymoshenko. It was and is still regarded as Ukraine's only successful and clean privatization.

Five years later, fears are running high now that Yanukovich could try to limit competition for Ukrtelecom, ensuring that it ends up in the hands of chosen business allies.

On Oct. 13, Oleksandr Ryabchenko, head of Ukraine's State Property Fund, expressed hope that at least \$1.5 billion would be raised when the winning bid was chosen. But he admitted that competition could be limited by the tender conditions.

Top European telecoms companies that have to various degrees expressed interest in Ukrtelecom over the years — including Deutsche Telekom and Norway's Telenor — are prohibited from taking part in the tender because they are more than 25 percent government-owned. Telecoms that hold more than a 25 percent market share in Ukraine are banned from bidding by another condition.

Oleksandr Bondar, former head of

Ukraine's privatization agency, said the conditions were created to exclude some bidders. "The thing is being put together in an entirely unprofessional manner," Bondar said.

In a note to investors, Kyiv-based investment bank Dragon Capital concluded that the restrictions would boost tender chances for domestic billionaires and Russian bidders. "We consider domestic business conglomerate System Capital Management and Russia's AFK Sistema, which owns domestic cellular operator MTS, the most likely bidders for Ukrtelecom," Dragon said.

System Capital Management is the business holding of Akhmetov.

Ryabchenko insisted that the tender restrictions were required by Ukrainian legislation, but neither he nor other top officials could explain why Yanukovich's dominant ruling coalition could not change the legislation ahead of the tender to boost competition in the auction, and, in turn, generate more cash for budget coffers.

"We do not have the right to sell Ukrainian assets to other states. This is not privatization," Ryabchenko said.

Meanwhile, Serhiy Lyovochkin, head of the presidential administration, stressed that the Ukrtelecom sale would be transparent. He also defended the bidding restrictions citing national security concerns and described Ukrtelecom as a "strategic" asset that provides telecommunications to much of the country, including government and military.

But Lyovochkin could not explain how such national security concerns could be minimized if Ukrtelecom is sold to private business interests, including Russian oligarchs who are strongly influenced by the Kremlin. "That's a good question," Lyovochkin said in an Oct. 13 briefing in response to a question by the Kyiv Post.



Train, bus crash claims 44 lives

A train locomotive rammed into a stalled passenger bus on a railroad crossing in eastern Ukrainian town of Marhanets in Dnipropetrovsk Oblast in the early hours of Oct. 12, killing 44 people and injuring seven others as the bus was pushed 300 meters down the tracks. Investigators said the bus driver ignored the siren of the oncoming train, and the bus stalled on the tracks as the driver tried to shift gears. Witnesses said the driver also ignored a red light. The blue locomotive, which was not pulling any cars, crumpled the yellow bus. Television footage and photos from the site of collision showed emergency workers piling bodies alongside the tracks (top photo). There were three children among the victims, local police said. Most of the passengers were commuters going to work from Marhanets to the nearby city of Nikopol, heading for work. Relatives of those killed raced to the accident site and embraced one another as they wept with grief. Traffic police said the accident was the worst on the roads in terms of victims since independence. (AP)

Nation's dinosaur telephone monopoly

Experts say Ukrtelecom is a highly bureaucratic and mismanaged corporate dinosaur which has been milked of its profits and has sharply lost value in the past decade. It has fallen decades behind European peers in terms of introducing new telecoms technologies. But it still controls about 80 percent of the fixed-line market in Ukraine, a country of 46 million citizens, as well as a major share of the nation's telecommunications backbone.

It holds the country's sole 3G license, has only a relatively small mobile business after its leading mobile phone company was sold off in 2003 to Russia's MTS at a fire sale price of about \$200 million. Today, that mobile phone business is valued at billions of dollars, more than Ukrtelecom will itself be sold for. Moreover, the MTS mobile business in Ukraine generates perhaps hundreds of millions of dollars in profits annually, while Ukrtelecom mustered only \$6 million in the first half of this year. Without a strong mobile business of its own, Ukrtelecom has gradually lost clientele, revenues and profits. Corporate and private clients have increasingly turned to better quality services provided by privately-owned mobile and fixed-line operators. (Staff Reports)

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Bondarenko: Expect advancement

→5 within the Party of Regions, Bloc of Yulia Tymoshenko and Our Ukraine- People's Self-Defense.

Until now, the internal contradictions were compensated for by a single factor: parliamentary factions. The factions, according to constitutional changes of 2004, were the major pillars of parliamentary activities. That meant that sometimes enemies who got into parliament on the same party list were forced to coexist because they had to either vote in unison or disappear.

But today it's no longer the case. Parliament members can once again create new factions after gathering 14 allies. This can cause mega-factions to split up, and we will end up seeing factions grouped around leading figures in the Party of Regions such as oligarch Rinat Akhmetov.

But who said that Yanukovich cares about the interests of the Party of Regions? He is no longer their leader? The party has many talented managers, but also many dimwits, careerists and accidental fellow-travelers.

This obviously goes contrary to the interests of the country's biggest party. But who said that Yanukovich cares about the interests of the Party of Regions? He is no longer their

leader. It played a role in bringing Yanukovich to power, but who says it needs to play the first role in ruling the country? It has many talented managers, but also many dimwits, careerists and accidental fellow-travelers. This is something Yanukovich also understands.

To create a new image, Yanukovich will have to cast off sentimental deadwood. He might even be sincerely grateful to the old comrades for fighting alongside him in past wars. But what if his comrades do not give him a chance to develop further, achieve goals and change the country? They should be thanked, and then he can move on without them.

That's why we can predict serious staff changes, both locally and in the Cabinet of Ministers, and the exit of many key representatives of the Party of Regions and the arrival into the ruling team of young specialists with foreign degrees, the introduction of strict discipline and responsibility for executing commands, the reduction and optimization of staff, and other novelties.

I would not be surprised if a new prime minister is appointed and a new government. I would not be surprised



The Constitutional Court on Oct. 1 cancels the 2004 constitutional changes, making Ukraine a presidential republic once again. (Ukrinform)

if Yanukovich supports the initiative of early elections: He needs a controlled parliament, while the current one wants to be an ally rather than a vassal.

Yanukovich needs a parliament that will approve his laws quickly, rather than start debates about their necessity

and count the cost of their implementation in dollars and euro.

That is why cancellation of the 2004 reform is the start of a new one, and of a new political epoch. Today Yanukovich can concentrate on the political reform of the country, and leave the economic reform in the hands of Deputy Prime

Minister Sergiy Tigipko.

After June 3, the day when in his annual speech the president effectively repeated the election program of Tigipko, conditions arose for a new pro-reform tandem. That's because reform cannot happen without the will of its initiators.

Without the support from the president, Tigipko the reformist risks remaining an influential genius who offers hope but has no way of implementing his ideas. But without Tigipko, Yanukovich can turn into an all-powerful ruler, who would like to change something, but can bring no system to these changes – primarily because of his party environment and its callousness.

The country is on the verge of change. These changes have to be led by powerful and effective people, despite the wailing of the opposition (which is basically non-existent in Ukraine), and the resistance of the party of power (whose time is long past).

The political reform of 2004 is dead. Long live greater reforms?

Kost Bondarenko is deputy head of Sergiy Tigipko's party, Strong Ukraine, and former director of a think tank.

Tkachuk: President strengthens his control through undemocratic means

→5 not need more power to achieve this.

Ukraine risks having the worst of all worlds: a leader who has not made his intentions fully clear, political parties that do not represent the people, a parliament that has become a trading floor for business interests, courts that administer justice to the highest bidder and a system where by the national interest has been subordinated to self interest. Changing the constitutional balance of power does not address any of those fundamental issues.

One could argue that if there is to

→ We don't know how the extra powers will be used, but the president's track record is poor

be constitutional change in Ukraine it needs to be root-and-branch, as the whole political system needs reforming. The process needs to be transparent and all-inclusive. It should

involve legal and political experts and it should be open to civil society and all political parties. In a democracy, such pivotal decisions should not be rushed through the corridors of power

without even a minimum of civil society insight.

The constitution needs to ensure that political parties are rebuilt from the ground up, that all representatives of the people, at local and national level are locally elected using transparent and accountable, proportional representation systems, that members of parliament are public servants with no special privileges and that the present system of buying seats in parliament is outlawed.

The constitution of any nation is a sovereign document of the state that politicians have to learn to live within.

It should never be manipulated to serve political or personal interest.

There is of course a faint irony to this whole situation and that is with all the power comes all the responsibility. Therefore if the president's plans fail to deliver real benefits to the people before the onset of winter then the Ukrainian people will have only one person to blame and we cannot expect them to be forgiving.

Victor Tkachuk is the head of Kyiv-based non-government organization People First Foundation and a former deputy secretary of the National Security and Defense Council of Ukraine.



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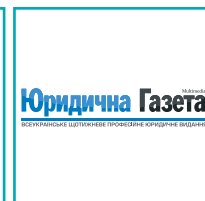
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Speakers: **Vadym Samoilenko**, partner, Asters / **Kateryna Rekiianova**, associate, Asters / **representative of NEIA** (National Environmental Investment Agency of Ukraine)

Tuchynska: Fear of scandal keeps people silent

→4 It's a big shame, manipulative, backward and a sign of how deep Ukraine's problems are.

Many different, eccentric and off-the-beaten path type of people occupy high posts in other countries. Some of them are openly gay. Some attend tiny churches with silly names. Some wear crazy outfit or ride bikes to work. They do so because – at the end of the day and despite personal prejudices and phobias – what voters are really concerned with is the professionalism of their politicians and their ability to deliver on reforms, to improve the lives of citizens, businesses, etc.

Johanna Sigurdardottir, a married lesbian, is the prime minister of Iceland, while Foreign Minister and Vice Chancellor of Germany Guido Westerwelle dared to come to Angela Merkel's 50th birthday party with his gay partner, and proceeded to marry him years later.

I am pretty sure there are people in Iceland and Germany who do not approve of gay relations and even hate gay people. But it's a small portion of their populations. But in Ukraine, if a politician is gay or a member of the "wrong" church, more extremist voters would have one more reason to hate their politicians. Still, this would not change the overall result. These extremists would simply join in with the millions of voters who already have more than enough reasons to hate politicians, the majority of reasons

being that they have repeatedly robbed the country of its riches and failed to deliver any reforms for a struggling population.

Having said this, there have been some public figures in Ukraine who decided not to hide their sexual orientation. Of course, they did not publicly boast about it either. But at least they weren't cowardly, pretending to be "normal."

The first person who comes to mind is former Justice Minister Serhiy Holovaty. He has never denied being gay. Yes, he might have heard rude jokes behind his back, but that did not prevent him from occupying one of the most influential ministerial positions in the government.

