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TOP STORIES INSIDE:

- Kyiv Post CEO: Is newspaper too negative in its news stories? **Page 4**
- Parliamentarian Nataliya Korolevska: Pension change will impoverish elderly. **Page 5**
- Parliamentarian Yulia Lyovochkina: Free trade talks with Kyiv are testing EU's credibility. **Page 5**

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Deadly Greed?

BY VLAD LAVROV
 LAVROV@KYIVPOST.COM

Three deadly coal mine accidents – killing at least 39 men – have sparked fresh debate over whether the billionaires and government officials who control Ukraine's dangerous workplaces are more interested in profits than safety.

The accidents occurred within a week of each other:

- On July 29, a methane blast claimed 27 lives at the Luhansk Oblast Sukhodil'ska-Skhidna mine owned by Rinat Akhmetov, the nation's richest man;
- The same day, 11 were killed when the 70-meter elevator tower collapsed at Bazhanova mine in Donetsk Oblast's Makiyivka;
- On Aug. 4, a methane leak killed at least one worker and injured more than 20 others at the Krasnokut'ska coal mine in Luhansk Oblast.

Ukraine's coal mines are notorious for their outdated equipment, → 10



A rescue squad from Ukraine's Emergency Ministry works desperately on July 29 to save lives at the Bazhanov mine in Donetsk Oblast's Makiyivka in eastern Ukraine. An elevator tower collapse killed 11 miners. But an even worse accident took place the same day at Sukhodil'ska-Skhidna mine in neighboring Luhansk Oblast, where 27 miners were killed in a methane blast. The accidents put the spotlight again on lax safety standards in the nation's dangerous coal-mining sector. (Ukrainian Emergencies Ministry)

New visa rules good for some, could hurt others

BY MARK RACHKEVYCH
 RACHKEVYCH@KYIVPOST.COM

Things might have gotten easier for some employees coming to work in Ukraine, but long-term stay for others could become bureaucratically cumbersome.

A Cabinet of Ministers resolution is coming into force on Sept. 10. It will allow employees of foreign company

representative offices or foreign bank branches in Ukraine to remain in-country uninterrupted without having to leave for at least one year.

Passed in June, the resolution allows foreign employees to obtain temporary residency permits that will allow them to stay more than 90 days over a 180-day period.

Moreover, the measure casts a wider net for categories of people who → 7

Poll expert: Citizens see politicians as a cover for mafia, 'criminal system'

BY OLGA RUDENKO
 RUDENKO@KYIVPOST.COM

As the nation celebrates the 20th anniversary of breaking free from the oppressive Soviet Union, a surprising poll shows that less than half of Ukrainians would vote for national independence, while nearly a quarter of respondents said they don't care or found the question too difficult to answer.

However, the results are interpreted more as a protest against present-day conditions than a desire to reconstitute the Soviet Union.

What really seems to bother citizens, according to experts, is their belief that mafia, criminals, businessmen, political party leaders and government officials have the greatest impact on Ukrainian society.

"People see politicians as a cover for a criminal system," said sociologist Yuri Zadiraka of the findings that seem to cast a dark cloud over Ukraine's future. Made public in early August, the survey was conducted in April by the Institute of Sociology of the National Academy of Sciences in Ukraine.

When asked who has the greatest influence on Ukraine, 40 percent answered "mafia, criminals," while 37 percent answered businessmen. Next on the list, at roughly 30 → 9

Inside:

News → 2, 9-11

Business → 6, 7

Employment/Real Estate/
 Classifieds → 22, 23

Opinion → 4, 5, 8, 12

Lifestyle → 13-21

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These are key political risks to watch in Ukraine's future

(Reuters) – The Ukrainian government has yet to persuade the International Monetary Fund to renew financing under its \$15 billion program after missing deadlines for crucial reforms aiming at reducing budget deficit.

Uncertainty over IMF lending, with the price of vital energy imports set to rise sharply by the end of this year, has coincided with renewed political tensions after the start of the trial of former Prime Minister Yulia Tymoshenko's trial.

She is charged with abusing her power to forge a 2009 gas supply deal with Russia, an accusation which she has dismissed as politically motivated.

Last month, parliament adopted a pension reform bill that, once signed by President Viktor Yanukovich, will gradually raise the retirement age for women to 60 from 55, putting it on a par with that for men.

However, the government has yet to meet another IMF requirement and raise energy prices for households that are now heavily subsidized from the state budget.

The IMF's stand-by program is a big factor in allowing Ukraine to borrow on the international debt markets at a relatively low price.

Under the deal with the fund, Ukraine is to receive credits worth \$15 billion over two and a half years, which could be a valuable spur for renewed investor interest.

The program is key to the government's efforts to revive its economy, which is dominated by steel exports, after a 15 percent contraction in 2009.

What to watch:
– Will the government raise energy prices for households?
– Will the IMF mission, expected in September, recommend the renewal of financing?

Gas and Russia

In January 2009 a gas pricing row between Moscow and Kyiv resulted in a stoppage of Russian gas flows to European households for about two weeks, tarnishing Russia's image.

Ties with Ukraine's powerful



Russian President Dmitry Medvedev (L) with Ukrainian counterpart Viktor Yanukovich earlier this year. Medvedev cancelled a visit to Kyiv in July after both countries failed to make progress in sensitive energy talks. Ukraine is trying to get Russia to lower its price on natural gas exports, which now stands at a \$354 per 1,000 cubic meters.

neighbor have greatly improved with Yanukovich's arrival in power. But the high cost of imports of natural gas from Russia remains a drag on the economy.

Prime Minister Mykola Azarov says the base price for Russian gas is still way too high, despite an April agreement under which it was granted a 30 percent discount.

At the same time, Kyiv is resisting a counter-proposal from Moscow for a merger between Russia's gas giant Gazprom and Ukraine's state energy firm Naftogaz.

What to watch:
– Any signs of strain in Ukraine meeting its gas payments;
– Renewed pressure by Moscow for a gas merger.

Foreign investment

Though Ukraine needs foreign investment, the strange case of steelmaker ArcelorMittal and its Kryvy Rih mill in central Ukraine raised eyebrows among potential investors.

The state prosecutor launched a court action against the company, which bought the mill for \$4.8 billion in 2005, raising fears this could herald a roll-back of privatizations carried out under Yanukovich's predecessor, Viktor Yushchenko.

The prosecutor abruptly dropped the case after pressure from French President Nicolas Sarkozy.

Another sign of investor indifference came with the failure of an auction to sell off the fixed-line telecommunications monopoly Ukrtelecom.

The privatization auction had been set for Dec. 28, but the planned \$1.3 billion sale was put off and Ukrtelecom was eventually sold to the only bidder, Austria's EPIC.

What to watch:

- Any new privatization auctions
- Any real signs of external investor interest

Tymoshenko trial

Another destabilizing factor could be Yanukovich's handling of his old adversary, former prime minister Tymoshenko, who is now in opposition.

Tymoshenko, whom Yanukovich beat for the presidency last February, is on trial, charged with abuse of office during her time as prime minister.

A populist whose impassioned rhetoric can bring thousands onto the streets, Tymoshenko thrives on being victimized.

Sending her to prison is fraught with risk for Yanukovich – particularly with a parliamentary election now set for October 2012 – and Western governments have urged Yanukovich not to pursue a vendetta against her.

Political analysts say a suspended sentence is the most likely outcome as it will still bar Tymoshenko from taking part in future elections while not turning her into a martyr in the public's eyes.

Yanukovich's opponents say old-style authoritarianism is on the rise under his rule. But the European Union and the United States, under pressure from media and human rights groups, have urged him to honor his pledges to defend democracy and a free press.

What to watch:

- Will the court find Tymoshenko guilty and what will the sentence be?
- Any signs of growing authoritarianism in Yanukovich's style of rule.
- Are media freedoms under pressure?
- How far will Yanukovich go in overtures to the European Union to balance his rapprochement with Russia?

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Applying for Business Visa in EU Consulates – is visa system friendly?

More than half business travellers do not experience problems and evaluate positively business visa policies of European Union member states. Such outcome has been displayed in the course of opinion poll tailored to monitor in true colours the process of applying for business visa in EU consulates.

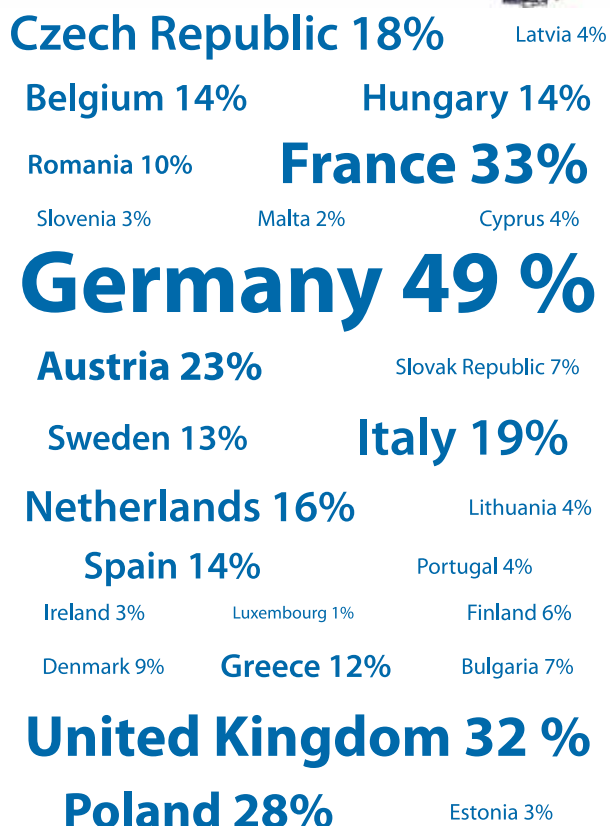
Business Visa Survey is a brand-new project of the EBA, which analyses the changes during the last 5 years in visa procedures among a number of EU consulates. The barometer survey presented a complex picture of business visa issuance policies within EU consulates represented in Ukraine. More than 400 EBA members contributed to the online standardised questionnaire and shared their individual perception of business visa system friendliness.

The surveyed countries included both Schengen and non-Schengen EU states, namely Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Greece, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden and United Kingdom of Great Britain and Northern Ireland.

We asked EBA members to indicate to which EU Consulates they have filed business visa applications most frequently during 2007-2011.

TOP 5 EU countries, most visited on business matters by Ukrainians are Germany, United Kingdom, France, Poland and Austria.

The chart below displays the percentage of applications to EU visa issuing bodies.



55%
of business travellers do not experience problems when apply for business visa in EU Embassies



The survey scope and methodology embraced the following indicators:

- visa fee regularity;
- system of visa applications organisation;
- interview enrolment process;
- paper work requirements - number of documents to be submitted;
- clarity of visa requirements and criteria;
- percentage of delays or denials of business travel visas;
- atmosphere of communication with consular officers.

Business visa obtaining procedure can be evaluated in terms of the number of documents required. Survey participants reckon the red tape among EU visa authorities as insignificant, as 58% have not been requested to submit extra documents in addition to those indicated in the official list. 97% of the surveyed have never had the documents lost or damaged.

EU Embassies act in utmost compliance with anti-corruption and anti-bribery initiatives and principles. The results of the survey revealed that 94% of the clientele of EU Embassies have never been charged a higher visa fee than it was indicated on the official website of the Embassy.

Another factor that builds the image of the Consulate as a friendly and transparent institution is a clear explanation provided to visa applicants about the reasons for turning down their applications. The survey findings display up to the mark results – 84 % of the respondents have always received concise and logical reasons of business visa refusal.

One of the screening criteria is the availability of comprehensive information facilities for those applying for a business visa. Such information is to be made public on information boards or included in free leaflets, on web pages or by phone. 62 % of EBA Business Visa Survey respondents have not endured any difficulties due to the lack of sufficient information available on the web site. On the contrary, 56 % perceived unwillingness of the consular personnel working on-site to provide reliable information via phone.

63%
the applicants perceived mistreat by consular staff

Professional and polite treatment of visa authority staff affects to a great extent the overall perception of visa issuance system. Visa applicants strongly tend to consider people-to-people contact with consular staff as a litmus test of overall visa policy. Thus personal conduct and adequate interpersonal skills are to be linchpins of consular staff behaviour. The Survey showed that there is room for enhancement of interpersonal and professional skills, as 63% of the applicants regard mistreat by consular staff and queues at visa offices as the most troublesome and arduous aspect of visa process.