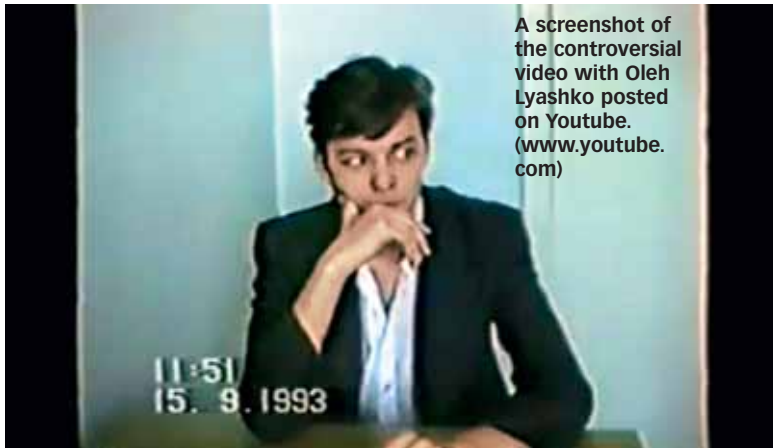
For a moment, when I heard of Lyashko's video, I thought he just might become the first Ukrainian politician to publicly come out of the closet and speak up about gay rights in this country. If he really is gay but keeps furiously denying it, then he is just another "normal" and spineless Ukrainian politician.

Even if the video is forged and Lyashko is as heterosexual as could be, he had the chance to make history by saying he sees nothing wrong with being gay in this country. But apparently, it takes much more courage than the "normal" politician this country boasts.

Kyiv Post staff writer Svitlana Tuchynska can be reached at tuchynska@kyivpost.com



NEWS ITEM: From time to time, the close ties between prominent American politicians and billionaire Ukrainian oligarchs raise eyebrows and draw scrutiny in the United States. Most recently, former U.S. Sen. Lincoln Chafee's association with Ukraine's richest billionaire, Rinat Akhmetov, has become a campaign issue in the Rhode Island governor's race in which Chafee is a candidate. On Oct. 14, Chafee defended his ties with Akhmetov, despite the oligarch's questionable past, and said he earns up to \$100,000 a year for serving on the board of directors of Akhmetov's Foundation For Effective Governance. Meanwhile, the relationship between ex-U.S. President Bill Clinton's and Ukrainian billionaire Victor Pinchuk continues to bear fruit. Pinchuk, who made a fortune during the authoritarian reign of his father-in-law, ex-President Leonid Kuchma, has contributed millions of dollars to Clinton. An undoubtedly grateful Clinton, in return, came to Ukraine from Oct. 1-4, spending much of his time with the Pinchuks. (Drawing by Anatoliy Petrovich Vasilenko)



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Yanukovych's team sees massive theft during Tymoshenko's reign

→ **1** ernment made big bucks from kickbacks and money laundering using foreign shell companies. The investigation also alleges that the ex-prime minister's team diverted state money to her presidential election campaign, which she lost to President Viktor Yanukovych on Feb. 7.

The firms – known for their work protecting the images of some of Yanukovych's business and political allies in the past – were hired by the Ukraine's government to audit their predecessors.

The investigators and Yanukovych's government touted the report as evidence of his commitment to fighting Ukraine's endemic corruption.

They said it represents the first serious attempt to get to the bottom of graft in a country that hears many corruption allegations among politicians, but has seen no high-level conviction.

But the opposition claims the investigation is a smear campaign aimed at discrediting Tymoshenko and her allies. They say it is the latest in a string of attempts to clamp down on critics and opponents of Yanukovych, who they say is taking Ukraine on an authoritarian path.

The report doesn't name Tymoshenko, but investigators made clear that they considered her to be at the center of many allegations.

Allegations

The report picked six cases which it said "were selected in order to provide a survey ... of suspect government actions during the stated period of time."

The investigators blamed Tymoshenko's government for misap-

propriating taxpayers' money when buying sugar, vaccines, importing cars and even selling carbon credits to other countries.

In one of the more serious allegations, the report claims that 200 million euros out of the 320 million euros Ukraine received for selling Kyoto protocol carbon credits were spent on pensions instead of being used exclusively to finance environmental projects.

Two lawsuits have already been filed in the West in connection with the results of the investigation.

The Ukrainian Emergency Ministry on Oct. 11 filed a lawsuit in a court in the United Kingdom against British firm Legal Business Consultants accusing it of being a part of an international conspiracy allegedly involved in the sale of 27 depreciated medical vehicles to the ministry at inflated prices.

In the end the cars were allegedly decorated with Tymoshenko banners and used during her electoral campaign.

On Sept. 17 Ukrvaksina, a state-run entity within Ukraine's Ministry of Health, filed a court action in a U.S. court charging Ukrainian firm Interfarm, along with U.S. based Olden group, of selling overpriced vaccines to Ukrvaksina, linking the conspiracy to the Tymoshenko government.

'Witch hunt'

Hryhoriy Nemyria, a former deputy prime minister and a close adviser to Tymoshenko, said the report is politically motivated. He denied large-scale corruption in the government, but said he couldn't comment on the specific cases until he had studied the accusations more thoroughly.

→ **Ex-prime minister's team claims that the international audit is part of a persecution campaign against her**

"Instead of reforming the Ukrainian economy they are engaged in a witch hunt of the opposition. We denounce these findings. They are obviously politically motivated," Nemyria said.

Nemyria pointed out that these firms had only looked into the work of Tymoshenko's government, and not Yanukovych's from 2006-7.

The representatives of the three firms that did the report denied this to be a witch hunt and said they do not have any agenda behind.

Familiar faces

Kroll and Akin Gump are not new to Ukraine.

After the murder of journalist Georgiy Gongadze, Kroll was hired in 2001 by then-President Leonid Kuchma's son-in-law Viktor Pinchuk to probe the case. In the end the firm issued a report saying Kuchma wasn't involved, which was widely viewed an attempt to absolve him from suspicion arising from alleged discussions he had with senior officials about dealing with the journalist.

Akin Gump lawyers have also had experience working in Ukraine. The

firm's lawyers have in the past defended Ukraine's richest oligarchs and strongest Yanukovych's backers – Rinat Akhmetov, Ukraine's richest man, and gas tycoon Dmytro Firtash.

At times these firms have pressured investigative journalists who write stories about both Ukrainian businessmen by threatening to file lawsuits against them.

Both Kroll's and Akin Gump's representatives said they have clients around the world but denied having any conflict of interest in this investigation and added that in their findings there were guided by facts.

While normally such cases are handled by the Ukrainian domestic state prosecutors and investigators, in this case the government decided to add more international flavor – and legitimacy – to that by filing the lawsuits to western courts that bear more credibility than Ukrainian ones.

Volodymyr Fesenko, director of the Kyiv-based Horshenin Institute think tank, said the new government is looking to create an image for itself as an anti-corruption crusader, as well as to discredit the opposition.

The report doesn't mention Tymoshenko or any of her top lieutenants, but investigators left no doubt as to who was the focus.

"In our report one can see a list of transactions that lead to Tymoshenko," said Mark Macdougall, a partner at Akin Gump, at the press conference in Kyiv on Oct. 14.

"I think we'll hear some names down the road. And that's when politics will start," said Fesenko.

High costs

When asked how much tax payers' money was and will be spent on the U.S. lawyers and investigators, Plato Cacheris with Trout Cacheris law firm said "it was much less than the money stolen" and would not elaborate further.

In turn, Ukraine's Finance Ministry also refused to reveal any details, calling it a commercial secret.

A senior government official told the Kyiv Post that \$2 million in state budget funds had been spent on the first stage of the audit. The official, speaking on condition of anonymity because he was not authorized to comment on the issue, said the aim was to recover a sum up to 100 times larger than the firms' fees.

The official added that two further stages of investigations are planned, which will cost roughly the same each.

"So far we have done what we needed to. But there is a high possibility the Cabinet will ask us to do some other things," Cacheris told Kyiv Post.

Kyiv Post staff writer Yurii Onyshkiv can be reached at onyshkiv@kyivpost.com

Missing or stolen manhole covers create life-threatening risks for city pedestrians

BY ALEXANDRA ROMANOVSKAYA
ROMANOVSKAYA@KYIVPOST.COM

Walking her dog along a Kyiv street in January, an elderly woman suddenly slipped down an uncovered manhole, receiving third-degree burns from the hot water flowing beneath. Her dog was boiled alive. Many court cases later, there is still no one to take responsibility for that and many other accidents involving manholes left open without a warning sign.

The problem is not just one of construction and maintenance workers negligence: Thieves also look to cash in on the scrap metal. The situation in Kyiv has become so severe that Mayor Leonid Chernovetsky called an emergency meeting in February this year to address the problem.

Larysa Gagenko, whose daughter Olena fell down the manhole, went through a long court case, and has now brought a civil case against the company involved. She says the firm that was servicing the manhole, Universal Atlant, used schemes and falsifications – such as retrospectively firing the workers and saying they could not have been working there as they had already been sacked – to avoid responsibility. Universal Atlant could not be reached for comment.

"The problem with these cases is that people don't know whom to talk to," said Oleksiy Reznikov, a lawyer

from Magisters law firm, who represents Gagenko.

According to Oleksiy Kucherenko, the former minister of housing and communal services, there are more than a 1,000 manholes in Kyiv. They are owned by several different city departments and used by the private companies that these departments employ. Kucherenko said the relevant departments should replace missing manholes, and that ultimately the city is responsible for controlling the situation.

"It is the Kyiv authorities' responsibility," said Kucherenko. "They should be taking care of it."

During a city administration meeting in February, Kyiv Mayor Leonid Chernovetsky instructed all district administration heads to provide a complete list of information about the number and location of manholes, especially near schools, kindergartens, apartment houses, as well as the department responsible for them. It was obligatory to mention the responsible organization.

"Since the problem is Kyiv citizens injuries, I decided to take this situation under my personal control," said Chernovetsky.

He ordered the report to be completed by Feb. 23. But many months have passed since then, and there is no sign of that report. A spokesperson for the Kyiv City Administration told

Kyiv Post that the person responsible for completing the report, Anatolii Golubchenko, no longer works there. The people now working in this area were not at the meeting, the spokesperson said.

The administration did not respond to emailed questions.

But the city authorities' indifference isn't the only problem.

Manhole covers are often stolen and sold at scrap metal points. The Kyiv Post called nine scrap metal points across the city. Most of them declined to accept covers, but two agreed. One said it would only take broken ones, but didn't need any documentation or proof that the sale was legal. Another said it takes intact covers, paying Hr 1.50 per kilogram. A regular manhole cover weighs around 53 kilograms.

"I think, there should be really severe rules for punishing the scrap points," said lawyer Reznikov. "For any manhole cover sale two people should be punished with high penalties – the person who took the manhole cover and the person who bought it. This problem is deeper than just one manhole or someone falling, it is the social problem of our city, because it's our city that isn't protecting its citizens and visitors."

Kyiv Post staff writer Alexandra Romanovskaya can be reached at romanovskaya@kyivpost.com



A maintenance worker checks a manhole in the center of Kyiv on July 22. (Yaroslav Debelyi)



Political fashion icons



BY IRYNA PRYMACHYK
PRYMACHYK@KYIVPOST.COM

In Ukraine's 450-seat parliament, there are only 35 women. But the sartorial tastes of these women – and the designers who provide their wardrobes – are scrutinized far more closely than those of their male colleagues. With Ukrainian Fashion Week under way in Kyiv, this small group of trendsetters tries to combine substance with style.

The ladies in power often fall into two extremes: They either dress in boring Soviet classics or get carried away with glitter and frills. Compared to their Western →22

VIP designer Diana Dorozhkina plays with celebrity dolls depicting her, President Viktor Yanukovich, boxer Volodymyr Klitschko and actor Bohdan Stupka at the first International doll festival "Kyivan tale" on June 24. (UNIAN)



Fashion Critic

WITH TETYANA KREMEN

Ukrainian fashion is a poor imitation

Ukrainian Fashion Week reminds me of a cult of imitation. Like savage tribespeople, our fashion world tries to conjure up the magic of the global fashion capitals, but only manages an embarrassing mutation, which is very far from the original.

On Oct. 14-19, Ukrainian Fashion Week will again present its traditional mix of celebrities, parties, drinking and, on the sideline, some clothes.

It will no doubt leave me asking my usual questions: Where is the fashion? Where is the actual creativity?

For many years, the Kyiv fashion crowd has been enthusiastically pretending that it is almost in Europe. They have parties organized by this or that fashion magazine, where surgically enhanced faces smile and plant contact-free kisses on each other's cheeks. The crowd mingles, and their photos get printed in the lifestyle chronicles.

Then come the shows with skinny girls on a catwalk wearing something (it doesn't matter what). There are television cameras, hellos and more fake embraces. There is little to speak of in terms of media contacts, and the whole thing is carelessly organized.

It's not even worth mentioning the mass theft of ideas from Western designers.

From the technical point of view, Ukrainian Fashion Week should be renamed Ukrainian Tailor Shop Week because none of the things that appear on the podium will have 10 copies made, let alone 100. None of them is made at factories, as they should be, but rather handmade by seamstresses in workshops – and this is not an advantage.

The people attending this event are not buyers hunting for designs to commission, but celebrities, socialites and people whose appearance screams bad taste. In the best-case scenario, some of them will visit a designer's studio to commission a dress or a suit – that would create the highpoint of a designer's career.

Nobody needs clothes from the catwalk. A designer tries in vain to sell them to the few Kyiv boutiques, but nobody wants to buy them because their production cost is enormous. The high end price is a reflection of the hand work by seamstresses. The clothes have not been produced at a factory because the designer fears his inability to sell the stuff later. Why is he afraid? Because deep down he knows the true fashion value of his work. →23

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Coming Soon:

India: Dewali Nov. 5; article Nov. 5



Poland: Independence Day, Nov. 11; article Nov. 12

Kazakhstan: Nauryz, Constitution Day, Dec. 17



Oct. 16

Up and running

If autumn turns you into a couch potato, it's time to recharge batteries. Professional athletes and sports enthusiasts have organized a big run with support from the Ministry of Sport, Youth and Family in the center of Kyiv. There will be three marathons to choose from: 42, 10 or two kilometers. The First Kyiv Marathon is open to everyone 18 years of age or older and will take place rain or shine. Winners will be generously rewarded cash prizes of up to \$1,000.

Proceeds collected during the event will be used to buy sports equipment for children with HIV living in the orphanage under the patronage of the Svyato-Voznesensky monastery in Chernivtsi Oblast.

Oct. 16 at 10 a.m., 22 Khreshchatyk St., register at www.kyivmarathon.org/eng, tel. 425-0914. Fee: Hr 40-70

Chamber music

"ArtChamberMusic" is a two-day festival, which brings professional musicians from different countries to play on one stage.

"Kyiv Soloists" and Belgian star violinist Mikhail Kugel will open the concert with Mozart, Schubert and Paganini on Oct. 20. Kugel is originally from Kharkiv. Back in 1975, he beat famous Russian violinist Yury Bashmet during the contest in Budapest.

To enjoy Vivaldi, come on Oct. 24 to listen to "Kyiv Soloists" perform together with "Swiss Soloists."

"Kyiv Soloists" was founded 15 years ago by Ukrainian violinist Bohdan Kotorovych. The ensemble has a peculiar feature: instead of having a fixed solo player, every musician has learned the skill enabling him or her take the lead during the performance.

Oct. 20, 24 at 7 p.m., National Philharmonic of Ukraine, 2 Volodymyrskyi uzviz, tel. 278-1697, www.kyivsoloists.com (in Ukrainian). Tickets: Hr 10-60



Oct. 20, 24



Best gallery picks

Andy Warhol's fellow townsman, Robert Saller, offers comic-book style view on the relationships between sexes in the "Man Woman Blackout" exhibition at the Karas Gallery. The paintings are covered with fluorescent paint, making them look different in the dark. Accompanied by music by Serge Gainsbourg and Jane Birkin and poems by Vick Kovrey from Uzhgorod, the exhibition is a must see for all the pop-art fans.

Karas Gallery, 22A, Andriyevsky descent, 238-6531, www.karasgallery.com, until Oct. 27



Ya Gallery on Voloska has an unusual carpet collection. Andriy Sagaidakovsky painted in oil a series of self-portraits using old carpets as his canvas. In search of happiness, he ended up exploring his personal universe with paint. Apart from carpets, he brought clothes and tools from his Lviv workshop to recreate his working environment and named the exhibition "Portrait of a Famous Artist."

Ya Gallery, 55/57 Voloska St., 537-3351, www.yagallery.com.ua, until Oct. 28



In Ya Gallery on Horyva, curators Pavlo Gudimov and Lidia Lykhach play with a table theme in a series of paintings named "On the table. (Folk Contemporary. Still life)." Exploring traditions of table decoration in the old days and now, artists try to explain what was important to people in their daily life then and what makes them tick now.

Ya Gallery, 49B Horyva St., 492-9203, www.yagallery.com.ua, until Oct. 26 (closed Sundays)



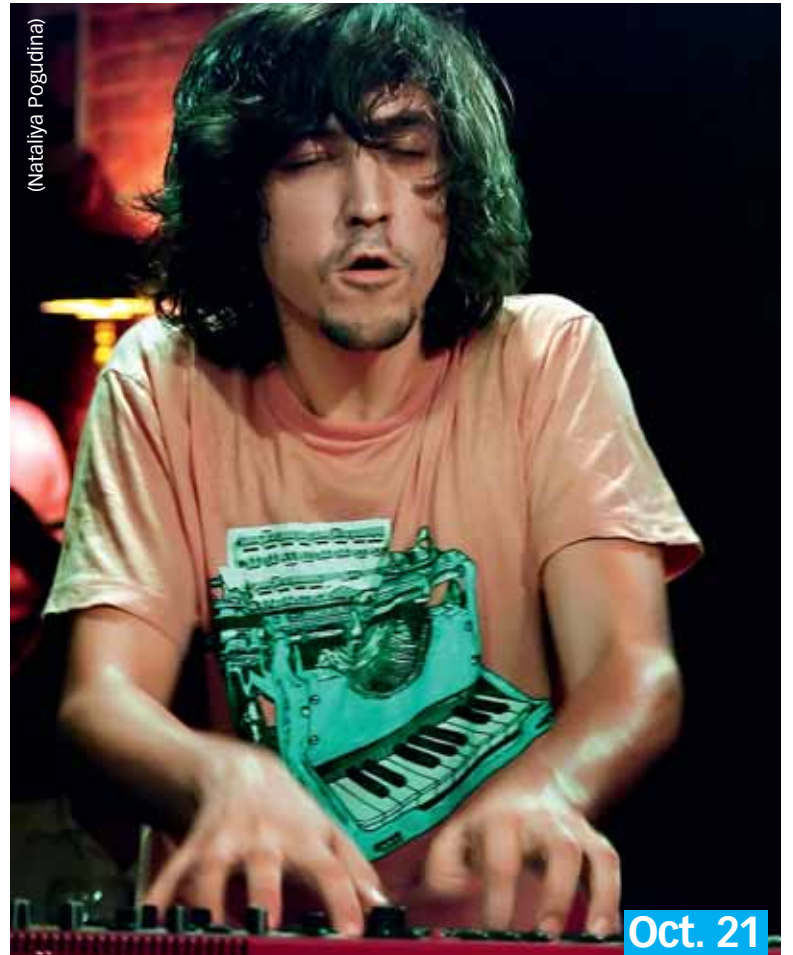
The last 10 years in Ukrainian art were marked by the emergence of a whole generation of young artists. M17 Contemporary Art Center presents works of more than 40 artists in "Those Who Came in 2000's" exhibition. Provocative and rebellious, they defy standards in painting and sculpture. Find Masha Shubina, Ksenia Gniliitskaya, Oleksiy Sai, R.E.P. and SOSka among others.

M17 Contemporary Art Center, 102-104 Gorkogo St. (Antonovycha), 596-2030, www.m17.com.ua/en, until Oct. 20 (closed Mondays)



Camera Gallery presents Belarus through the eyes of Vladimir Parfenok – a photographer who spent a lot of time traveling its western regions during the last two years. Parfenok says a single image cannot capture a quickly changing reality with its smells and sounds. But a sequence of photographs arranged in a peculiar order reflects what he called the "Unclear Image of Belarus."

Camera Gallery, 22 Prorizna St., 279-5070, (067) 504-7065, www.photogaidai.org, until Oct. 22



Oct. 21

Which city is the jazziest?

The Sullivan Room club decided to find out which city in Ukraine deserves to be its jazz capital. Every month, the venue's cozy red-velvet hall will host jazz bands from different cities. A home city of a band that gathers the largest audience will be named the Jazz city of Ukraine.

The contest starts with Kharkiv. Bands Acoustic quartet, Yury Koniychenko's Band and Oleksandr Lebedenko's Band will defend the honor of the city. The contest will run until May 2011 in order to give you a good selection sample.

Oct. 21 at 8 p.m., 8 Prorizna St, metro Khreshchatyk, www.sullivanroom.kiev.ua (in Russian), tel. 066-485-5555. Tickets: Hr 50



Oct. 16

Klitschko to fight Briggs

Vitali Klitschko, the older of the two heavyweight boxing champion brothers, will defend his World Boxing Council crown against American Shannon Briggs on Oct. 16. If you can't attend the fight in person in Hamburg, Germany, then Inter TV channel offers two time slots for viewing the fight: 10:55 p.m. on Saturday if you want to see the fight live, or 7:25 a.m. on Sunday.

Meanwhile, the younger Klitschko brother, Wladimir, will be defending his heavyweight title against Dereck Chisora of Britain in Mannheim, Germany, on Dec. 11.