Our hope is that EBA Business Visa Survey as a wide-scale research will find expression in concrete measures, promote the use of best practices and serve as an instrument to make business visas easy to get.

OPINION



ANNA Derevyanko,
EBA Executive Director

EBA Business Visa survey showed meaningful and substantial efforts pursued by EU Embassies functioning in Kyiv with regard to the granting of business visas. Survey results vividly point to the fact that the Embassies and Consulates leave no stone unturned in visa procedure facilitation thus opening the doors of EU for Ukraine.

The results revealed are truly progressive and beaming with optimism. The process of business visa application is now less time-consuming and less complicated thus complying with the obligations Ukraine undertook upon signing Visa Facilitation Agreement in 2007. Smoothed and refined business visa procedures serve as a catalyst of bilateral Ukraine-EU relations and business ties strengthening.

Rome was not build in one day and a room for improvement still exists. The number of purely organisational issues is still on the agenda, however we are sure the concerted efforts of EU diplomatic bodies, European and Ukrainian policymakers and business community will promote our main objective –Ukraine-EU integration.

We all at the EBA hope that the findings and the analysis presented within this Survey will result in amendments in the visa policies followed by EU Embassies and Consulates acting in Ukraine.

On behalf of the Association members and on my own behalf I would express deep respect to the Ambassadors of EU countries to Ukraine and survey respondents for their valuable feedback.



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Editorial

Selectively yours

Evidence continues to pile up that Ukrainian prosecutors are targeting political opponents of President Viktor Yanukovich for prosecution while ignoring investigations into equally or more serious allegations of criminality and conflicts of interest. The trial of ex-Prime Minister Yulia Tymoshenko, on charges of exceeding her authority in negotiating a bad deal to end the 2009 gas-shutoff crisis with Russia, has been revealing.

Oleh Dubyna, head of state energy company Naftogaz during Tymoshenko's 2007-2010 term as prime minister, gave startling testimony. Not known as an ally of Tymoshenko, Dubyna's testimony was not favorable for her defense in some respects. He said, for instance, that he would not have approved gas accords with Russia had he known there was not full Cabinet approval. But Dubyna's testimony was most damning for former President Viktor Yushchenko and Yanukovich.

Dubyna backed up Tymoshenko's allegations that Yushchenko was – during the tough gas price negotiations with Russia in 2008 into 2009 – lobbying the interests of Swiss-registered RosUkrEnergo. Co-owned by businessmen close to Yanukovich along with Russian gas giant Gazprom, the company made a fortune in prior years as a middlemen in multi-billion-dollar supply deals between Ukraine, Russia and Central Asian producers. Tymoshenko has long claimed that the company made a few insiders close to Yushchenko and Yanukovich spectacularly wealthy at the expense of state-owned Naftogaz, which could have itself supplied the gas to Ukraine directly.

In his testimony, Dubyna backed up claims by Tymoshenko that Yushchenko, her bitter rival, appeared to be brokering a deal to keep RosUkrEnergo in as a supplier to Ukraine while also sabotaging an agreement she was negotiating for lower gas prices before the New Year's energy standoff. Asked during the testimony if he had contact with RosUkrEnergo's founders and managers, Dubyna said: "Yes. I met with them only in the presidential administration. Three times in Viktor [Yushchenko]'s office, twice in the office of [Viktor] Baloha, [Yushchenko's chief of staff]." This contradicts repeated denials of Yushchenko that he was acquainted with the owners of RosUkrEnergo. Dubyna, in his testimony, suggested Yushchenko knew them quite well.

Asked by Tymoshenko if Yushchenko supported RosUkrEnergo, whose transparency has long been questioned by the European Union, the United States and independent energy experts, Dubyna testified: "Well, probably yes. More yes than no. That he supported this company? I would say 'yes,' more than no." Asked how he got this impression, Dubyna said: "I met representatives of RosUkrEnergo in the office of Viktor [Yushchenko]."

Dubyna also confirmed Tymoshenko's claim that Yushchenko called him back to Kyiv from Moscow on Dec. 31 2008, preventing Naftogaz from finalizing a gas price agreement which envisioned lower prices than Ukraine ultimately got.

When the head of big state company gives testimony that the president was lobbying the interests of a murky company instead of a state company, an investigation is warranted.

But where is it?

We don't expect an investigation, because such a probe would: 1) punish Yushchenko, who did everything in his power ahead of the 2010 presidential elections to ensure Yanukovich beat Tymoshenko; 2) it would run contrary to the interests of businessmen close to Yanukovich, including RosUkrEnergo co-owners Dmytro Firtash and Ivan Fursin; and 3) such an investigation would vindicate Tymoshenko, Yanukovich's much-feared rival.

We also see no signs of an investigation into interference by the presidential administration into another witness that gave testimony last week during the Tymoshenko trial. Former deputy prosecutor general and current deputy energy minister Tetyana Korniyakova gave testimony that, according to a report by leading online news portal Ukrainska Pravda, partially vindicated Tymoshenko. But hours after the report came out, a press release was issued by Korniyakova denying such a conclusion.

The press release, as Pravda.com.ua revealed, was written on a Microsoft Word software registered with the presidential administration. If, indeed, the president's office wrote the press release as the document's properties indicate, then this supports claims that the president's office is – at the very least – heavily involved in shaping testimony given by key witnesses. This, in turn, only adds to concerns that Ukraine's judges and prosecutors are not independent, that they and witnesses take orders from top authorities in this and other "show trials."

Why are there no investigations into these two most recent examples of wrongdoing, not to mention nearly two decades worth of unsolved, more serious crimes?

The answer is simple and in line with the concerns of the U.S. and European Union, both of which see Yanukovich's administration as engaging in selective and politically-motivated prosecutions to sideline opponents while ignoring wrongdoings by allies. This is not an honest crackdown on corruption, as Yanukovich claims. It's a shift toward authoritarianism and banana republic-style governance.



NEWS ITEM: Israeli news portal Izrus discovered that eccentric Kyiv Mayor Leonid Chernovetsky, who disappeared from the public eye several months ago, has an Israeli passport, while 1+1 TV channel discovered that he is currently living in an expensive Tel Aviv apartment. Dual citizenship is forbidden under Ukraine's law, prompting calls for an investigation. Chernovetsky, now 59, was elected mayor in 2006, and then re-elected in 2008. His campaign tricks included giving bags of buckwheat and other food staples to elderly Kyivans. Although he nominally remains mayor, the city of three million people has been effectively ruled since November by pro-presidential Party of the Regions appointee Oleksandr Popov, who officially heads the city's executive branch. Many of Chernovetsky's appointees are now facing criminal charges for their misdeeds while in power, including his former son-in-law, Vyacheslav Suprunenko. (Drawing by Anatolii Petrovich Vasilenko)

Back story: Is Kyiv Post too negative in its news stories?



J. MICHAEL WILLARD

Billy Wade, a long-ago quarterback for the Chicago Bears, confronted me on a crowded street many years ago and shouted that I had ruined his career, virtually sinking his hopes of getting into the Professional Football Hall of Fame.

What brought on this finger-jamming-into-my-chest rant? I had merely quoted him (accurately) in a feature story on his belief that an oft-injured player was not Hall of Fame material. Wade had more than his share of injuries that kept him on the sidelines.

Wade is now in his 80s, and still hasn't been enshrined into the hall, but I somehow doubt that my story, appearing in a few newspapers decades ago, held him back. I also doubt he even thinks about it these days. I didn't lose any sleep over the incident.

However, the point of the story is that reporters often don't realize the effect a single line, story or series of stories can have on individuals or groups of people. The same goes for opinion pieces and aggressive investigation stories.

We rarely see ourselves as others see us, and the same is true for newspapers and their electronic equivalents.

→ We rarely see ourselves as others see us, and the same is true for newspapers and news portals

Brian Bonner, this newspaper's senior editor, put it this way: "Journalists often don't realize the power they have."

Over the past couple of weeks, I have held a series of meetings with leading business people as the new chief executive officer of the Kyiv Post. I have asked them how they see the direction of the newspaper. It is a process I will continue.

While the reaction wasn't shocking, it was edifying in that a singular thread ran through the comments. Most felt the newspaper dwelled on the negative and was overly critical of President Viktor Yanukovich's administration.

The key phrases were that the Kyiv Post "lacks balance" and is "over the top." More specifically, one CEO said the → 12

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Feel strongly about an issue? Agree or disagree with editorial positions in this newspaper?

The Kyiv Post welcomes letters to the editors and opinion pieces, usually 800 to 1,000 words in length. Please e-mail all correspondence to Brian Bonner, senior editor, at bonner@kyivpost.com or letters@kyivpost.com. All correspondence must include an e-mail address and contact phone number for verification.

Pension change will impoverish elderly



NATALIYA KOROLEVSKA

The pension reform approved by the parliament in July basically offers two key changes: to increase the required length of work experience and to increase the pension age [gradually to 60 for women and 63 for men]. In other words, what we have here is an attempt to reduce the chronic state Pension Fund deficit by reducing social guarantees.

The government is citing Europe's experience, which is also going through a stage of increasing pension age. Possibly, this is inevitable for Ukraine as well, but our country is in a very different social and economic situation.

In the 20 years since independence, 78 percent of people in Ukraine found themselves below the poverty line, while more than 8 million Ukrainians survive on pensions below Hr 1,000. There is an abyss between the poor and the rich, and during the last year it has deepened.

In these circumstances, reducing social guarantees further dooms millions of our citizens to a miserable existence. The faction of [ex-Prime Minister] Yulia Tymoshenko's bloc in parliament has suggested a different alternative, which will increase revenues to the Pension Fund without increasing pension age and minimum work experience. It even leaves enough money for an increase in pensions.

Paradoxically, Ukraine has plenty of options for filling the Pension Fund that are not available in most European countries. Between 40 and 60 percent of Ukraine's economy is in the shadows, according to estimates. A whopping Hr 120 billion of monthly wages are paid out in envelopes, depriving the Pension Fund of Hr 40 billion in revenues. In other words, there is a major resource for filling the Pension Fund.

The choice we're facing today is not so simple: it's a choice between two philosophies concerning the nation's development. The first one, which is implied in the reform proposed by the government, is solving the economic problems by reducing social



Police on July 7 prevent protesters supporting opposition leader and ex-Prime Minister Yulia Tymoshenko from marching to the front of parliament in protest of the government's raising of the retirement age for men to 63 from 60, and for women to 60 from 55. The measure is now law. (UNIAN)

protections and imposing the lion's share of the social burden on future generations.

The second option is much more complex because it implies a "shock therapy" not for the people, but for those in power, the bureaucrats who have to restrain their appetites, learn to live without bribes, and set the state procurement system straight.

I think that priority should be given to the following elements of the pension reform:

Firstly, creation of a competitive economic environment and creation of a true free market;

Secondly, cracking down on the shadow economy, addressing corruption in the state service, and assist-

ing business in the process of legalization – not through repressive means, but through stimulation;

Thirdly, increasing the living standards and social protection for the Ukrainian citizens.

These are the three priorities you have to start with to achieve true social reform. Unless those in power start with themselves, the social reforms will not make any sense. People's trust is a key condition for a successful reform conducted with the people in mind, not the bureaucrats.

Nataliya Korolevska is a member of the Verkhovna Rada, Ukraine's national parliament, as part of the Bloc of ex-Prime Minister Yulia Tymoshenko.



WITH OKSANA MARKINA

There's less than a month left until the end of summer. What plans did you have for this summer? Have you realized all of them?



Natalya Guba, jurist

"I planned to receive my diploma this summer, to rest near the sea and enter the university.

My summer passed very well. Almost everything that I planned I've realized. All that is left is to enter to the university."



Robert Bush, business developer

"I was trying to do as little as possible. I was working and vacationing at the same

time. I've realized much more than I planned. I would like to meet a fantastic lady in Kyiv, so for me summer hasn't finished yet."



Maksym Lepovskiy, insurance agent

"My plans for summer were sea and rest. Talking about the sea, I didn't

realize this item of my plan. But as for rest, yes I had it. I enjoyed myself in Kamyanka, to be exact in Gorniy Tikich. It's a really nice place. There you can bathe in the sun, lie on the rocks near the water. In general, I'm really satisfied with the way I'm spending my summer.