Movies

A scene from the 'Oceans' documentary. (www.images.allmoviephoto.com)



OCEANS
Language: French with Ukrainian subtitles
Documentary/Drama/France/Spain/Switzerland (2009)

Directed by Jacques Perrin, Jacques Cluzaud
A breathless and unrivalled documentary about oceanic life is a must-see work of the year. The film crew has been shooting the "Oceans" in 54 locations all over the world for four years. Menacing sharks, odd-looking schools of fish, and cute turtles, among other sea creatures may look suspiciously graphic and too real onscreen. But believe it or not, the underwater kingdom is authentic without any image enhancement. The film makers have been tailoring for years and not just for a stunning picture. Half way through the film you may start wondering how you can help to preserve the ocean. And by the way, you don't need to know French or Ukrainian to enjoy the film – it's all in the eye of a beholder.

SPANISH MOVIE FESTIVAL

Only female film directors will present their work during the Days of Spanish cinema in Kyiv. Each of the seven films will tell a story related to a woman and her on-going problems.

Film director Azucena Rodríguez will open the festival with her "Atlas of the Human Geography," in which four co-workers work on the atlas as their lives make unexpected twists and turns. Also, don't miss multiple award-winning "The Secret Life of Words." A hearing impaired factory worker forfeits his holiday to look after a stranger suffering from severe burns. All films will be shown in Spanish with Ukrainian subtitles free of charge. Throughout Oct.21, check out a photo gallery showing the development of Spanish cinema from 1896 in the same cinema hall.

THE THIRD MAN

Language: English with English subtitles
Film-Noir/Mystery/Thriller/the U.K. (1949)
Directed by Carol Reed
Starring Joseph Cotton, Alida Valli

American writer Holly Martens comes to post-war Vienna. His friend, Harry Lime, doesn't meet him at the station although he promised to come. In the city, Martens learns that Lime was killed by accident in suspicious circumstances. Trying to investigate the case himself, Martens is followed around by British detectives who tell him that his late friend was a criminal himself. And just as he finds out about a third man involved in the crime, witnesses start to disappear or die mysteriously. The film got an Academy Award for Best Black and White Cinematography.

LIFE AS WE KNOW IT

Language: English
Comedy/Drama/USA (2010)
Directed by Greg Berlanti
Starring Katherine Heigl, Josh Duhamel, Josh Lucas
Both young and beautiful, Holly and Eric didn't have a good start. After a lame date, they deeply dislike each other but have to remain civil in front of their goddaughter Sophie. But things are about to change when Sophie loses both of her parents in the car accident. Career plans and careless nights out have to be put aside for the sake of a little girl.

I SERVED THE KING OF ENGLAND

Language: Czech with Ukrainian subtitles
Comedy/Drama/Romance/War/ Czech Republic/Slovakia (2006)
Directed by Jiri Menzel
Starring Ivan Barnev, Oldrich Kaiser, Julia Jentsch, Marian Labuda
Starting out in a small suburban hotel, Jan Dite is an ambitious young waiter. Soon hired by a big hotel in the heart of Prague, he discovers the taste of wealth and women. Right before the city is captured by the German forces, he falls for a German lady Lisa. The story is told by old Dite himself, as he's trying to rebuild his life after 15 years in prison. The film was nominated for Oscar as the Best Foreign Film in 2008.

ZHOVTEN

26 Konstyantynivska St., 205-5951
www.zhovten-kino.kiev.ua

Oceans
Oct. 15, 18-20, 1:50 p.m., 3:45 p.m., 5:40 p.m., 7:35 p.m., 9:30 p.m.
Oct. 16-17, 11:30 a.m., 1:25 p.m., 5:40 p.m., 7:35 p.m., 9:30 p.m.

I Served the King of England

Oct. 15, 18-20, 3:45 p.m.
Oct. 16 at 11:55 a.m., 3:45 p.m.
Oct. 17 at 11:50 a.m., 5:40 p.m.

The Regrets

Oct. 15-16, 18-20, 1:55 p.m., 9:30 p.m.
Oct. 17, 1:50 p.m.

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The Third Man

Oct. 21 at 7 p.m.

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6 Saksaganskogo St., 287-0438

Spanish film festival:

Atlas of the Human Geography

Oct. 15, 7 p.m.

Returning to Hansala

Oct. 15, 9 p.m.

The Secret Life of Words

Oct. 16, 6:30 p.m.

A Fiancé for Yasmina

Oct. 16, 8:30 p.m.

Mataharis – Oct. 17, 5 p.m.

The Seven Tables of the French Billiards – Oct. 17, 6:30 p.m.

I Know Who You Are

Oct. 17, 8:30 p.m.

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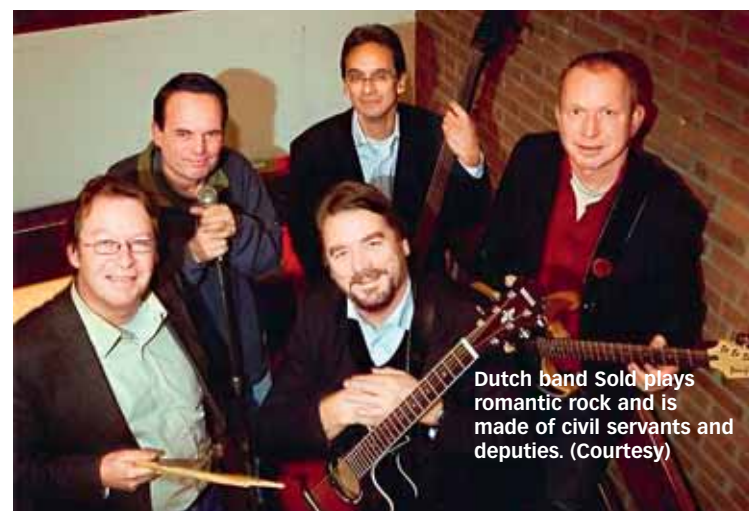
Life As We Know It

Oct.15-20, 6:15 p.m.

THE REGRETS

Language: French
Drama/Romance/France (2009)
Directed by Cédric Kahn
Starring Yvan Attal, Valeria Bruni Tedeschi, Arly Jover, Philippe Katerine
Parisian 40-year old Mathieu loves his wife and his job. When he learns that his mother is terminally ill, he goes back to his home town and suddenly meets the love of his youth, Maya. Old feelings flare up again, except that life now is much more complicated. The story gets all the chaos and excitement of a juicy thriller making you wonder if characters will ever get out of this love triangle alive. Director Cédric Kahn has successfully tried his hand in plots with serial killers, suspense, and sexual obsession before, so it could be the right movie to get the blood boiling.

Live Music



Dutch band Sold plays romantic rock and is made of civil servants and deputies. (Courtesy)

ART CLUB 44

44B Khreshchatyk St., 279-4137,
www.club44.com.ua

Concerts traditionally start at 8 – 10 p.m.

Oct. 15 Sold (Netherlands), MJ Project,

Hr 50

Oct. 16 Without Limits, Red Rocks, Hr 100

Oct. 17 Jazz: Soiuz 44 Jam Session, free admission

Oct. 18 Artem Lebedev Band, free admission

Oct. 19 Autumn Jazz Nights: Open Mic. Karaoke with a jazz band, Hr 40

Oct. 20 Eklektika (Kazakhstan), Jazzvoda (Kazakhstan), Gapochka, Hr 30

Oct. 21 Balkan Party, Hr 20

DOCKER'S ABC

15 Khreshchatyk St., 278-1717,
www.docker.com.ua

Concerts traditionally start at 9:30-10 p.m.

Oct 15 Red Rocks, Lemmons, Hr 50

Oct 16 Mad Heads XL, Mr. Och & His Root Boys, Hr 70

Oct.17 Docker's ABC Birthday Party: Mango-Mango (Russia), Animals Session

Oct 18 Second Breath, free admission

Oct. 19 Tres Deseos Latino Party, Hr 20

Oct. 20 Rockin' Wolves, Hr 30

Oct. 21 Angie Nears, Hr 30

DOCKER PUB

25 Bohatyrska St., metro Heroyiv Dnipra,
www.docker.com.ua

Concerts traditionally start at 9:30-10 p.m.

Oct. 15 Ruki v Briuki, free admission

Oct. 16 Motor' Rolla, Tres Deseos Latino Party, Hr 70

Oct. 17 Vostochny Express, free admission

Oct. 18 Mojo Jo Jo, free admission

Oct. 19 Rockin' Wolves, free admission

Oct. 20 The Magma, free admission

Oct. 21 Animal's Session, free admission

BOCHKA PYVNA ON KHMELNYTSKOHO

4B-1 Khmelnytskoho St, metro Teatralna, 390-6106, www.bochka.com.ua

Concerts traditionally start at 9-10 p.m.

Oct. 15 Crazy Friday: Hash, Shake-Up, Carte Blanche, Hr 40

Oct. 16 Etno Hip-Hop Solo: Horta, Hr 40

Oct. 17 BekBekson Trio (Georgia), Hr 50

Oct. 19 Bochka Jack-Pot 1/8: Navkolo Kola, Sertse Jennifer, Hr 30

Oct. 20 Hip-Hop Wednesday: VampAround, Dandy, DiShu4FM, Hr 30

Oct. 21 HOBO'T & Co, Hr 40

PORTER PUB

3 Sichnevoho Povstannya St., 280-1996,
www.porter.com.ua

Concerts traditionally start at 7.30 p.m.

Oct. 15 Yuhym Dym

Oct. 16 Tartilla

Oct. 17 Timofei

Oct. 20 Ivan Bliuz

Oct. 21 Dikie Liudi

Other live music clubs:

PIVNA NO.1 ON BASEYNA, 15 Baseyna St., 287-44-34, www.pivna1.com.ua

JAZZ DO IT (76A Velyka Vasylkivska St., 599-7617, http://jazz-doit.com.ua

DRAFT 1/2 Khoryva St., metro Kontraktova Ploshcha, 463-7330.

KHLIB CLUB 12 Frunze St, www.myspace.com/xlibclub

CHESHIRE CAT 9 Slikyarenko St., 428-2717.

O'BRIEN'S 17A Mykhaylivska St., 279-1584.

DAKOTA 14G Heroyiv Stalinhrada St., 468-7410.

U KRUSHKI (12/37 Dekabrystiv, 562-6262).

Compiled by Alexandra Romanovskaya and Svitlana Kolesnykova

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For top ladies, politics and fashion are interwoven

→19 colleagues, they lack “moderation and elegance,” said Natalia Tymoshenko, a visiting professor of ethics and protocol at the Diplomatic Academy of Ukraine. Their clothes “are too expensive, revealing and aggressive,” she said.

The Kyiv Post highlights three women whose style has been ruffling feathers in the past five years. Designers for ex-Prime Minister Yulia Tymoshenko, former First Lady Kateryna Yushchenko and current First Lady Lyudmyla Yanukovych beam the fashion spotlight on Ukraine’s top ladies.

Yulia Tymoshenko

At 49, firebrand Tymoshenko begs to differ in everything she does, including fashion. At one political TV show in 2009, she had the back of her dress unzipped to end speculation that she only wears attire from the expensive Louis Vuitton French brand. The clothes tag had the name of Ukrainian designer Aina Gasse on it. “She helps me create a feminine look,” Tymoshenko said of her seven-year collaboration with Gasse.