Olha Odeyenko, banker

"I realized almost all my summer plans. I spent a wonderful vacation in Norway and

I've changed place of my employment."



Marko Funkl, student

"I was working as a volunteer in a youth camp in Cheboksary. For almost two weeks,

I've been traveling. I'll spend the next few days in Ukraine and then I'll return to Slovenia. You can't allow yourself to have a rest for almost one month every year. Generally, I'm really pleased with the way I'm spending my summer."

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 kyivpost@kyivpost.com.

Free trade talks with Kyiv are testing EU's credibility



YULIA LYVOCHKINA

While events in the Middle East and the Greek financial meltdown continue to monopolize the European Union's agenda, important developments are also taking place along the 27-member bloc's eastern neighborhood, as Brussels enters the latter stages of negotiating a comprehensive free-trade agreement with Ukraine.

Conclusion and implementation of the agreement will not only offer Ukraine a stake in the EU's single market and significantly strengthen Kyiv's ties with the bloc. It will also send a clear-cut message that Ukraine's course towards European integration is irreversible.

Historically, the road to EU membership goes via trade and economic approximation with a free-trade area being the first and core element of integration into the EU for the nations of Central and Eastern Europe. Furthermore, the related reforms will help reduce corruption and improve the rule of law thereby creating a more attractive investment climate.

Being the first of its kind to be negotiated between the EU and a country covered by the Eastern Partnership, the planned free trade deal with Ukraine is groundbreaking. It would set a positive precedent, becoming a benchmark for similar agreements with countries such as Moldova.

The agreement covers a wide range of issues in trade in goods and services, as well as tackling obstacles to trade through regulatory approximation. Due to the importance of ties with the EU, both in terms of trade and investment and the extent of regulatory reforms, the agreement is likely to have a significant impact on the Ukrainian economy.

Over time, a deep and comprehensive free trade agreement will lead to a substantial inflow of capital and expansion of domestic investment in Ukraine. Furthermore, the reduction of tariff and non-tariff barriers is likely to lead to substantial expansion of trade in goods and services as well as increase trade turnover, employment and strengthen European competitiveness.

The agreement would also represent the biggest step yet to eradicating the wall that was created after the fall of the Soviet Union. While countries such as Poland and Hungary were quickly offered a path to the EU, Ukraine was left out in the cold. That left the impression that a new Iron Curtain had been constructed just a few hundred kilometers east of the

→ Agreement on free trade could be nixed if Brussels fails to be flexible

old one. Therefore the political, as well as economic, consequences of a meaningful trade agreement cannot be overestimated.

After four years of tough talks, the two parties have managed to make many compromises. However, as the negotiations enter the crucial final stages, the EU (or rather, some of its member states), is starting to move the goalposts by increasing efforts to protect certain sectors in their own markets. Knowing the sensitivity and importance of this agreement for Ukraine, which is already under increased pressure, the EU's negotiators are showing little mercy towards Kyiv and continue to push for greater concessions.

While a free trade agreement has had until → 8

Ukrainian poultry producer hires top executive from Kraft Foods

KYIV POST

Ukraine's largest poultry producer has hired George (Yuriy) Logush, a long-time top executive at Kraft Foods, as vice president.

In an Aug. 2 statement, London Stock Exchange-listed MHP said the American with Ukrainian roots has been appointed vice president in charge of improving marketing, brand recognition and sales.

Logush is one of the most experienced western top executives in Ukraine and is well known in the Kyiv business community. Prior to joining MHP, Logush worked as a vice president at Kraft Foods and CEO of its operations in Ukraine.

From 2002 through 2011 he was a board member at Kraft management for Central and Eastern Europe, the Middle East and Africa. He was area director for Ukraine, Moldova, Belarus, Armenia, Azerbaijan, Georgia, Kazakhstan, Uzbekistan, Turkmenistan, Tajikistan, Kyrgyzstan, Mongolia (2005-2011) and managing director of Kraft

→ **Logush may prove crucial to MHP's bold expansion projects**

Foods for Ukraine from 1995 through 2011.

Logush started Kraft's business in Ukraine in 1995, building it from a \$4 million net revenue company to more than \$500 million as of today. In Ukraine, he was responsible for four plants and 3,500 employees, led several strategic acquisitions and established several production sites.

Logush's vast experience in food and other businesses is expected to provide



George (Yuriy) Logush

a major boost to MHP, a leader in Ukraine's promising food and agriculture sectors. The company currently has a 50 percent market share for industrially produced chicken but also has its eyes on lucrative meat exports.

In a note to investors, Kyiv-based investment bank Dragon Capital said

the appointment will provide a boost in Ukraine and abroad to one of the top-performing Ukrainian companies on the London Stock Exchange.

"Mr. Logush brings with him significant experience working in the Ukrainian food industry and a wide range of contacts with foreign investors," Dragon said.

MHP's Nasha Riaba brand of chicken is a best-seller in Ukraine. But the vertically integrated agribusiness also produces feed for its poultry factories through a vast farming business, sunflower oil, beef, sausages, cooked meats, foie gras and fruit.

MHP's continued to grow aggressively this year, boosting chicken meat volume sales by 8 percent year-on-year in the first half of 2011. MHP's second quarter poultry sales rose 14 percent year-on-year to 97,800 tons.

Dragon Capital expects the company to post 2011 net revenues of just over \$1 billion, a 17 percent increase year-on-year, thanks to "increased sales of grain and meat processing products,

and EBITDA (earnings before interest, taxes, depreciation, and amortization) of \$371 million (up 14 percent), implying a margin of 33.7 percent (almost flat year-on-year)."

But there is more to the story of MHP, which is headed and majority owned by Yuriy Kosiuk, an up-and-coming food tycoon.

In prior interviews, Kosiuk has laid out bold expansion plans for MHP. He claims to have turned down offers to sell MHP to top poultry giants along the ranks of America's Tyson and hopes, instead, to turn his company into one of the biggest meat producers worldwide, possibly one big enough in the future to buy out its competitors.

Last month, Kosiuk launched a fast-food chain in Ukraine specializing in chicken under the Krylo brand. The first of three Krylo restaurants envisioned for Kyiv in coming months is already operating. Plans foresee that the fast-food chicken chain will spread its wings throughout Ukraine and possibly abroad in coming years.

→ On the move

Send On the Move news to otm@kyivpost.com or contact Oksana Faryna at 234-6500. Items should include a photograph of the individual who has recently been appointed to a new position, a description of their duties and responsibilities, prior experience as well as education. Note: The Kyiv Post does not charge for publishing these notices or any news material.



ANDREW BROADHEAD was appointed director of PwC Ukraine's internal audit, systems and process assurance services. He also leads PwC's information security

services across the Central and Eastern Europe region. Before joining PwC Ukraine, Broadhead was in charge of internal audits for AstraZeneca, a FTSE Top 10 pharmaceutical company. Prior to his work at AstraZeneca, Broadhead had a leading role in the development of PwC's technology risk services in UK. With more than 23 years of industry and consulting experience, Broadhead takes a practical but innovative approach to helping companies create value.



PETRO RONDIK has been appointed deputy general director and premium brand director at Winner Imports Ukraine, an official importer of Ford, Jaguar, Land

Rover, Volvo and Porsche into the country. He will use his depth of retail and importer experience in his new role by supervising the development of four premium brands throughout Ukraine – Jaguar, Land Rover, Volvo and Porsche. Rondiak started his career in Winner in 1995. In 2002 he was tasked with managing Winner's retail business in Kyiv which eventually became Winner Automotive in 2006. Rondiak graduated from Rensselaer Polytechnic Institute in the U.S. with a bachelor's degree in electrical engineering.



GEOFF HARGREAVE has been appointed head of brokerage services at DTZ Ukraine, a real estate consultancy. In his new position, Hargreave will be responsible for

coordination of the brokerage element of the office agency side of the business. Hargreave has been working in DTZ's office department for nearly three years, starting his career as a junior office agent in 2008. Hargreave has made a great contribution to the development of the DTZ office agency department. Hargreave's notable deals include Nestle, Lego, SimCorp, Icon Clinical Research, IFC, IBRD, Ciklum. Before joining DTZ Hargreave worked in DTZ's Manchester office primarily working in investments and office agency.



NATALIYA KARDASH has been appointed head of the Kyiv branch of MEDISSA, a medical and dental company. She will be responsible for general management and will focus on the introduc-

tion of innovative medical technologies to the Ukrainian market and strengthening the company's position in dental and medical cosmetic markets. Prior to the appointment, Kardash headed procurement and logistics at VEGA Group. After the acquisition of OPTIMA Telecom by System Capital Management she moved from Dnipropetrovsk to Kyiv in order to participate in the processes of consolidation and unification of business practices within the newly established telecommunication holding.

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Much hangs on implementation of visa rules

→ **1** can apply to stay in Ukraine longer than 90 days.

They include students, foreign journalists and their families and immigrants to Ukraine or those who are reuniting with family members who obtained refugee status. Also included are workers of religious organizations, foreign non-government organizations and international technical assistance projects.

Currently, foreign employees of representative offices and foreign-owned bank branches cannot apply for residency permits.

The measure also reclassified visas Ukraine issues to foreigners from 22 visa types to three: transit, short-term and long-term.

The number of countries whose citizens don't require visas to enter Ukraine hasn't changed, according to the government measure.

"This is good news for foreign employees of representative offices and banks, as there will presumably be a new procedure put into place for registering such persons with OVIR [citizenship, immigration and registration department of the interior minister] for temporary residency," said Scott Brown of Frishberg & Partners law firm. "The procedures look a lot like what other countries do around the world."

However, it remains largely unclear how the resolution will be implemented and whether the procedures outlined will be practiced consistently by all the involved government agencies, including customs, Ukrainian embassies abroad, and the border guard.

"As usual in Ukraine, the practical mechanism of implementation of the new rules is not yet unknown by the relevant officials and, therefore, requires additional clarification," said Brown.

The uncertainty extends to Ukraine's foreign technical assistance community whose countries have bilateral agreements with Ukraine that prevail over local laws.

"We don't know at this point what is going to happen," said Chrystia Pendzola-Vitovych, country director of American Councils for International Education, an international technical assistance project. "Nobody knows for sure, we just don't know yet."

Citizens of the following countries can visit Ukraine without a visa for up to 90 days within a 180-day period with a valid passport:

Andorra	Liechtenstein
Austria	Lithuania
Belgium	Luxembourg
Canada	Malta
Cuba	Monaco
Cyprus	Mongolia
Czech Republic	Netherlands
Denmark	Norway
Estonia	Poland
Finland	Portugal
France	Russia
Georgia	San Marino
Germany	Slovakia
Greece	Slovenia
Hungary	Spain
Iceland	Sweden
Ireland	Switzerland
Italy	Tajikistan
Japan	Vatican City
Kazakhstan	United Kingdom
South Korea	United States
Kyrgyzstan	Uzbekistan
Latvia	

Source: Foreign Ministry of Ukraine



Scott Brown of Frishberg & Partners law firm

→ **NGOs worry that new rules could hurt them**

At present, Americans employed in technical assistance projects such as, the International Republican Institute, National Democratic Institute, the U.S. Peace Corps, as well as others, register through the foreign ministry and the process is facilitated by the U.S. Embassy.

It now appears they will have to register with OVIR and may entail providing the government agency with a background check, proof of health insurance, and domicile information each time a new long-term visa is issued and with each re-entry into Ukraine.

"We're looking for clarification and expect to know how this will work in the near future," said James Wolfe, a U.S. Embassy spokesperson.

The procedure envisions employers in Ukraine obtaining work permits from the state employment center for future employees. The work permits are then sent to the Ukrainian Embassy where the employee will apply for the long-term visa.

The long-term visa will be valid for 45 days, presumably the period for which the employee can enter Ukraine and apply for the residency permit with OVIR, according to Tetyana Rabczak of CMS Cameron McKenna law firm.

Residency permits are usually valid as long as work permits, usually one year, after which the procedure has to be repeated if the foreign employee plans on staying longer.

Although work permits can be issued for three years, the lawyers with whom the Kyiv Post spoke said they've never seen them issued beyond a year.

Rabczak said that first-time long-term visa applicants will have to interview in person at the embassy, otherwise mailed applications will suffice.