The mini-striptease didn’t disperse rumors about costly French collections, but made Gasse all the more interesting. Tymoshenko’s daughter, Evhenia, introduced them, Gasse said. “In the beginning, I was so nervous that I couldn’t even go to bed unless I was called [by Tymoshenko] and told that it fit fine,” she said. Today, however, it takes the designer some five minutes to sketch a new outfit, which usually wins approval from the client.

Tymoshenko allegedly pays only for the fabric, while the tailoring costs her nothing in return for the publicity that Gasse gets from such a high-flying customer. Moreover, Tymoshenko is the only client who Gasse pays personal visits for fittings.

“I understand she is very busy,” said the 35-year old designer, who no longer presents her work at the Ukrainian Fashion Week shows because “they feel like an assembly line.”

After making hundreds of dresses for the ex-prime minister, Gasse has attracted other politicians as well. Classic, elegant and simple suits “with some

romantic and sexual undertones” are her specialty. A color palette is mostly subdued and diffused, because the designer doesn’t like bright clothes.

With Tymoshenko’s infinite love for white, they seem to be a perfect match. At the peaks of her career, she would brave the world in light, virgin colors. During the 2004 Orange Revolution that succeeded in overturning an election rigged for Viktor Yanukovych, she addressed protesters in a white coat accentuated with an orange scarf from the stage at Kyiv’s Independence Square. Meeting Russia’s Prime Minister Vladimir Putin, she would opt for milky-colored dresses most of the time. Her political campaigns – be it hugging a plant or a tiger cub, would feature Ukraine’s first fashionista in white again.

For a Western woman in politics, this would be unacceptable, said professor Natalia Tymoshenko (no relations to Yulia Tymoshenko) from the Diplomatic Academy. “If a woman is dressed in white, it means she has lost her case even before she utters a word. However, if it happens only once, light colors may be used as a tactic of making an opponent think she is weak when she is not. But it should not become a regular practice,” the professor said.

But Yulia Tymoshenko is known to break rules and come up with her own scenarios. Gasse said the opposition leader takes an active part in designing new models. “She always pays attention to the tiniest of details and tells me what corrections should be made. There is no careless attitude to clothes, like that of [German Chancellor Angela] Merkel, who does not really care how her trousers look or if her jacket fits her well,” Gasse said.

Gasse describes Tymoshenko as a “rather demanding, but very tactful person” who doesn’t like very bright and black colors. White frills and lace blouses with lantern sleeves were among the things Tymoshenko favored in the last season. Tweed skirt suits and blouses with lay-down collars, once fashioned by Jacqueline Kennedy, are among Tymoshenko’s preferences this season.

Gasse charges from \$500 per factory



Former Prime Minister Yulia Tymoshenko with Russian Prime Minister Vladimir Putin meet in Yalta for talks on Nov. 19, 2009. (AFP)

garment and \$1,000 for a hand-work dress.

For more information on Aina Gasse: www.ainagasse.com

Kateryna Yushchenko

Ukraine’s former first lady, Kateryna Yushchenko, 49, was very consistent in her style. An American of Ukrainian origin, she promoted Ukrainian ethnic style dress from her husband Viktor’s

first day as president.

Working with Kateryna Yushchenko since 2005, designer Lilia Poustovit compares the first lady’s style to that of Michelle Obama. Yushchenko was Ukraine’s one rare woman in politics who risked wearing bright colors, including violet, pink, red, or cherry, instead of washed-out hues.

“I liked her [Yushchenko’s] respect towards Ukrainian national heritage. We spent much time on choosing the right folk motives for her clothing,” said Iryna Karavay, 31, another designer for the former first lady. However, unlike Yulia Tymoshenko, all of Kateryna Yushchenko’s fittings were made strictly in Karavay’s fashion studio. The pricing policy was not tweaked either. “I made no discounts for Kateryna, because we are just not used to bargaining with people of such high rank,” Karavay said.

Yushchenko kept true to her style until the end of her husband’s presidency and promoted costumes with immaculate handmade embroidery, red coral beads and vintage brooches.

She had a following, too. Ex-president’s press secretary, Iryna Vannikova, 34, was tailored by Karavay. But while Yushchenko’s wife preferred skirt suits in bright colors, Vannikova favored trouser suits in subdued colors. “Since she [Vannikova] got the new job, it was very difficult to work with her. I clearly remember her always talking on the phone, even during the fittings,” recalled Karavay, who doesn’t work much with any of the Yushchenko ladies since their man left office.

For more information on Lilia Poustovit: www.poustovit.ua and Iryna Karavay: www.nb-karavay.com

Lyudmyla Yanukovych

Ukraine’s first lady Lyudmyla Yanukovych, 61, is one of the country’s biggest enigmas, ever since her random appearances during the 2004 Orange Revolution. At the time, she criticized the popular and peaceful uprising while wearing Soviet-style baggy coats, knitted sweaters and a mink beret. She has since nearly vanished from public sight.

During the inauguration events in February, she appeared briefly in a modest black suit and a white blouse only to disappear again. Photographers sometimes catch her during odd photo sessions in track suits, as if to promote a healthy lifestyle, or watching ballet or other performances in her native Donetsk – but that’s about it.

The rumor is that she is working with designer Diana Dorozhkina on a complete make-over.

Dorozhkina, 39, neither confirmed nor denied the gossip, saying she’s “very careful about making comments about her clients in politics.” However, the designer whose clothing line starts from \$1,000 per garment did give a piece of advice: “For the first lady, I would recommend wearing either trousers or skirt suits of warm colors. Classic black, coffee, brownish and pastel colors would fit her best and take her hair color into account.”

Those who still remember Lyudmyla Yanukovych with purple hair would be pleased to know she has changed it since then. It now looks more like a chestnut brown, which leaves hope for seeing the first lady in a new wardrobe as well.

For more information on Diana Dorozhkina: www.dorozhkina.com

Kyiv Post staff writer Iryna Prymachyk can be reached at Prymachyk@kyivpost.com



Former first lady Kateryna Yushchenko is keen on Ukrainian designers and incorporates ethnic details into many of her outfits, such as this dress at the diplomatic meeting in Kyiv on Feb. 8, 2008 (L). Current first lady Lyudmyla Yanukovych has less of a taste for couture. She wears a baggy coat and a mink beret addressing the people during a protest in 2004. (Mykhailo Markiv, UNIAN)



A model displays a creation from the ready-to-wear collection by popular Ukrainian designer Oleksiy Zalevsky during a Ukrainian Fashion Week show in Kyiv on Oct. 12, 2007. (AFP)

Ukrainian fashion: bleak, overpriced and pretentious

→19 I don't want to name and shame any of the fashion artists. But everything wreaks repetition, second-grade quality and provinciality. Just look at the working language of this whole glossy show – it's Russian, of course. Why bother with Ukrainian?

We haven't even got fashion critics who could say: "Sorry, sweetheart, but this collection is 90 percent borrowed from early Vivienne Westwood." In other words, this is something they will chinwag about, and that's it. Nobody says anything offensive to anyone – the crowd is very small, everyone knows each other and don't want to bicker, spoil their relationships and upset such pleasant people. This is a nice – if false – little world.

Most Ukrainian designers are really nice people. But they have nothing to do with fashion. They think that simple jersey trousers and a hoodie are designer clothes. It would be bearable if the quality matched that of young U.S. designer Alexander Wang's work or if their prices were comparable to those in Zara stores. But they cost as much if they were made by Wang, and the quality is questionable. And again, they were handmade, not factory-made, and that's a drawback.

And then, there are t-shirts. Everyone who likes to call themselves a designer thinks it's their duty to produce a line of t-shirts. Of course, it has to be a limited edition – exclusive, cheeky and radical.

The cheekiness, however, is reserved to the pricing policy. For example, my little shop that specializes in selling young designers' clothes from the U.K., was once offered grey t-shirts with a print from one well-known Ukrainian artist. To give you a hint, he's the painter who toyed with images of close relatives of Homo sapiens at one point in his career. The t-shirts were supposed to cost a mere Hr 500 (\$60). We had to turn them down with a refined excuse: "It does not quite fit our concept."

Other designers play the game using "eco-bags" – those canvas bags that



A model displays an outfit from the collection of designer Eduard Nasyrov during the Ukrainian Fashion Week 2009 show in Kyiv on Oct. 16, 2009. (AFP)

you often get for free in Europe when you make a big purchase. They sell those here because they're designer-made, with original print, and good for the environment.

I don't want to say that everything is so bad. There are many talented designers that are trying to make it happen. It's sad that even the talented ones still have to develop their brand with a small workshop of five to 10

seamstresses, a dozen rich clients and with some 15 meters of fabric.

To be honest, I don't even know how to fix it. Perhaps to cease chanting spells to imitate, and begin instead to create?

Tatyana Kremen is the owner of Pure boutique in the center of Kyiv, which specializes in clothes and accessories from young British designers. For details: www.pure.kiev.ua.

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World in Ukraine

TNK-BP is the partner of "Germany in Ukraine" project

Editor's Note: The Kyiv Post continues its "World in Ukraine" series with a look at Germany, Ukraine's close economic partner, that celebrated Unity Day on Oct. 3. The newspaper will highlight Ukraine's ties with India, Poland and Kazakhstan in the coming months.

German heritage alive in Transcarpathian Ukraine

BY KATERYNA GRUSHENKO
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MUKACHEVO, Ukraine – It may be 7 a.m. in Kyiv, but for Maria Strauss in Mukachevo, dawn has not arrived yet. Along with thousands of other families living in Transcarpathian Ukraine, she considers herself German and sets her clock to German time – one hour ahead of Kyiv.

Strauss, a 74-year-old petite, brown-eyed woman, is a descendent of German settlers who lived on the territory of western Ukraine almost 300 years ago. German is the first language in her household. Tuning into German radio, she goes to wake up her grandson. "Steh auf, das Essen ist auf dem Tisch," she whispers in his ear, saying that the food is ready.

Before 1939, some 650,000 Germans lived in Transcarpathia, according to Orest Subtelny, author of history textbooks about Ukraine. Palanka German Cultural Center in Mukachevo, however, notes only 30,000 migrants from Bavaria in the 1920s.

Their leader, Archbishop Friedrich Schoenborn, received some land around Mukachevo – then a part of the Austro-Hungarian Empire, as a gift from Emperor Kaiser Karl VI in the 18th century.

Having settled in villages around Mukachevo, the newcomers were Roman Catholic farmers, masons and wood craftsmen. They built a railway to transport lumber – the region's biggest export at the time. They dug

through mountains and ran the first trains. History records in the Palanka center mention Germans starting all types of businesses – from a match-making factory to breweries.

"Nobody built houses like Germans," said Zoltan Lendiel, the mayor of Mukachevo. A Hungarian himself, he grew up in a German village. "When I was a kid, I remember them hewing stones all the time – painstaking labor."

Strauss's family also doesn't sit still. Her son works 12-hour shifts as a mechanic at Fischer factory, an Austrian mountain skiing equipment maker. Her daughter-in-law, also of a German descent, is a primary school teacher.