The government also set new consular fees for processing visas. A single-entry visa will cost \$85, a double-entry visa \$130 and a multi-entry visa will run at \$200.

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

New laws expected to help cut down on corruption, improve business climate

BY MARK RACHKEVYCH RACHKEVYCH@KYIVPOST.COM

Starting and running a business in Ukraine, a nation with a notoriously horrible business environment, is expected to become a bit easier with the recent passage of several laws designed to simplify procedures and eliminate the need for contact with potentially corrupt officials.

On Aug. 14, Ukrainian legal entities and individual entrepreneurs will be able to register electronically. The measure is designed to bring transparency to business registration procedures and increase guarantees related to protecting ownership rights, Kyiv-based law firm Frishberg & Partners said.

The measure also eliminates direct contact between applicants and state registrars. However, foreign founders of local companies will still have to submit original documents with the state registrar, the law firm presumes.

The requirements for certain licenses were eliminated for travel agencies, international transport agents, cartographers, topographers, geologists and others. Altogether, licenses aren't required for 23 types of economic activities, decreasing activities subject to licensing to 42 from 66.

Charter capital of newly created companies can now be formed within one year of company registration, rather than prior to registration as before.

As of May, all types of business entities no longer have to obtain state registration certificates. Instead, records from the state registrar of enterprises and organizations will now be the sole means of confirming a business entity's valid state registration.

Frishberg & Partners noted that the legal entities or individual entrepreneurs that were registered and established before July 1, 2004, will have to submit their registration cards to the state registrar by March 2, 2012, in order to include their corresponding records into the unified state registrar.

Probably the two most archaic administrative requirements for businesses have been abolished. Business

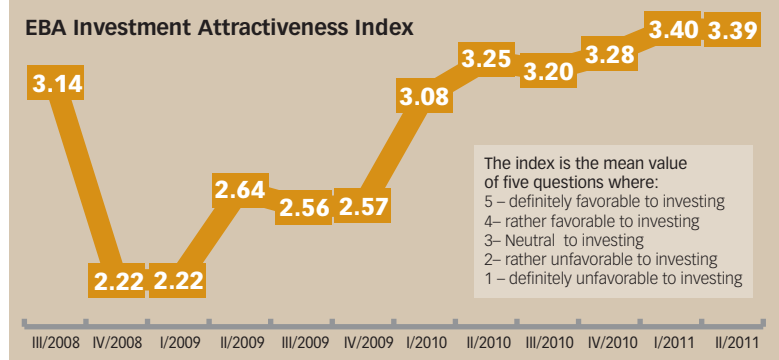
Ease of Doing Business

Ukraine was this year ranked 145 out of 183 nations in the annual Doing Business 2011 ranking produced by the World Bank and International Finance Corporation. Some of the main problem areas that were identified in the ranking as key factors that make Ukraine's investment and business climate so bad are listed below.

Business Area	Rank
Starting a business	118
Dealing with construction permits	179
Registering property	164
Getting credit	32
Protecting investors	109
Paying taxes	181
Trading across borders	139
Enforcing contracts	43
Closing a business	150

Some say Ukraine's investment climate is gradually inching up

Produced by the European Business Association, a Kyiv-based business advocacy group, this index measures changes in Ukraine's investment climate based on the findings of the group's members.



Source: European Business Association

→ **Lawyer says new rules are small but important steps that will be felt positively by many investors, businesses**

entities don't have to obtain special permits from the Interior Ministry for producing a company seal. The time-saving measure means legal entities don't have to spend about one week to obtain the permit.

"This is yet another step to decrease direct contact with local authorities and curb potential corruption for those newly registered companies, which urgently require a corporate seal in an accelerated manner," Frishberg & Partners said.

Businesses also as of June don't have to submit detailed records of their employees' business trips to tax authorities. In the past, the practice led to misunderstandings between employers and the tax officials regarding business trip expenses. The company director's internal order for business trips now serves as confirmation of an employee's business trip.

A model charter can now be used to set up a company instead of individually crafting a similar document. According to law, the model charter is a standard document approved by the Cabinet of Ministers, law firm CMS Cameron McKenna wrote on June 29.

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

World Ranking of Nations by Ease of Doing Business

Nations Ranked Best

Rank	Economy
1	Singapore
2	Hong Kong SAR, China
3	New Zealand
4	United Kingdom
5	United States
6	Denmark
7	Canada
8	Norway
9	Ireland
10	Australia

Ukraine And Other Nations With Poor Rankings

Rank	Economy
12	Georgia
17	Estonia
23	Lithuania
24	Latvia
41	Slovak Republic
48	Armenia
54	Azerbaijan
56	Romania
59	Kazakhstan
68	Belarus
70	Poland
123	Russian Federation
137	Nigeria
138	Lesotho
139	Tajikistan
140	Madagascar
141	Micronesia, Fed. Sts.
142	Bhutan
143	Sierra Leone
144	Syrian Arab Republic
145	Ukraine
146	Gambia
147	Cambodia
148	Philippines
149	Bolivia
150	Uzbekistan
157	Zimbabwe
166	Iraq
167	Afghanistan

Source: Doing Business 2011 published by the World Bank and International Finance Corporation

Lyovochkina: EU playing hardball on free trade

→5 now broad support in Ukraine, including from opposition parties and business, cracks are beginning to appear. For example, Ukrainian sunflower oil producers are up in arms, protesting that free-trade conditions will kill their industry and leave thousands of people unemployed. The same dissatisfaction is expressed by agriculture producers or local car makers. The confectionary industry is also saying that the deal is a one-way road that is not really opening up the EU market for competitively priced Ukrainian sweets.

Nevertheless, Ukraine has now fulfilled almost all of the EU demands and President Viktor Yanukovich has set a deadline for his country's delegation to finish the talks this year, meaning the agreement could be initiated during the EU-Ukraine summit in December in Kyiv.

Ukraine has taken on obligations similar to those requested of EU candidates, without demanding the same assistance or favorable conditions. However, it is becoming increasingly clear that unless the EU shows greater flexibility in talks, the agreement may be jeopardized as it will become increasingly difficult to have it ratified and implemented in Ukraine. Moreover, if the association agreement, of which a trade deal is an integral part, does not include a reference to an accession perspective in the preamble, the credibility of the agreement and its attractiveness to Ukraine will be weakened.

→ No trade deal means Berlin Wall on border

With elections in both Russia and Ukraine in 2012, there is an urgent need to maintain momentum in the talks. While the Polish EU Presidency has underlined its commitment to completing the talks with Ukraine, the EU as a whole needs to demonstrate far greater political wisdom and vision and not allow the negotiations to crash in tariff quotas.

Therefore 2011, the 20th anniversary of Ukraine's independence, will either mark the beginning of real integration between the two partners, or will be remembered as the year the EU failed to fulfill its mission to unite Europe on the East of the continent.

Yulia Lyovochkina is a pro-presidential lawmaker in Ukraine's parliament. She is the sister of Serhiy Lyovochkin, head of Ukraine's Presidential Administration. This opinion piece was originally published by *New Europe*, a European weekly, <http://www.neweurope.eu/articles/107731.php>, and is reprinted with the author's permission.

NEWS ITEM: The Socialist Party of Ukraine failed to elect a leader at a party congress last weekend, as two of the strongest contenders received a nearly identical number of votes. The contenders included Oleksandr Moroz, a former parliament speaker who lost his clout after striking a political deal with the Party of the Regions in 2006, and Mykola Rudkovsky, a former Transportation Minister who faced criminal charges in past years for misuse of budget funds for private charter flights while in government. A new election will take place on Aug. 14. Vasyl Tsushko will remain the party's leader in the meantime while also heading the state's Anti-Monopoly Committee. Once a powerful party, support for the Socialists has plunged in recent years into the low single digits, according to polls.



Russia links WTO support with better Georgian relations

SOCHI, Russia, Aug 4 (Reuters)

— President Dmitry Medvedev urged the US-allied Caucasus country of Georgia on Aug. 4 not to block Russia's entry to the World Trade Organization, saying it could help the two countries move towards eventually restoring diplomatic relations.

Medvedev said Russia's chances of joining the WTO this year were high but it still faced political obstacles from Georgia, which has threatened to use its veto to block Russia's accession unless a dispute over customs controls is resolved.

"I think the chances are rather high because we are all working a lot on it," he said in an interview with Russia's Ekho Moskvy radio, Russia Today television and Georgia's PIK-TV in the southern Russian resort of Sochi.

"I think that if the Georgian leadership shows wisdom, it will become if not a turning point, then a point of contact to resume regular trade and economic relations, and then possibly diplomatic relations."

It was the first time Medvedev had given an interview to Georgian media since the two countries fought a brief war in August 2008 over two break-away regions in Georgia. The two countries have not restored diplomatic relations since the war.

Medvedev suggested Georgia had been using its potential veto as a WTO member to try to revive old political battles with Russia but Moscow would

→ Russia fears that Georgia could veto its bid to join the world free trade group

not be drawn into shifting political positions to secure WTO entry.

"I would not like barter (with Georgia over WTO accession), this would be just immoral," he said.

Despite the political obstacles, and restrictions on investment in Russia's car sector, the European Union, the United States and the WTO leadership all say Russia will join the 153-member club of trading nations by the end of this year.

This would bring the largest remaining outsider into the fold of international trade rules and boost Russia's economy by 11 percent in the long term, according to World Bank estimates.



Breakneck speeds

Formula 1 powerboats raced (above) on July 29-31 across the Kyiv Sea, about 15 kilometers north of Ukraine's capital near the city of Vyshgorod. The event was held under the patronage of President Viktor Yanukovich and was attended by his close associates and political allies. Regular citizens also attended the race and concert. Yanukovich did not attend because of two coal mine accidents that claimed nearly 40 lives. Sportsmen competed for the Cup of the President of Ukraine. An experienced racer from the United Arab Emirates – Ahmed Al-Hameli (right) of the team of Abu Dhabi – won the boat race. Ukraine hosted this tournament for the first time. A dozen sponsors, including grain trader Nibulon, carved out Hr 10 million to help organize the event. (Anastasia Vlasova)



Poll: Less than half of citizens would uphold independence

Ukrainians believe mafia, businessmen have biggest impact on Ukrainian society

→ 1 percent each, were government officials and political party leaders.

At the bottom of the influential list were retirees, heads of agricultural enterprises, intellectuals and peasants.

Of 1,200 respondents polled, nearly 47 percent said they would vote for independence today, compared to the 90 percent that voted to uphold independence in a historic national referendum on Dec. 7, 1991.

But even experts from the institute cautioned that their findings probably don't mean that a majority of citizens no longer want Ukraine to remain as an independent state. Instead, they interpreted the results as the venting of frustration with massive corruption and economic hardship. Only 28 percent of those polled said they were actually against independence.

"The results may seem shocking at first glance, but if you look closely they are just a bubble," Zadiraka said. "I see

no tragedy. These poll results can be easily interpreted in another way and presented from an opposing perspective. I am sure that if the respondents who opposed independence of Ukraine were asked if they are ready to restore the Soviet Union, 99 percent would respond 'no.'"

Olexander Stegnyy, executive officer of Social and Marketing Research Center Socis, which conducted the poll for the institute, believes that the 90 percent of Ukrainians who supported independence in 1991 did so "as a guarantee of Ukraine's happy future. But what do we see now? People used to blame Moscow for stealing from Ukraine. Now our own politicians and businessmen do that. That's why pessimism has reached the highest of levels."

He added that corrupt, divided and ineffective governance is to blame for the low-spirited responses.

According to Stegnyy, the older Soviet

generation is slowly dying away, while the younger generation has gotten a taste of higher living standards and has greater demands. This new generation of Ukrainians is angry, Stegnyy added, because they are unable to satisfy their expectations due to rampant corruption, poor governance and tough economic realities.

Zadiraka analyzed the results differently.

The poll results showed that the highest level of pessimism came from the elderly or people in their 50s who "have not found a comfortable place for themselves in the new Ukraine," Zadiraka said. A large share of the "46.6 percent of positive votes" in support of independence can be traced to youth "who cannot imagine Ukraine not being independent," Zadiraka added.

What is clear from the survey is that Ukraine remains divided on an

More than a quarter of Ukrainians would vote against independence

Survey of 1,200 respondents

Would vote for independence	46.6%
Would not vote for independence	27.8%
Do not care	11.5%
Difficult to answer	12.5%

east-west axis. Support for independence is highest in Ukrainian-speaking western regions and lowest in eastern Ukraine, where Russian language use and influence is higher. The majority of votes against independence came from the eastern and southern regions of Ukraine, said Stegnyy.

Kyiv Post staff writer Olga Rudenko can be reached at rudenko@kyivpost.com

Survey of 1,200 respondents

Mafia, criminals	39.6%
Businessmen	37%
Officials	30%
Political party leaders	30.9%
Workers	15.4%
Judges and prosecutors	12.2%
Heads of state enterprises	11.3%
Peasants	10.2%
Intellectuals	9.8%
Heads of agricultural enterprises	5.4%
Retirees	3.8%
Other	1.4%
No one has impact	7%
Difficult to answer	10.8%

Source: Institute of Sociology of the National Academy of Sciences in Ukraine

Advertisement



The Ocean Plaza. Coming soon...

What is Ukraine known for in the architecture world today? So far, only for its monuments of the past epochs. A comparison can be rarely drawn between its modern projects and similar objects in other countries and much less they can be called outstanding examples in the field. Due to its characteristics Ocean Plaza Shopping and Entertainment Center is to become the first really unique object that will easily compete for the top position in the retail real estate segment. Its construction is in full swing on Lybidska Square in Kyiv and the object will open its doors for the first thousands of visitors already in 2012. The project is developed by partner companies UDP and K.A.N. Development and UTG Company acts as the exclusive agent for selection of tenants.



Ocean Plaza is located in the city center, on Lybidska Square, at 176 Antonovycha St. Every day more than 300,000 people pass through this area. It is easy to get here both by subway (a subway exit leads directly to the Center's entrance) and by any of the 17 public transportation routes that connect the object with Kyiv's largest residential areas and its satellite towns. In prospect it is intended to connect the Center with a new station of city electric train, whose construction is planned by the city authorities. Then passengers will be able to conveniently get through the Center's galleries to the entrance of Lybidska subway station.

While looking at the project, the first thing you pay attention to is its clearly developed concept, seen in every detail – the idea of creation of a shopping and entertainment center, unique not only for Ukraine but for the entire Eastern Europe too. In this case, the object fully corresponds to its name – Ocean Plaza. For

visitors the shopping center transforms into something completely incredible – the underwater world, full of amazing forms and colors, and a public aquarium of 350,000 liters will be its major attraction. It will be the first one of such kind in Ukraine and the largest one in Eastern Europe.

Opening 2012

The exterior of the new super mall will be distinctly different from what was built in Ukraine before. This is the achievement of a team of architects and designers of Kyiv architectural studio TAM Pashenko and Chapman Taylor Company (UK).

In addition to the original interior décor, the complex will surprise its visitors with shining media facades – one more novelty that so far has not been used in Ukraine's shopping malls.

According to UTG, catchment area of the Center will be 2.8 million residents of Kyiv and the region. But creators of Ocean Plaza aim at a much higher goal – to make the Center a new symbol of Kyiv and a tourist attraction of the capital. Due to unique combination of the Center's characteristics, developers intend to achieve footfall figures, unprecedented for Ukraine's shopping malls – more than three million people per month.

154,000 sq. m. of Ocean Plaza will be occupied by the best retail chains in the world. 30 per cent of those will be new for Ukraine, according to UTG, the broker agent for the project.

Kyiv's first hypermarket of German retail chain real- with total area of 11,885 sq. m. will be located on the first basement floor. Its product range will have more than 70,000 items.

A parking lot for 3,000 spaces with a direct exit to the shopping and entertainment center will be built for motorists' convenience.

Characteristic	Description
Address	176, Antonovycha St., Kyiv
Type of object	Regional shopping and entertainment center
Number of floors	4
GBA, 1st phase	154,000
GLA, 1st phase	72,000
Parking capacity	3,000 spaces
Number of shops	300
Main anchor tenants	real- Hypermarket 9-hall multiplex Cinema City Children's entertainment center Clothes, shoes and accessories department stores Consumer electronics supermarket Sports goods supermarket Jewelry quarter
Opening	2012

The ground floor will provide space for home and interior design products, a large consumer electronics supermarket, and a small repair and consumer service center.

Right after the entrance on the first floor visitors will see a bright sculpture, created by a world famous master Frank Meisler especially for Ocean Plaza. Real connoisseurs of the style will fully enjoy the abundance of choice in clothes, shoes and accessories of the best international brands in huge department stores in Ocean Plaza. Its visitors can choose gifts and jewelry items for their beloved ones in the jewelry quarter. But the major feature of the object will be its aquarium area, located in the main atrium on the first floor. Nearby there will be a gallery, called 'fashion avenue' not just for the sake of a beautiful name – newest items of the fashion industry will be shown and presented there.

On the second floor, special attention will be

given to young visitors of Ocean Plaza. A supermarket of children's products and the first large children's entertainment center will be located there. You can relax and have a good time with your friends in Ukraine's largest food court that can seat more than 2,000 people at the same time. 30 cafes and restaurants are ready to satisfy any gastronomical whims of their clients.

The last, third floor will accommodate 9-hall multiplex Cinema City. It will be different from other venues due to application of the latest technologies and unique modern design of its cinema halls. Also, it is planned to create the Premiere Hall in the cinema complex by using the most progressive technologies for creation of high quality movie demonstration and viewers' convenience.

Ocean Plaza Shopping and Entertainment Center received many complementary reviews from potential tenants at the MAPIC Exhibition in Cannes (France) in 2010. Great interest to the project was confirmed in the native land too: the Center became the winner of the annual Malls Awards in the category "Best Project in the Capital". Without exaggeration, it is the most iconic retail real estate project not only in the entire Ukraine but beyond its borders too. That is why it is quite logical that applications for lease have already been submitted for 85 per cent of the space and the process is continuing, according to UTG.

What is the secret of this project then?! Is it in the unique combination of its location and selection of tenants? Or in its inimitable design and availability of the aquarium with marine species, unique for Ukraine? Or maybe the idea and the striving for the highest quality standards in the field make this project so attractive for tenants and interesting for future visitors? We fill find this out quite soon after attending the opening of the new Ocean Plaza Shopping and Entertainment Center in 2012.



Biggest coal mine accidents since Ukraine's independence

● Number of deaths

Source: Reuters



Ukraine's mines are deadly places

→ **1** terrible working conditions, paltry pay and high mortality rates.

Moreover, experts note that opaque dealings – such as the sale of coal at below-market prices through murky intermediaries – mean that state and private mines rarely receive the capital investments needed to make them safer and increase the wages of miners.

“The coal mine owners, including Akhmetov, are not super generous when it comes to modernizing the mines,” said Yuriy Korolchuk, an analyst at the Kyiv-based Institute of Energy Studies. “They see [the coal mines] as a resource to exploit for as long as they can. The only time they really invest considerable amounts into safety is

after a chain of deadly accidents – and they do so to avoid scandal.”

Mykhailo Volynets, the head of the Independent Trade Union of Coal Miners and a parliament member in opposition leader Yulia Tymoshenko’s bloc, rated Akhmetov as the best in the nation in terms of caring for miners and investing into his mining businesses – but only in comparison to other domestic oligarchs and business owners.

And that’s not saying much. Volynets said that coal mine accidents have claimed 80 lives so far this year.

According to figures from the United Nations and Volynets, Ukraine’s mines rank among the most deadly in the world. On average, each million ton of coal extracted at the country’s deep and dark pits claims two lives. In China, the world’s largest coal producer, the comparable rate is 0.7 deaths; in Russia, 0.2 and 0.02 in the United States.

Volynets said the grim official fatality figures are not the whole picture. The industry’s workers are plagued by injuries rarely counted, he added.

The methane gas blast at Akhmetov’s Sukhodilska-Skhidna mine was the deadliest mining accident in recent years, attracting widespread attention from experts, authorities and the public.

It even triggered a rare public rebuke of mine owners by Prime Minister Mykola Azarov, which came in response to a video interview with Ihor Smetanin, a wagon driver at Akhmetov’s Sukhodilska-Skhidna.

Smetanin lamented the unrelenting pressure to increase coal output, vital for fueling steel mills and electricity generators and laid the blame squarely on the mine’s owners and managers.

Coal miners “died because they keep [telling us]: ‘Come on! Faster! Give us [new] shafts, give us millions,’” Smetanin said in the video interview posted online. “They [use] us like animals.”

His public accusations won support from Azarov.

“I believe him. I see that he is desperate,” Azarov wrote in his recently created Facebook page. “Because of



Ihor Smetanin, a coal miner, gave a video interview in which he blamed dangerous working conditions on unreasonably high production demands. (Courtesy)

Coal miner: ‘People are expendable’

Editor’s Note: The following is a partial transcript of an interview given by Ihor Vladimirovich Smetanin, a wagon driver at Rinat Akhmetov’s Sukhodilska-Skhidna coal mine, where at least 27 miners were killed in a methane explosion. Smetanin blames the greed of mine owners and managers for deadly working conditions.

“The coking coal costs huge money and people are expendable. They will blame the mountain master who died and all will be okay. Please show this. I know I probably have no chance for working here after this, I am now jobless, but I want you to show this.

“Yesterday I helped bringing up the dead guys to the surface. I cried half a night after this. I overheard the conversation [that] there was five percent of methane, instead of a half-percent. If there is a leak, nobody leaves. They just add some fresh air and keep working. Otherwise, you would lose your job.

“In wintertime, the shower has no heating. There are no robes, nothing. “We get [used] like animals. It’s minus 30 outside. You have to wash yourself in cold water, you come out - there is no heating. Your robe gets covered with mold.

“You work so hard, you sweat really bad. If you sit down, you are out in the dump for Hr 800 a month. If you unzip your robe, you also go to the dump, or you have to pay Hr 2,000-Hr 3,000 [as a bribe] to get better treatment. They pay kopecks and take back everything they give. I want to tell them, take my robe, take my life, my shoes. What else do you want from me? The shaft [where the accident took place] is 150 meters. Can you imagine what kind of methane concentration there is?

“But they want eight, six layers of coal from there. There is not enough money for them!

“Those girls who work picking up coal get Hr 1,000 working in this dust.

“I saw those dead guys. They had no shoes. One was missing half a head. I worked the whole day, but in the evening I collapsed and cried till three in the morning. I never cried at anyone’s funeral. I am really sorry for them as a human. Really sorry.

“And they died because [they tell us] ‘Come on! Faster! Give us coal output. Give us new shaft! Give us millions!’ Do you understand? This is it.

“My name is Smetanin Ihor Vladimirovich. I have worked here for three years.”

this ‘come on, come on,’ because of their greed they are killing people.”

But this string of accidents is hardly surprising to anyone familiar with the dire straits of mining.

Experts say the accidents would be avoided if adequate investment was made into safety and efficiency. To achieve this, they say, the state must remove shadowy intermediaries from their role in selling coal dug by state

mines. Billionaire owners who profit handsomely from the mines must also start investing more into safety for miners who risk their lives for salaries of several hundred dollars per month.

However, even the critics acknowledge that Akhmetov’s Sukhodilska-Skhidna was better equipped and more secure than most of the country’s pits. The mine’s management say they invest heavily into safety and modern- → **11**



Relatives mourn over a coffin with remains of a miner killed in a July 29 accident in Bazhanova coal mine in the town of Makiyivka, Donetsk Oblast. (AP)-

Experts say that Akhmetov mines safer than others

→ **10** ization, and plan to increase such expenditures in the future.

Still, an analysis of Akhmetov's mining company financials reveals that its capital expenditures are impressive only by Ukrainian standards and constitute only a fraction of what is invested into less dangerous mines in neighboring Poland and the Czech Republic.

Analysts at Kyiv-based investment bank Dragon Capital said there is one obvious way to improve safety at Ukraine's mines: hold owners accountable for investing more into basic safety and improving salaries.

Experts say that Ukraine's coal mines could be just as profitable as the European ones. How? Akhmetov and other mine owners would need to sell coal from the mines at market prices and stop using their own traders to optimize taxes or maximize profits through transfer-pricing schemes.

"Sometimes, [the owners] just take all the profits out of the company for themselves," said Oleksandr Makarov, a metals & mining sector analyst at Dragon Capital. "This is rather widespread."