Apart from living by German time, they eat a lot of traditional German food: Knödel – a German large potato, or bread dumplings and sauerkraut. For tea, Strauss serves Lekvar – a plum jam, which she cooks in summer in her grand-mother's copper kettle.

The kettle and their brick house – built by grandfather Yosef 88 years ago, are the few things that Maria managed to keep from her German past. She says land and many other valuables were taken away by the Soviet authorities when Austro-Hungarian villages in Transcarpathia were annexed by the Soviet Union in 1945.

At the end of World War II, Josef Stalin ordered massive deportations of non-Slavic people to Siberia and Central Asia fearing they might collaborate with Romania, Poland or

Hungary. Strauss's father and brother were among those sent to the forced labor camps.

"Police came to our house and told us to pack warm cloth and food," Strauss said.

"They said they would take my brother for a three-day work project. Only in a couple of months we found out he had been sent to work in Tbilisi in Georgia after he'd written a letter from there," she said of her still-painful memories. Her father, who was allegedly sent to Siberia, never made it home from the camp.

Many things have changed during the 55 years of communist rule on Transcarpathian land. People learned Russian and Ukrainian, changed their nationality in passports and fitted their homes with Soviet furniture.

Strauss was not an exception: "When the Soviets conducted population census, I listed myself as a Hungarian to avoid bias."

After Ukraine became independent in 1991, most of Strauss's compatriots applied for the residence permits to move back to Germany and Austria.

There were at least 50 German families living on Schoenborn Street, named after the German archbishop who initiated the move. "Now there are five," said Strauss who also lives on this street.

According to Palanka Center, only 10,000 people of German descent still live in the Transcarpathian region.

Strauss, who has most of her relatives in Germany, said that she had been denied a residence permit because of some changes in immigration laws. "All my relatives moved to Germany and I'm the only Strauss who has to stay in Ukraine. They live better lives than I do."

Strauss appealed the decision, but was rejected again.

A proud German

Among Germans who failed to immigrate back to their ancestral land, there's Yosef Kaloy whose reasons for staying in Ukraine stand out from the rest. The 54-year-old stocky farmer from Barbovo, a former German village, refused to move to Germany although his papers allowed him to do so.

"I just don't want to be cleaning bathrooms and collect unemployment benefits. I doubt I will find a job in Germany at my age," he said, calling himself "a proud man."



Maria Strauss shares the memories of her life as a German in Transcarpathia during a Kyiv Post interview on Oct. 5. Her grandson, Norberd, does his homework in the background. (Kateryna Grushenko)

Yosef comes from a German family named Kobel, but his grandfather Franz changed it to a Hungarian Kaloy to avoid bullying when he worked for the Austro-Hungarian police in 1990.

In addition to developing his 300 hectares of wheat fields, Kaloy opened a bakery. Baking 1,000 white loafs every day, he is the only supplier of bread to six nearby villages. For his little business, he uses only German-made equipment, including an old white BMW.

"Here I'm a deputy in the village council and a successful farmer, just like my grandfather who taught me to be economical, work hard and tolerate no laziness," he said.

Despite the longstanding regional

German and Roman-Catholic practice to marry within the nationality, Kaloy tied a knot with a Ukrainian partially "to avoid incest," which started happening within the dwindling community.

"I speak Ukrainian to my wife, but I speak German to my sons and my grandson," he said of his bilingual marriage.

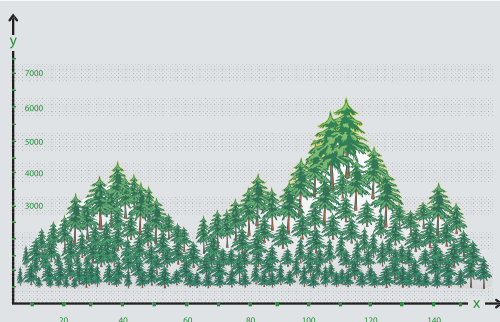
Graduating from universities in Germany and Austria, both of his sons chose to come back to Ukraine – for good, they said.

For more information, email Palanka German cultural center at marina@var.mk.uzhgorod.ua or turis@gmail.com

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Yosef Kaloy stands in front of white bread in his bakery in Barbovo village on Oct. 6. (Kateryna Grushenko)



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German ambassador calls for transparency in business and politics

BY KATERYNA GRUSHENKO
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Having served as a diplomat in Germany, Russia, Somalia, Brazil and Poland for over 20 years, Hans-Jürgen Heimsoeth took his post as a German ambassador in Ukraine in 2008. In his interview to *Kyiv Post*, Heimsoeth shared how his country remains strong and united, how Germany evaluates the course of President Viktor Yanukovich, and describes Germany's involvement in Ukraine.

Kyiv Post: Germany recently celebrated Unity Day. What does this day mean to your country?

Hans Heimsoeth: Unity Day is a day of joy. It stands for the reunification of Germany in 1990 after the fall of the Berlin Wall. For 45 years after the Second World War, we had no state. It was always our longing to be reunited. It became possible after a peaceful revolution in Eastern Germany.

People stood up against the Berlin Wall and pushed it down. After that, Germany found its place again in Europe – united and having friendly relations with our neighbors. Germany is a diverse country, considering its history in the west and in the east.

KP: How do you keep your country united?

HH: Our success lies in a balanced federal structure on the basis of a very good constitution.

First, we have the Bundestag as the general body representing all Germans, but also the Bundesrat that represents our federal states. These states, called Lander, have their own police and are responsible for culture and education.

Secondly, we encourage political participation. The members of our parliament do not only come from different states, but also from different parties. Even the former communists, which are now organized in the party Die Linke, sit in the Bundestag and are part of some federal governments.

KP: Please describe Germany-Ukraine relations after the new administration came in office?

HH: We have been working with Ukraine for 19 years, so we've been through four presidents and several governments. Our relations have developed dynamically and in a stable fashion. And the election of a new president by itself doesn't change anything. We have a high level of political exchange; Germany is Ukraine's second biggest trading partner and also the second biggest investor. What counts is the future policy in the direction of the European Union.

KP: How does Germany evaluate the new reform course announced by the Ukrainian government?

HH: We see some positive developments, such as the accession to the energy community of the European Union, and the first good steps to resolve the VAT [value-added tax] refund problem. But all in all, a lot still remains to be done.

We would also like to see this government stick to the obligations our companies reached with the former government or governors of the oblasts. There are some cases of misunderstanding at the moment.

Moreover, Ukraine needs to open up. The country will not really develop a dynamic economy if it doesn't open its economy and accept investors which, of course, bring their money, but also want to do business here.

There are some German companies that are still waiting for the improvements to come. They are following



German Ambassador Hans-Jürgen Heimsoeth (Ukrinform)



The European Union wants Ukraine to issue secure documents that can't be forged, and want people to not use so many fake invitations.

When police forces in Europe stop someone and asks Ukraine's police to help with identification, Ukrainian police ought to be able to give an answer within an hour and not in two weeks. It would be great if they spoke foreign languages. This technical point requires attention.

KP: What's your opinion regarding of human rights in Ukraine?

HH: The new government got rid of the unit in the Ministry of Interior, which had been monitoring human rights in Ukraine. This is a move in the wrong direction. Even president [Yanukovich] criticized it.

Currently we are watching the situation concerning the freedom of media and opinion in Ukraine very closely. We are concerned with the media situation, especially in the television sector, because business interests and politics often intermingle. Unfortunately, media representatives often perform

the developments in Ukraine very closely.

KP: What is the face of the German community in Ukraine?

HH: Around 33,000 people in Ukraine are of the German ethnic origin. A new generation of Germans in Ukraine, who came here mostly to do business, makes up around 1,000 people though only 500 are registered with the embassy.

Most of the German newcomers are here for business reasons. But there's a growing number of people who got married to and have children with Ukrainians, which is a good European development.

In 2008 we opened the first German school in Kyiv and we also have a German Lutheran church here.

KP: What are German business interests in Ukraine?

HH: There are around 1,000 German companies in Ukraine. They are very broadly set up in the automobile industry, retail, construction and logistics. We are also present in banking and insurance.

Ukraine is a very big transit country. Many improvements could be done in the ports, on the roads and railroads.

KP: Will Ukraine and the European Union have visa-free travel by the beginning of the Euro 2012 football championship?

HH: Well, I wish I could say. I don't know.

You see, the Schengen zone is a free-travel zone from Portugal to Finland, so it's very easy to travel inside. Consequently, it became more difficult to get in from the outside.

→ We would like to see this government stick to obligations our companies reached with the former government.

unprofessionally themselves and their services can be bought by interested parties.

KP: Germany and Russia are known to have close ties and the world has heard little criticism of Russia's press freedom from Germany. Why is there such an imbalance?

HH: There is no imbalance. Chancellor Angela Merkel raised questions about missing journalists in Russia at various press conferences. The human rights commissioner of the German government, Markus Löning, was very outspoken [about the inactivity of Russian government in investigation of the murders of the journalists and general impunity] during his recent trip to Moscow. But it doesn't mean that Germany would stop doing business with Russia. The same goes

Germany at a glance

- **Territory:** 357,104 square kilometers
- **Population:** 82.3 million people; Germany has the largest population in the European Union.
- **Gross Domestic Product:** 2.4 trillion euro (2009)
- **Average net monthly salary in Germany:** 3,246 euro (2010)
- **Main industries:**
 - Automobile construction, mechanical engineering, electrical engineering, chemicals, environmental technology, fine mechanics, optics, medical technology, biotechnology and genetic engineering, nano technology, aerospace, logistics
- **Product markets:** 60 products; European Union, 24 percent US, 16 percent Asia

Ukraine-Germany economic relations:

- **Trade:** 4.3 billion euro (2009); Ukraine's second largest trade partner.
- **Exports from Germany to Ukraine:** machinery, transport equipment, chemical products and electrical products.
- **Exports from Ukraine to Germany:** textiles, clothing, metals, alloys, hardware and chemicals
- **Germany's investment to Ukraine:** \$6.6 billion in 2009. Ukraine's second largest investor after Cyprus
- **Ukraine's investment to Germany:** \$2.64 million in 2009

Sources: State Statistics Committee, German Embassy in Ukraine, Investment-Committee of Ukraine Statistics

for Ukraine.

The relations between Germany and Russia had a dynamic tendency. But they haven't followed up as dynamically as some expected, because Russia lacks modernization. The competitiveness of Russia is not growing to the extent necessary to play a big economic role in the world, besides being an energy supplier.

KP: Do you see any corruption in the fact that Gerhard Schröder (chancellor of Germany from 1998-2006) took a high post at the North Stream project (the construction of a gas pipeline from Russia to Germany where Gazprom has a controlling stake and the rest of the shareholders are German companies) and lobbies for it?

Some retired politicians stay in politics like Tony Blair, some play a role in global funds like Bill Clinton; others go into business.

Mr. Schröder had an offer which he accepted. Of course, you can have your opinion about accepting it. But he had already retired from his chancellor's post.

KP: What is Germany's involvement in educational and cultural affairs in Ukraine?

We have a German academic exchange service that spends around 4.3 million euro per year in scholarships. Around 1,500 scholarships are given to Ukrainian students studying in Germany. It also supports German academic programs at various universities in Ukraine.

Around 700,000 students in Ukraine study the German language in high school and middle school while about 26,000 students go to specialized schools with intensive courses.

On the cultural side, there is a wide range of activities. In 2008, we had the German Cultural Days in Ukraine with a number of splendid events. Just recently we organized the "German days" in Crimea. Leipzig, by the way, is Kyiv's oldest twin city. Next year we will celebrate 50 years of twinning.

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Vice Admiral Ihor Kabanenko (L) talks with Maj. Gen. Anatoliy Zarytsky at the reception of the German Embassy in Ukraine dedicated to Unity Day on Oct. 5. On this occasion, artist Ihor Gaiday decorated the embassy with pictures of siblings that symbolize the fraternity and unity between Western and Eastern Germany. (Oleksiy Boyko).

Young Ukrainians' art on display at M17 Contemporary Art Center

BY ANASTASIA FORINA
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In 1992, British contemporary art collector Charles Saatchi held a series of exhibitions that launched the careers of several well-known artists, such as Damien Hirst.

Through Oct. 20, M17 Contemporary Art Center in Kyiv opened an exhibition called: "Those who came in the 2000s." It brings together the best young Ukrainian artists, attempting to recreate the Young British Artists phenomenon in this country.

The exhibition includes 33 artists from across Ukraine and is not just a retrospective of the most famous names, but also a look at newer faces.

"We emphasized those names connected with young art in Ukraine – such as Oleksiy Sai, Masha Shubina – but also to try to introduce new artists, which is why we are showing works of little-known or completely unknown artists," Kseniya Gotsyk, manager of the project, told Kyiv Post at the opening.

Curator Oleksiy Titarenko said many of the artists are "consciously non-commercial" – artists not yet famous or making big bucks from their work.

"In London's terms it's 'cool,'" said Titarenko. "It's serious art, but not affected."

The exhibition displays a striking variety of works, from a tower made of business cards to video clips of immigrants' lives.

Oleksiy Sai's works look at the culture of office life. He uses accounting programs such as Microsoft Excel to create digital graphics such as "Without Name," a chaotic compilation of incomplete tables and graphs. Sai said he wanted to convey the tough everyday labor of an office worker. "The plasticity in these works is just as imperfect as office culture – bright and colorful, but not harmonious," he said.

Titarenko pointed out the huge, hand-made compositions of Oleksandra Chichkan, daughter of well-known artist Ilya Chichkan, which, in contrast to Sai's computer-generated images, contain a post-technological spirit. The compositions are created from magazine cuttings. "Children are not toys" is an autobiographical self-portrait, where a sad-faced girl stands uncomfortably



Artist Oleksiy Sai and his tower of business cards (Courtesy)

against a wall behind some toys.

Mykyta Kadan, from the young group of artists known as Revolutionary Experimental Space (R.E.P.), addresses the reverse side of scientific and technological progress with his large oil painting called "Without name." Brightly colored rectangles flash against a gloomy grey-white background of simply drawn buildings. "It's a city on the verge of disappearing. Life has retreated into the background," explains the artist. "Advertisizing is steering us around a huge number of bright surfaces that are fighting for our attentions, biting away pieces of our lives."

One popular exhibit was R.E.P.'s joint work "Superproposition" a video showing short clips about the lives of Ukrainian illegal immigrants abroad, for example in Poland. Kadan said the group wanted to look "rationally and simply" at a problem that often excites great emotion, and to "honestly

relate all the advantages of employing illegals." One clip shows a Polish businessman taking his friend's advice and hiring illegals to avoid paperwork and higher wage costs.

The exhibition's diverse works fit together to provide a many-sided tableau of modern life – the possibilities and frustrations of its scientific and technological progress, its social problems and its emotional breakdowns.

Opening on the day the academic year at the Ukrainian Academy of Sciences begins, the exhibition is set to become an annual tradition. It may not repeat Saatchi's success, but it provides a welcome spur and a platform for talented artists to receive greater recognition.

The exhibition will run until Oct. 20 at M17 gallery, 104 Gorkogo, metro Lva Tolstogo. www.m17.com.ua

Kyiv Post staff writer Anastasia Forina can be reached at forina@kyivpost.com

Verona Pizza beats out its competitors

BY JOHN MARONE
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It's kind of hard to get excited about pizza these days, as pizza joints are all over the world, with Kyiv being no exception.

And despite its nominally Italian roots, pizza is more widely seen as fast food, often featuring lots of hard-to-digest white dough and frozen toppings, rather than healthy Mediterranean ingredients.

But on the edge of the city's Podil district, where the cafe culture of main street Sahaydachnoho barely sheds light to the proletarian wasteland of Taras Shevchenko metro station, lies an oasis of service, affordability and damn good pizza.

Verona started out as more of a pizza delivery point, with just two or three tables and a service counter. But since the first day that I entered the place in late 2009, despite normal staff turnovers, the service has always been customer-oriented and friendly – a watershed in my 12 years of eating out in this city.

At the risk of creating a pun, the place isn't cheesy. The menu is pretty basic, including salads and desserts, in addition to nice variety of pizzas that cost around Hr 60 on average. There are up to 15 types on the menu to choose from. My personal favorite at Verona is their Greek Pizza, which features diced black and green olives, onion, bell pepper and generous cubes of feta cheese that topple from the crust. The Greek, or Gretska in Ukrainian, is a vegetarian pizza, but packed full of the flavors one would normally encounter in a salad of the same name.

I remember once being told by a staff member that the owners are Greeks, and judging by some of the faces in the place, Verona has something genuinely warm, relaxed and non-commercial about it.

You can't miss the place from the street, which is lined with Verona's trademark fleet of red pizza delivery scooters and the pony-express looking

kids who negotiate obstacles along sidewalk and street alike.

To be honest, I never ordered a pizza from Verona, but I

was almost hit by one of their boys hurrying on his way to make the half-hour deadline for delivery.

Instead, I go inside – quite regularly, but not regularly enough to have cut a deal for a free advertising with the owners, if that's what you're thinking.

Now, following some modest refurbishing, Verona on Podil has several tables, not including the front-street terrace in summer. The crowd is youngish but also couples and people with kids – a real contrast to the unsavory type that can be seen wolfing down a greasy shwarma (or doner kebabs) near the metro station just two blocks away.

Besides the pizza, which is made from a thin and crispy crust – not dry, and golden brown when warm – Verona offers lots of little things such as a clean, pleasant atmosphere and discounts.

If you just walk in off the street cold, it will take no more than 10 minutes to get your pizza. Or you can buy a slice from the counter display for Hr 12. The staff will also make up a half pizza for you fresh with no fuss.

This year, it also opened another venue near Lva Tolstogo metro. With U.S. based pizza chain Dominos also recently appearing on the horizon, it's great to have a nice choice.

Kyiv Post staff writer John Marone can be reached at marone@kyivpost.com

Verona Pizza
71E Kostyantynivska,
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E-mail: larysa@sbs-ua.com
Web: www.sbs-ua.com

New gallery exhibits world-famous Ukrainian artist



Guests admire works by famous artist Vyacheslav Breish



Sculptor Oleh Pinchuk (L) and painter Serhiy Poyarkov

Music scenes dominate in Vyacheslav Breish's work



Er. Jazz music band



→ New art gallery Nebo, translated as sky, opened with an exhibition of paintings by Vyacheslav Breish on Oct. 7. Only 15 years ago, Breish was selling his works along with dozens of other artists at Saint Andrew's descent, the popular arts and crafts street in Kyiv. Today his works can be found in collections that belong to Sean Connery, Alan Kempinski, Gerard Depardieu and other celebrities. The Czechs honored him with the Franz Kafka Prize; the Spanish with the Cup of Salvador Dali; and the French made him a member of the Parisian Academy of Arts. Kyivite Breish describes his art as a mixture of grotesque realism and modernism. (Oleksiy Boyko)

If you want Kyiv Post Paparazzi to cover your event, please send details or invitations to news@kyivpost.com or contact photo editor **Yaroslav Debelyi** at 234-6500



Gallery owner Iryna Ivanova

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List of participants as of October 15

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- InterContinental Kyiv
- PricewaterhouseCoopers
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Autumn in Sofiyivka Park, inspired by love



Sofiya Pototska, the 18th century femme fatale, was known to break many hearts with her unearthly beauty (8). Her husband, Polish magnate Stanislaw Pototsky, was hopelessly under her spell.

To show his love, he gave Pototska an enormous park for her birthday. It became an architectural and design gem of its time and still carries her name.

The 180-hectare Sofiyivka park in Uman (www.sofiyivka.org.ua/en) took six years to be built in an originally nearly treeless area. The workers skillfully used the landscape's natural features. By design, it was supposed to illustrate Homer's poems Iliad and Odyssey. Many of the park's sights are named after gods of ancient mythology: the pond of the Ionic Sea, Tantalus Grotto and Apollo.

The most popular material for construction was granite, which is in abundance in the area. Having no equipment but their own hands, many Ukrainian peasants died while moving the huge rocks (6) which were used to design numerous artificial waterfalls of the park (3).

Taking advantage of the popularity of this tourist destination, locals take visitors around the park for horse riding (9) or perform music on the streets to fill the air with lovely melodies and to hopefully earn some money (1). The park has its own flock of sheep (4), grazing park's hills which, surprisingly, are free from litter. Numerous ponds are homes for swans (5) and ducks.

The fountain shaped as a snake (7) is famous for its engineering genius and simplicity – operating without any pump, a 15-meter high water column is a result of a difference in water pressure.

Sofiyivka is a popular wedding site among couples from all over Ukraine (2), given the romantic idea behind the park's story.

*Story by Nataliya Horban
Photos by Yaroslav Debelyi*



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Willis is recognized as a leading global insurance broker, handling risk management, insurance and reinsurance across a wide range of service areas and industries, having stainless reputation by the best client service.

We are pleased to announce that Willis office in Ukraine is expanding its activity and seeks to grow the office by recruiting quality personnel for the following positions:

- Insurance broker – Senior Sales
- Insurance broker Service support
- Office-manager

Requirements (for insurance managers):

- Experience in insurance/ reinsurance
- Team work mentality
- Honest and clean
- Strong Sales plan and ambition (for the sales manager)
- Diligent and goal oriented
- Readiness to absorb work in accordance with the compliance of the company
- Command of English is a plus (must for the service position)

Requirements (for office-manager):

- Previous work experience
- Command of English is a must

All interested candidates are welcome to submit their CV (in English) with a reference to the vacancy to the following e-mails:

andriykov@willis.com.
Closing date of application is **November 05, 2010**

All personal data will be treated confidentially!