Follow the money

Volynets described Sukhodilsk-Skhidna coal mine as "one of the most difficult and dangerous in the region," yet he insists it has all the necessary equipment to ensure safety. But under pressure, miners were bending safety rules to churn out more coal, Volynets said.

Still, a glance at Akhmetov's Krasnodonugol coal company, which encompasses seven mines and two enrichment factories, shows that the picture might not be so rosy.

According to Dragon Capital figures, Krasnodonugol reported capital expenditures last year of just \$33.6 million, or seven fold less than mines in neighboring Poland and the Czech Republic. Makarov explains that this figure reflects purchases of equipment last year, while the total investment declared in 2010 by Krasnodonugol reaches \$58 million.

Krasnodonugol's press service told the Kyiv Post that last year it spent \$90 million on maintaining capacity, modernizing the equipment and increasing



Mykhailo Volynets heads Ukraine's Independent Trade Union of Coal Miners.

the mine safety. Makarov said this figure is exaggerated. Krasnodonugol claims that its capital expenditures this year has already reached \$116 million.

Analyzing the company's books, Makarov pointed out that had the company been selling the coal it extracts at market prices, without using any intermediaries, it would have posted \$62 million in net income, instead of the \$28 million in losses it reported. Last year Krasnodonugol sold its coal at an average price of \$109 per ton, significantly below the market average rate of \$144, according to Makarov.

Officials at Krasnodonugol, however, steadfastly insisted that their company fully complies with Ukrainian legislation and that all of their financial data is backed up by audits.

Out of the pit

According to Volynets, the union leader, the most likely cause for the blast at Sukhodilsk-Skhidna was the relentless pressure of mining more coal. The unfair payments system drives workers to boost coal output while ignoring risks, even if the methane detectors show dangerous levels. Volynets said management knows what is happening, but prefers to ignore it.

The way to minimize such risks, according to Volynets, would be to

introduce hourly pay for miners. Such a rule was adopted by the government of Tymoshenko when she was prime minister in 2008. But, Volynets said, it was blocked by the administration of her rival, President Viktor Yanukovich.

As the Kyiv Post went to press on Aug. 4, a governmental commission had yet to announce preliminary findings of an investigation.

Dmytro Kalytventsev, head of the local miners union operating in the Krasnodon area where the Sukhodilsk-Skhidna mine is located, expects officials to once again "lay all the blame on the dead miners." Kalytventsev said workers have come to expect no better from government officials who are strongly backed by the businesspeople who control the mining sector.

More accidents are bound to happen in the future, Kalytventsev said, adding that a big fire broke out at the Sukhodilsk-Skhidna mine in June but luckily did not claim lives. "The management of Krasnodonugol needs to be held responsible. Until this happens, people will keep dying," Kalytventsev said.

Production demands at the mine were "over the limit," Kalytventsev said, forcing miners to switch off methane indicators to fulfill quotas and get a decent paycheck.

The victims died as some of the worst paid blue-collar workers in Europe. The average salary at Krasnodonugol reaches \$600 per month, which is more than three times less than a coal miner would receive in Poland or the Czech Republic.

Yet, Krasnodonugol's press service finds such comparison incorrect "due to the big difference in financial performance" of the mines in the two countries. Polish miners demonstrate higher productivity, they said. They also point out that the salaries Akhmetov pays are double the national average.

In the aftermath of the accident, Krasnodonugol announced that relatives of the 27 victims will receive around \$127,000 compensation, more than triple what the government pays.

As the Kyiv Post went to press, Akhmetov's spokesperson was not able to answer questions about whether the billionaire had met family members



Rinat Akhmetov

Akhmetov statement

Editor's Note: The following is a statement issued Aug. 4 by the press service of billionaire Rinat Akhmetov, owner of the Sukhodilsk-Skhidna coal mine in Luhansk Oblast where 27 workers were killed in a July 29 methane gas explosion.

"Rinat Leonidovich personally controls the two most important issues:

"First, is the maximum support and help to the families of bereaved coal miners, help to the injured coal miner, who is currently at the hospital, help to every child in the families. Not a single problem will remain unattended. Mr.

Akhmetov personally controls the financial aid to every family and all the needs that these families might have as the result of the awful tragedy.

"Second, no less important issue, that is under personal control of Mr. Akhmetov is the maximum possible outfitting Sukhodilsk-Skhidna coal mine, and all the other coal mines that are part of the System Capital Management Group, with the most modern equipment, which provides for maximum safety. This work is being done constantly and doesn't stop for a minute.

"Mr. Akhmetov perfectly realizes that the working conditions of coal extraction on Ukrainian mines are incredibly complicated. Ukrainian coal industry is characterized by incredible difficult mining and geological conditions: 90 percent of the beds are dangerous in terms of the gas, 60 percent – in terms of the coal dust, almost every fourth – prone to spontaneous combustion. Coal miners at around 35 Ukrainian coal mines extract coal more than one kilometer deep.

"That's why investing into the most modern infrastructure and technology to ensure safe labor is the main task for the holdings' managers. SCM constantly invests into coal mines' modernization and labor safety. And will keep investing, to make coal miners' work safe to the maximum!

"All profit that SCM incurred in 2010 (\$464.5 million), according to the shareholder's decision will be spent on the development and modernization of production. Last year, \$99.7 million (62.6 percent higher than in 2009) were spent on labor protection and industrial safety.

"The task that Mr. Akhmetov gave the management and the implementation of which he controls personally – to make honorable coal miner's work maximally safe.

"Currently, all the services are working on it today 24 hours a day."

affected by the accident or attended the funerals.

The situation at more than 100 mines scattered across Ukraine is usually worse than at Akhmetov-owned mines, according to Volynets.

"I know the recent case in the town of Krasnoarmiysk when a coal miner was severely wounded. The mine clinic didn't register the case. They didn't take

him to the hospital. So, in the morning, he died," Volynets said. "When the relatives showed up, the mine administration accused them of murdering him. His supervisor [who witnessed the accident] wouldn't testify."

Kyiv Post Staff writer Vlad Lavrov can be reached via lavrov@kyivpost.com. Kyiv Post staff writer Natalya Vasutyn contributed to this report.

Comparing financial performance of Ukrainian, European mines

	Poland		Czech	Ukraine			
	Bogdanka	JSW	NWR	reported financial data (estimated actual profit)			
				Krasnodonugol	Pokrovskoe Mine	Komsomolets Donbassa	Makiyivugol
Coal type	thermal	coking/thermal (2:1)	coking/thermal (1:1)	coking	coking	thermal	coking/thermal (2:1)
Revenue, \$ million	406	2,424	2,109	369 (490)	386 (494)	151 (232)	145 (165)
EBITDA (earnings before interest, taxes, depreciation and amortization), \$ million	136	931	609	60 (180)	71 (179)	45 (127)	-27 (-7)
Net income, \$ million	76	484	310	-28 (62)	-10 (72)	-3 (58)	14 (14)
Remuneration (including social insurance costs), \$/month	2,127	3,320	2,592	636	1088	1111	729
Total staff	3,968	22,058	18,553	16,888	8,384	4543	16616
Output (saleable coal), thousand tons	5,800	13,300	10,800	3,399	2,960	3310	1532
EBITDA margin	34%	38%	29%	16% (37%)	18% (36%)	30% (54%)	-18% (-4%)
Net margin	19%	20%	15%	-8% (13%)	-2% (14%)	-2% (25%)	10% (9%)
Capital expenditures, \$ million	201	256	293	33.6	100	22.2	14.1

Source: Dragon Capital

All data for 2010

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Election law could preserve Yanukovich's grip on power



ZENON ZAWADA

Ukraine's Justice Ministry on May 27 published a draft version of legislation for the parliamentary election scheduled for Oct. 31, 2012. It's apparent the goal of the pro-presidential and ruling Regions Party will be to introduce as many rules to the elections – while conforming to as many international standards as is pragmatic – that produce the results favorable in forming the next coalition government.

Three main changes are in store from the 2007 vote – a 50/50 mixed electoral system will replace exclusive closed lists, blocs of parties will be prohibited and the qualifying threshold will be raised to 4-5 percent from 3 percent. As the most significant change, a mixed electoral system is likely to emerge in which 50 percent of parliamentary deputies are chosen by closed party lists, and the other half are determined through single-winner, single-mandate districts. This will replace the current electoral system of exclusive closed-party lists, in which voters are restricted to selecting parties or blocs of parties rather than individuals.

President Viktor Yanukovich and his Regions Party will likely adopt the mixed electoral system with the goal of enabling them to extend their control of government. They have lost much popularity since Yanukovich's election on Feb. 7, 2010, owing to economic problems, particularly inflation in utilities and basic food items. Recently approved legislation that raised the female pension age to 60 years old from 55 didn't help either.

The latest reliable poll figures offered by Kyiv's Razumkov Center in late May reveal that under the current system of exclusive closed party lists, the Regions Party would earn 32 percent of seats and control 47 percent with its traditional coalition partners. Opposition forces would control 53 percent of seats, which is why the current government is compelled to alter the electoral system.

Reintroducing single-mandate dis-

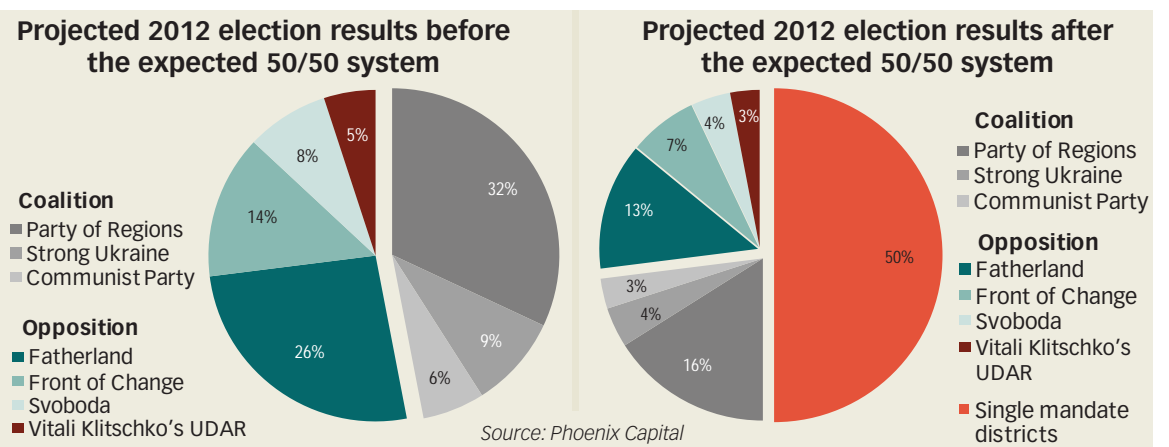
tricts to the parliamentary vote would enable Yanukovich to form the next coalition government with individual candidates. Many will be entrepreneurs, independent of any political party, who are interested in business and stability. These entrepreneurs were a formidable force in Ukraine's parliament until 2006, when the closed list system was introduced. The mixed 50/50 system opens the door to the return of their influence and their main goal will be to reach agreements with the president to keep their businesses intact.

The increased presence of entrepreneurs in parliament will offer a stabilizing force in the otherwise tumultuous Ukrainian political scene. A business-oriented parliament will be more focused on economic issues critical to Ukraine's development rather than toying with ethnic and cultural conflicts that play a destabilizing role in society.

→ **New rules would favor presidential party, hurt opposition's chances**

The success of the Yanukovich administration in forming the parliamentary coalition depends upon its ability to reach agreements with the newly-elected entrepreneurs. These businesspeople will be fiercely pragmatic, which was demonstrated in previous convocations of parliament in which dozens of factions were constantly being formed, dissolved and recreated. It's not a given that they will reach compromise.

The Yanukovich administration sent shudders among Ukraine's independent entrepreneurs when state prosecutors filed criminal charges in March against former President Leonid Kuchma, who is the father-in-law of one of Ukraine's biggest entrepreneurs, Victor Pinchuk. He hasn't been affiliated with any



political party since 2006.

More shudders were sent when the enterprises owned by another billionaire, Kostyantyn Zhevago, were investigated by Ukrainian Security Service agents in mid-July. Zhevago is a parliamentary deputy aligned with ex-Prime Minister Yulia Tymoshenko, the opposition leader. The 50/50 electoral system paves the way for entrepreneurs like Pinchuk and Zhevago to compete and possibly reach consensus with the President.