All positions are available from January 1, 2011

For corporate information please visit **www.willis.com**



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CABIN CREW INTERVIEW

Air Arabia Sharjah-UAE (United Arab Emirates) is currently on the search for smart and dynamic Cabin Crew personnel to join our professional team.

DESIRED PROFILE:

1. Candidates should be between 21 to 27 years old.
2. Professional and/or Educational qualifications. University Degree is advantageous.
3. Fluent in written and spoken English language. Fluency in other languages would be an advantage.
4. Must be physically fit with good eye sight.
5. Minimum height: Male (165 cm), Female (160 cm) with proportional weight.
6. Pleasant personality with a passion for customer service.
7. Previous cabin Crew experience would be a plus.

So, if you have a passion for a career with Air Arabia, we would like you to submit your detailed CV along with your photographs (one passport size and one full length) by e-mail (pictures size should not exceed more than 1Mb) or bring it to mentioned office address:

Office Address: 9/2, Chervonoarmijska Str. office 4, Kiev
Contact Person: Natalya Ilyashova
Tel No: (044) 490 65 00
E-mail: G9.Ukraine@aviareps.com

All CV's in English language only should be sent not later than 30th Oct. (Closing date for CVs: OCT. 30, 2010)
Only shortlisted candidates will be informed on a date and time along with the Venue Details.

For more information, please visit our website www.airarabia.com for more details about us.

The Conference Board of Canada – Administrative Opportunity in Kyiv

The Conference Board of Canada
Insights You Can Count On



The Conference Board of Canada is undertaking a five year project funded by the Canadian International Development Agency to build capacity in Evidence-Based Economic Development Planning (EBED) in Ukrainian oblasts and municipalities.

The EBED project's purpose is to have regional and municipal governments institutionalize an evidence-based economic development planning process that is aligned at all three levels of government. Accomplishing this purpose should have the long term impact of increasing the economic well being of Ukrainians and reducing regional economic disparity through the better economic performance of oblasts and municipalities.

EBED is seeking a qualified candidate to join its regional team based in Kyiv as an

Administrative Assistant

The Administrative Assistant is required to perform a range of duties including, but not limited to:

- Provide administrative support to management and other staff
- Answer general phone inquiries in a professional and courteous manner
- Use computer word processing, and spreadsheet and presentation software
- Data entry and upkeep of the EBED databases, ensuring a high level of accuracy
- Support for meetings including logistics and travel arrangements

Required knowledge, skills and abilities include:

- Microsoft Office Suite (Word, Outlook, Excel and Powerpoint)
- Excellent organizational skills
- Excellent communication skills and ability to work effectively in a team environment
- Bilingual (English and Ukrainian):

Interested candidates should send their detailed curriculum vitae and covering letter in confidence by October 29, 2010 to the following email address: **careers@conferenceboard.ca.**

We thank all candidates who wish to apply, however only short-listed applicants will be contacted.

National Democratic Institute for International Affairs is looking for a RECEPTIONIST/ ADMINISTRATIVE ASSISTANT for our office in Kyiv

REQUIREMENTS:

- University Degree/last year of studying
- Excellent Ukrainian and English
- Proven organizational skills
- Ability to work in a team and under pressure
- Excellent computer and typing skills
- Working experience with an international organization is an advantage

Please send your CV to: **Oksana@ndi.kiev.ua**
Deadline for application is Monday, November 1, 2010
For additional information please see www.ndi.org

Financial Markets Analyst

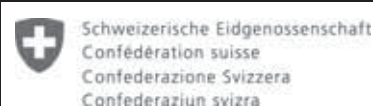
Recent graduates/ last year students are invited to apply for a junior analyst position in a Kiev based hedge fund.

Requirements:

- Outstanding numerical and analytical skills
- Strong understanding of economy and finance
- Fluent English
- Willingness to work hard and learn fast

Qualifying candidates should submit their CV to:

vacancy.sep10@gmail.com



Swiss Cooperation Office Ukraine

The Swiss Cooperation Office at the Embassy of Switzerland in Ukraine, which coordinates the official Swiss technical cooperation program with Ukraine is announcing the vacancy of a position of

NATIONAL PROGRAM OFFICER (80-100%) for Sustainable Energy Management and Public Service Provision

Main tasks of the position include

- Project Cycle Management of interventions related to Sustainable Energy Management and Public Service provision at the municipal and communal level,
- Support the design of new interventions in the field of Sustainable Energy Management,
- Liaise with governmental and non-governmental stakeholders as well as with international donor agencies active in the field of Energy Management and Public Service provision,
- Participate in the internal interdisciplinary team and contribute to the further development of the Swiss Cooperation Program in Ukraine.

Requirements for the position include

- Higher education in a technical field (engineering, energy management) or in Economics with a strong link to public infrastructure and public service (energy) management,
- Substantial professional work experience with international development agencies or relevant governmental and private sector organizations in the fields of energy efficiency, public services, municipal and communal infrastructure,
- Excellent analytical, communications and networking skills,
- Fluent Ukrainian and English, German or French is an asset,
- Very good computer literacy.

For more information on the Swiss Cooperation Office and Program with Ukraine please visit the website www.swiss-cooperation.admin.ch/ukraine

The deadline for submission of applications is the **31st October 2010**. Please send your detailed CV and motivation letter in English to the Swiss Cooperation Office's e-mail address: **kyiv@sd.net**



ENGLISH TEACHER (Native speaker) WANTED

Requirements:

- Linguistics related degree
- TEFL or CELTA certificate is a must
- Teaching experience is a must
- Good manners

Please send your CV: **HR@speak-up.com.ua**



International charitable organization "SOS Children's Villages" in UKRAINE is looking for a

Fundraiser as a full time employee

Responsibilities:

1. Marketing and funding opportunities research
2. Raising funds according to the business plan and targets based on research, tests and continuous evaluations of fundraising opportunities
3. Carrying out PR activities according to the PR business plan in order to support the fundraising activities and to position SOS Children's Villages in the country.
4. Supporting and coordinating facilities in their local fundraising activities.

Requirements:

- University degree in business administration, marketing or fundraising
- At least 3-5 years experience in fundraising, marketing or sales
- Feeling comfortable with asking directly for money support
- Experience in NGO sector is a big plus
- Budgeting skills
- Fluent English
- MS Office (Word, Excel, Power Point, Access) commands, Internet
- Fluent English

For more details, please visit www.sos-mistechko.org.ua
Please send your CV with motivation letter to the e-mail: **hr@sos-mistechko.org.ua**

Ukrainian representative office of global international CRO opened vacancy for CRA with 2+ years of experience located in Kiev to identify, select, initiate, monitor and close-out investigational sites for clinical studies.

QUALIFICATIONS/EXPERIENCE REQUIRED:

- Medical Doctor degree
- 2 years of clinical research experience
- Ability to demonstrate effective time-management skills by prioritizing workload
- Good interpersonal skills, effective verbal and written communication, the ability to work within a team
- Fluent English
- Computer literacy in basic Word, Excel processing

Compensation and other conditions would be discussed based on the results of interview.

Please send your CV in English in case you are interested in the offer.

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- Excellent memory and attention
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- Confidence in your abilities

Closing Date for Application: October 22, 2010
Please send your resume to hr@phnx.com.ua and include "Portfolio manager" in the subject line.



Assistant

to be responsible for providing administrative assistance to the project outreach component and contribute to the overall success of the project objectives. S/he will keep liaisons with counterparts, help in organizing outreach events, prepare relevant materials, maintain the Project website and databases, conduct desk researches, and prepare media updates.

The Assistant should be a well-organized person with a positive "can-do / will do" attitude to work, have a university degree, minimum two years of work experience in a similar assistant role, fluency and excellent writing skills in Ukrainian, Russian and English, excellent organizational, analytical, communication, time-management and computer user skills, and willingness to travel within the country occasionally.

**For corporate information please visit
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Applications should be sent to
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LEGAL EXPERT IN BANKING AND FINANCE
(full-time position)

The Legal Expert in Banking and Finance will serve as one of FINREP's main legal and regulatory experts to analyze current and draft legislation and regulations pertaining to the banking and finance sectors in Ukraine. The Expert will prepare regular updates on development in banking and finance sectors in Ukraine; undertake research in Ukrainian legislation and best international practices; draft legislation and regulations related to the banking and finance sectors in Ukraine, etc.

Requirements:

- University degree in Law with 5+ years of work experience in banking/finance;
- Experience in legal drafting is a plus;
- Fluent English, native Ukrainian, Russian.

WRITER/RESEARCHER WITH FINANCIAL BACKGROUND
(full or part-time position)

The Writer/Researcher will provide services in researching and writing brochures, booklets, press-releases, articles and newsletter items as part of the Project's financial literacy program.

Requirements:

- University diploma with 5+ experience in business/financial journalism, communications, financial literacy and/or writing educational materials;
- Concise, clear writing in English and Ukrainian;
- Interest in capital markets, pension issues and consumer financial services a plus.

Candidates are asked to submit resumes and cover letters to: office@finrep.kiev.ua indicating the position title in the subject line by October 25, 2010.
Only applicants selected for interviews will be contacted.



EBA IT COMMITTEE COORDINATOR:

- Academic background (legal is the must, IT/economic preferential)
- Ability to plan, service, and supervise a variety of meetings and events
- Strong analytical, research, business documentation and problem solving skills
- Knowledge of regulatory environment
- Fluency in both written and spoken English and Ukrainian
- Excellent communication, negotiation and presentation skills
- Ability to deliver high quality outputs within challenging deadlines
- Team-player, able to work independently and take initiative

EBA COMMUNICATIONS ASSOCIATE/COPYWRITER:

- Academic background (Journalism, media relations or similar)
- At least two year experience in communications
- High degree of creativity and the ability to think under pressure with tough deadlines;
- Excellent knowledge of both written and spoken English and Ukrainian
- Experience in web-content management

Please send your CV and a cover letter indicating the name of the post in the topic line at: office@eba.com.ua by 22 October 2010

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Singer El Kravchuk has been on stage for the last 15 years but still wants to try himself in Eurovision



After practicing in her own karaoke-bar, Kyiv restaurateur Viola Kim hits the big stage



Ukraine's Eurovision contest begins

Band Zaklepki

→ Eurovision Song Contest selection rounds kicked off in Kyiv on Oct.11. There are 35 contestants – bands and solo singers, who will compete in the next five weeks for the top honor to represent Ukraine in the Eurovision finals in Germany in 2011. Each week, seven of them will appear before the jury, which includes deputy head of the National State TV Company Walid Harfouche, singer Kamaliya, actress Ruslana Pysanka, head of Kiss FM radio Anton Tseslik and Miss Ukraine 2008 Iryna Zhuravska. Shows will be broadcast by the First National channel every Sunday starting Oct.17. Unlike in previous years when Ukraine's representative was chosen by the channel's management, viewers will be able to take part in the voting by sending a text message. Singers Zlata Ognevich and Jamala are among the strongest entries this year. The 2011 Eurovision Song Contest will be held in Dusseldorf, Germany starting May 10. (Oleksiy Boyko)

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