Entrepreneurs who feel threatened could band together into rival factions to defend their mutual interests and even challenge the incumbents. By introducing single mandates, the Yanukovich administration could be securing itself a loyal coalition government for three years, or quite the opposite, opening a potential Pandora's Box of rivalry.

The opposition won't be influential under the mixed electoral system. Even if its forces secure 53 percent of seats in the closed list vote, that influence would be diluted to 122 seats out of 450, or 27 percent of the total, under the 50/50 system. The largest opposition force, the Fatherland Party founded by Tymoshenko, would only hold 13 percent of seats, based on Razumkov poll figures.

As the most likely scenario, at least two-thirds of the single-mandate deputies will likely align themselves with the president and his Party of Regions. A precedent for that outcome was offered in 2002 when the pro-Western Our Ukraine bloc won the most votes yet it was the single-mandate candidates who played the deciding role in form-

ing the coalition government.

While strong democracies need constructive voices in the opposition, the positive side to the 50/50 system is that it also marginalizes the radical socialist elements to the benefit of Ukraine's investment climate. The Communist Party of Ukraine, which currently wields significant influence as a coalition partner, would lose most of its influence while the rising nationalist Svoboda party would be kept on the margins.

Ukraine's capital is abuzz with speculation on what extent the government will pursue its criminal prosecution of Tymoshenko, which numbers four cases so far. The likely outcome is convictions with suspended sentences, which would allow her to avoid imprisonment, yet fulfill the goal of eliminating her as a competitor in the 2012 parliamentary vote. The criminal conviction against Tymoshenko will destabilize the Fatherland Party, further erode its support base and render Ukraine's formal opposition largely impotent. Her conviction would pave the road for the Party of Regions to dominate politics for at least three years after the 2012 election since no existing opposition party would be able to fill the void created with Fatherland's decline.

Many political observers acknowledge that it's not inconceivable that the Ukrainian government will take as bold a step as to imprison the opposition leader. This would not only prevent her from qualifying for parliament, but silence her from delivering electric speeches that inspire crowds. Yet such a course of action is highly counterproductive, which could threat-

en Ukraine's ability to gain an association agreement with the European Union. After losing popularity among the Ukrainian electorate during her two terms as prime minister, incarceration would merely serve to revive Tymoshenko's otherwise fizzling political career. A charismatic personality, Tymoshenko has a firm base of support that will remain steady no matter what happens.

The Ukrainian government is submitting its election legislation for review by international institutions, including the European Commission for Democracy through Law, also known as the Venice Commission, Justice Minister Oleksandr Lavrynovych said in early June. Western institutions will make important recommendations. In turn, the government will consider these recommendations and offer concessions on secondary matters, but keep the key architecture of its election legislation intact (the 50/50 mixed system, the higher qualifying threshold and the ban on blocs).

The Yanukovich administration has shown that while it values Western opinion, it hasn't sacrificed its political priorities to adjust to Western suggestions or criticisms. In this case, the priority is to structure the elections in such a way as to maintain the status quo in Ukraine, which is an economy that favors large industrial players and a political establishment that's committed to economic integration with Europe while maintaining cooperation with the Russian government.

Zenon Zawada is a political analyst at Phoenix Capital investment bank in Kyiv.

Willard: Reporting will remain balanced

→ **4** publisher, Mohammad Zahoor, obviously was a major backer of former Prime Minister Yulia Tymoshenko.

Another said the publication was run by Ukrainian diaspora kids out to prove themselves. [Editor's Note: only one of the six Kyiv Post editors is from the Ukrainian diaspora. Three are Ukrainian. One is British without Ukrainian roots. Another is a non-diaspora American.] It was hinted that the newspaper would never turn a profit because advertisers simply don't want to be associated with something that riles the current administration.

My survey was in no way scientific and notes were not taken because I felt it would infringe on the collegiality of the sessions. However, I have a certain insider's view because I have lived in both the business and the press neighborhoods.

For example, it surprised the CEO when I told him I have known Zahoor many years and have never known him to be involved with any political faction. More important, Zahoor has never expressed such a partisanship to Bonner, the editor.

In fact, Bonner reminded me that the Kyiv Post endorsed Sergiy Tigipko in the first round of presidential balloting, but did support Tymoshenko in the second. He said the newspaper roots out corruption because it is there – not because it is linked to Yanukovich.

Bonner said the administration is a focal point because it is in power, and that the newspaper had been critical of Tymoshenko when she was prime minister.

Is the Kyiv Post too negative? Can a newspaper be too negative? How does one go about judging negativ-

→ **Kyiv Post owner has given tremendous freedom to journalists**

ity? Is a story that reveals corruption considered negative, or is it positive? It depends, of course, on the point of view.

Perception is important. It goes to the root of a newspaper's reason for existence. If it is believed by significant numbers of readers to be slanted, partisan, negative or otherwise imbalanced, it impacts the basic honesty of the newspaper.

In such cases, the newspaper needs to explain itself better. This is one

purpose of this column – to be an arbiter of contrary opinions. We welcome debate and feedback.

This puts a necessary burden on the editors and writers. It is not enough to say we don't take press junkets, show sources stories ahead of time or take money to place a story. These are fine attributes, but not as relevant as simply getting it right – every time.

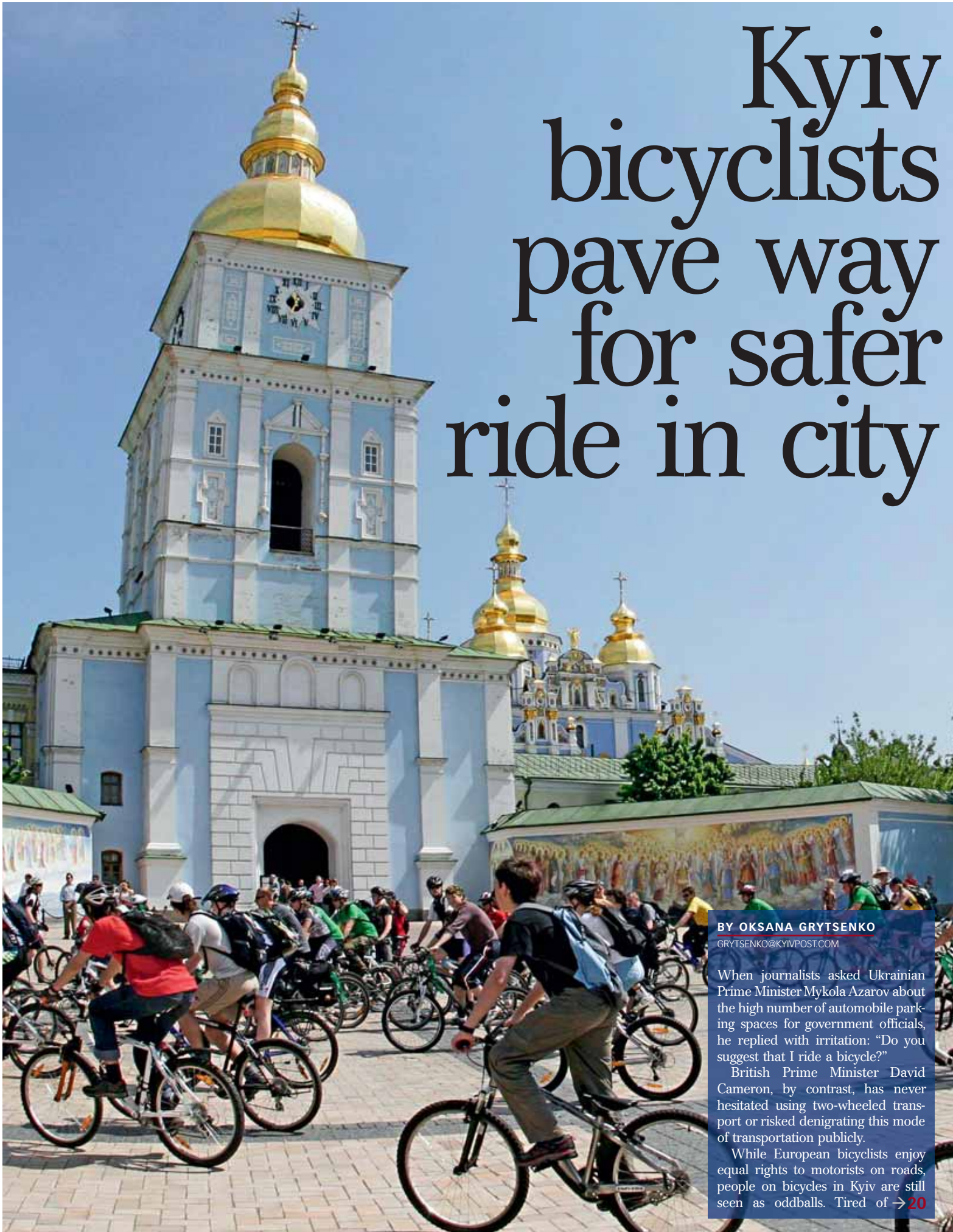
We must make sure facts are doubly checked and that the other side of the story is fairly portrayed. We must

guard against any feeling that we favor one side over another – even if individually we have personal favorites.

The publisher of the Kyiv Post has given more freedom to his editors and journalists than is generally practiced on publications, including ones I am familiar with such as The New York Times, Washington Post and Wall Street Journal.

This freedom cannot be borne lightly. It carries with it a heavy overcoat of responsibility. It is here we cannot let him or our community down.

Michael Willard was appointed CEO of the Kyiv Post on July 18. The veteran marketing, public relations and advertising executive will also remain chairman of The Willard Group, a Kyiv-based public relations and marketing firm also with offices in Moscow and Istanbul. He can be contacted at willard@kyivpost.com.



Kyiv bicyclists pave way for safer ride in city

BY OKSANA GRYTSENKO
GRYTSENKO@KYIVPOST.COM

When journalists asked Ukrainian Prime Minister Mykola Azarov about the high number of automobile parking spaces for government officials, he replied with irritation: "Do you suggest that I ride a bicycle?"

British Prime Minister David Cameron, by contrast, has never hesitated using two-wheeled transport or risked denigrating this mode of transportation publicly.

While European bicyclists enjoy equal rights to motorists on roads, people on bicycles in Kyiv are still seen as oddballs. Tired of → 20

City Life



WITH CAITLIN CLEARY

Moscow versus Kyiv? For me, the smaller capital is more comfortable

A few years ago, my parents said the words that every expat kid knows and dreads: "We've decided where we're moving at the end of the year!"

When I found out that my parents' top choice was Kyiv, Ukraine, I wasn't exactly thrilled. How was I supposed to move from Moscow—a city that is tremendous, grand and epic in scale—to Kyiv? Kyiv is so... small.

It didn't take me long to realize that my initial dread could not have been more pointless. If I could go back in time, I would tell the 14-year-old me that, in this case, smaller is better. Here's why:

No one can deny that the Dnipro River is one of the most impressive on earth, reducing most others to pathetic trickles by comparison. Of the many bodies of water I have encountered during my travels, it is the only river that I have ever heard my dad, a proud New Yorker, compare to the Hudson.

The Moscow River, on the other hand, doesn't quite live up to the "Hudson Standard." It has its moments, but lacks the Dnipro's scale and majesty. For most of the year, it is a flat greenish-brown compared to the Dnipro's radiant sparkle. On any reasonably warm day, you are bound to see people wading in the Dnipro.

People also swim in the Moscow River, of course, even though it's probably even more polluted than the Dnipro (I think I saw a body floating once, but I can't be sure). The beaches in Moscow are often less than charming. That isn't to say that Kyiv doesn't have its fair share of overcrowded strips of sand, because Lord knows it does, but it has plenty of spots by the river that are truly breathtaking. I wasn't able to find many such spots in Moscow. Point for Kyiv.

Teenagers love to shop, and teenaged expats are no different. While Moscow definitely has Kyiv beat in the diversity and range of stores available, it's difficult to buy anything unless you are willing to fork up 10 times more than you would pay in any other country. Okay, that's an exaggeration, but Moscow's rank as one of the five most expensive cities in the world is not just an honorary title. Food, clothing, sports equipment — everything is more expensive than it should be.

The prices in Kyiv are far more reasonable. There is no reason to be concerned about shopping; Kyiv has plenty of stores from Europe and beyond, and I doubt anyone feels deprived of fashion → 20

Participants of Bicycle Day ride their to St. Sophia Square in Kyiv on May 18, 2008. Around 600 cyclists attended the event. (UNIAN)

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Saturday-Sunday, Aug. 6- Aug. 7



Traditional games during Blacksmiths' Day

Forging has been a traditional Ukrainian craft for centuries and dozens of blacksmiths will gather near Kyiv to celebrate their professional day. Actors will perform scenes from everyday life of Kyivan Rus. Competitions will be held in archery, horse riding, hammer throwing and wrestling with bears. Everyone is also welcome to participate in a rather unusual concert – playing ethnic music using hammers as instruments. You can taste traditional food, dance, have your picture taken in a national costume and join medieval quests in Park Kyivska Rus this weekend.

Saturday-Sunday, Aug. 6- Aug. 7, Park Kyivska Rus, Kopachiv village, buses available from metro Vydubychi, www.parkkyivrus.com/index.php?lang=en, 461-9937. Tickets: Hr 20-40.

Every Sunday, 3 p.m.



Painting master classes

"Art is good for you" says the slogan of "Den Tvoreniya" (the day of creation) art school, where you can learn painting no matter how old you are and what language you speak. "Den Tvoreniya" holds workshops on oil and crayon painting, decor, decoupage, scrapbooking, glass art, sand animation ... the list goes on and on. The length of the class depends on how difficult the masterpiece you create is and how fast you learn. You can also join the outdoor workshop in Mariinsky Park.

Every Sunday, 3 p.m., "Den Tvoreniya" art center, 27/6 Institutskaya St., 331-8099. Hr 600 per one class. Preliminary registration required.

Aug. 8 – Aug. 11



Classical music in National Philharmonic

National Philharmonic presents the series of classical concerts "Summer Rays Of Music" played by top Ukrainian and foreign musicians:

Monday, Aug. 8, 7 p.m.: J. Pzn Sweelinck Orchestra of the Amsterdam University (Netherlands) will play symphonies from operas of Mahler and Brahms. Tickets: Hr 20-70.

Tuesday, Aug. 9, 7 p.m.: National Academic Brass Band of Ukraine will perform works of Braslavsky, Piazzolla, Anderson, Rodriguez, Kern, and Miller. Tickets: Hr 20-70.

Wednesday, Aug. 10, 7 p.m.: Kyiv Chamber Orchestra will play pieces by Elgar, Tchaikovsky and Shostakovich. Tickets: Hr 20-70.

Thursday, Aug. 11, 7 p.m.: Symphony Orchestra of the National Philharmonic of Ukraine will play pieces by Rachmaninoff and Prokofiev. Tickets: Hr 20-70.

All concerts take place in the National Philharmonic, 2 Volodymyrsky Uzviz, 278-1697, www.filarmonia.com.ua.



Jazz and classics

Viktor Solomin, Olexiy Bogolyubov and Valentyn Kornienko, who usually play in public separately, will appear on the Kyiv stage together this time. Domra, keyboard and double bass will blend into harmonic music, classified as a mix of jazz and fusion by critics. This trio adores musical experiments, so get prepared for a brand new sound.

Wednesday, Aug. 10, 8 p.m., "Divan", 2 Bessarabska Sq., 235-7366. Tickets: free.



When thinking of jazz we usually imagine double bass or guitar, but this guy has chosen a not-so-typical instrument – Konstantyn Strelchenko plays button accordion. Together with the musical trio of Olga Voychenko (voice), Serhiy Kapelyushok (guitar) and Maks Gladetsky (double bass), Strelchenko, the winner of the international jazz festivals, will perform "In a Summer Mood" jazz program.

Wednesday, Aug. 10, 8 p.m. Cultural center Master Klass, 34 Mazepy St., metro Arsenalna, www.masterklass.org/eng, 594-1063. Tickets: Hr 40.



This concert of classical music won't leave anyone bored as it will be played in a bus. Unlike the regular Kyiv transport, it won't be hot in this concert bus – it's a cabriolet, so the roof can be raised or closed according to the weather. To join the excursion through the center of Kyiv, send an e-mail with your first and last name to o.karpyak@masterklass.org

Friday, Aug. 12, 8 p.m., bus will start at Cultural center Master-Klass, 34 Mazepy St., metro Arsenalna, www.masterklass.org/eng, 594-1063. Tickets: free.

Live Music



Hr 70
Aug. 7 Chill Out, free admission
Aug. 8 Doctor Feelgood, free admission
Aug. 9 Rockin' Wolves, free admission
Aug. 10 Nochoi Kvartal, free admission
Aug. 11 Tex-Mex Company, 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.
Aug. 5 Beefeaters, free admission
Aug. 6 Horoshiy, Plohoj, Zloy, free admission
Aug. 11 Funk Day Festival: Gastrolery, Moya Posledniaya Korporatsia, Green BoB, Hr 30

PORTER PUB
 3 Sichnevogo Povstannya St., 280-1996, www.porter.com.ua
 Concerts traditionally start at 7:30 p.m.
Aug. 5 Brown Shugar
Aug. 6 Tartila
Aug. 10 Slow Roll
Aug. 11 Ace Ventura

Other live music clubs:
JAZZ DO IT, 76A Velyka Vasylkivska St., 289-56-06, http://jazz-doit.com.ua
GOLDEN GATE IRISH PUB, 15 Zolotovoritska St., 235-5188, http://goldengatepubkiev.com/
TO DUBLIN IRISH PUB, 4 Raisy Okipnoi St., 569-5531, http://www.to-dublin.com.ua/
PIVNA NO.1 ON BASEYNA, 15 Baseyna St., 287-44-34, www.pivna1.com.ua
DRAFT 1/2 Khoryva St., metro Kontraktova Ploshcha, 463-7330
KHLIB CLUB 12 Frunze St., www.myspace.com/xlibclub

CHESHIRE CAT 9 Sklyarenko St., 428-2717
O'BRIEN'S 17A Mykhaylivska St., 279-1584
DAKOTA 14G Heroyiv Stalinhrada St., 468-7410
U KRUSHKI 12/37 Dekabrystiv St., 562-6262.

Compiled by Svitlana Kolesnykova

ART CLUB 44
 44B Khreshchatyk St., 279-4137, www.club44.com.ua
 Concerts traditionally start at 8 – 10 p.m.
Aug. 5 No Comments, Hr 50
Aug. 6 Carte Blanche, Hr 50
Aug. 7 Soiuz 44 Jam Session, free admission
Aug. 8 Blank, Hr 30
Aug. 9 Blues Tuesday: Mojo Jojo, free admission
Aug. 10 Rosemary, free admission
Aug. 11 Man Sound A Capella Concert

DOCKER'S ABC
 15 Khreshchatyk St., 278-1717, www.docker.com.ua
 Concerts traditionally start at 9:30-10 p.m.
Aug. 5 Red Rocks, Hr 70
Aug. 6 Chill Out, Hr 70
Aug. 7 Animals Session, free admission
Aug. 8 Gera and Second Breath, free admission
Aug. 9 More Huana, Hr 20
Aug. 10 The Magma, Hr 30
Aug. 11 Mr. Och, Hr 30

DOCKER PUB
 25 Bohatyrka St., metro Heroyiv Dnipra, www.docker.com.ua
 Concerts traditionally start at 9:30-10 p.m.
Aug. 5 More Huana, Vostochny Express, Hr 70
Aug. 6 Mad Heads XL, Partizanskiy Vytivky,

Movies

Editor's note: Although Kyiv theaters rarely show films in the original language, there are other ways of getting hold of movies without irritating dubbing or subtitles. Buy a film at an online video shop (some of them deliver to the door) or pick up a movie in DVD stores across Kyiv. Here's a list of the latest releases.

Mars Need Moms
 USA 2011
 Directed by Simon Wells
 Starring Seth Green, Joan Allen
 Genre: Typical Disney cartoon
 Where to buy: Yakaboo, Hr 67
 http://www.yakaboo.ua/ru/catalog/all/mars-needs-moms-215912

Disney studios spent \$150 million to prove to children that moms are actually worth loving. They not only force you to do your homework or keep your room clean, but can also really take care of you.

The story itself is quite intriguing. Little boy finds out that his mom was kidnapped by evil guys from Mars. He thought he didn't love her that much, but when she is gone, he understands that he has to bring her back, that's why he goes to Mars and meets a number of adventures.

One of the most expensive cartoons ever. No masterpiece, but worth seeing if you like typical Disney works.

Water for Elephants
 USA 2011
 Directed by Frances Lawrence
 Starring Reese Witherspoon, Robert Pattinson
 Genre: Drama
 Where to buy: Petrovka.ua, Hr 50
 http://www.petrovka.ua/product.php?code=113423
 When the Great Depression begins,



Water For Elephants

Jacob's parents die and he needs to earn some money for living. So he quits medical school and goes to work in the circus as a veterinarian. He falls in love with beautiful Marlena, wife of evil August, the boss of the circus.

It's a typical Hollywood love story. Females might like it more, not only because such movies are usually targeted at women. It might seem a little bit too stupid to many men. The thing is that leading male role is played by Robert Pattinson, glamorous star of Twilight saga.

The Hit List
 USA 2011
 Directed by William Kaufmann
 Starring Cuba Gooding, Jr., Cole Hauser
 Genre: Action movie
 Where to buy: Petrovka.ua, 54 grn

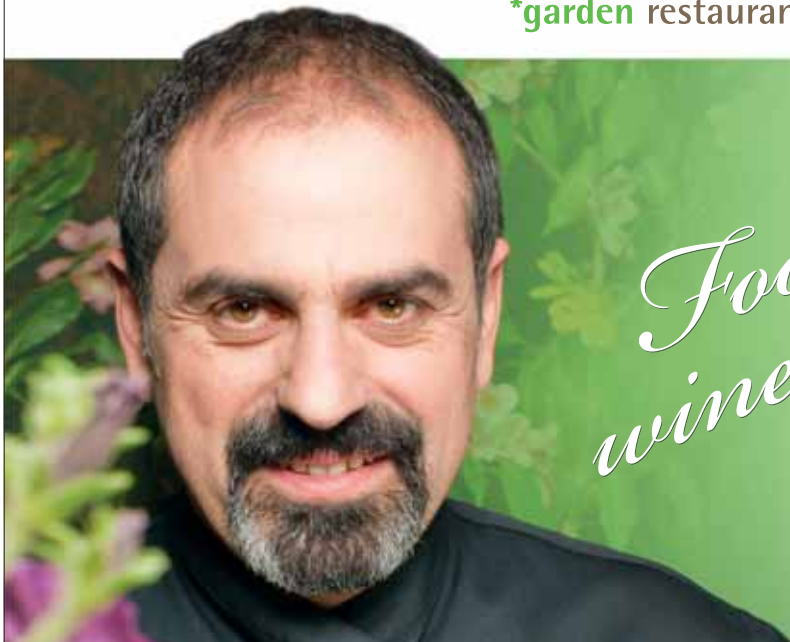
http://www.petrovka.ua/product.php?code=118999

A disgruntled businessman meets a stranger in a bar, who says he is a professional killer. He offers to create a hit list of five persons to kill for free. The drunken businessman agrees and next morning those people begin to die one by one. Now he has to find out who that stranger was and why he wants to frame him.

The scenario is quite predictable. The directing is on the level of the typical B movie. But still this is Cuba Gooding's grittiest performance in years. And that guy used to be really good, just remember Jerry Maguire, Men of Honor, Instinct. Worth watching if you like tough action movies.

Reviews by Alexey Bondarev

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World in Ukraine

Nibulon is the partner of "Switzerland in Ukraine" project

Editor's Note: The Kyiv Post continues its "World in Ukraine" series with a look at Switzerland during the month when the small nation celebrates its National Day (Aug. 1), akin to the Fourth of July Independence Day celebrated by America and Ukraine's Aug. 24 Independence Day.

Money in Swiss banks drives Kyiv, Zurich ties

BY KATYA GRUSHENKO
GRUSHENKO@KYIVPOST.COM

Ukraine's richest are among the world's movers and shakers who rely heavily on Switzerland's banks, notorious for their strict confidentiality, to the chagrin of tax authorities in many nations.

However, while U.S. authorities are cracking down on Swiss tax-evasion schemes, not many in Ukraine want to even talk about the issue.

Swiss national Leslie Hawrylyshyn, a founding owner of Euroventures Ukraine, is one of the exceptions. "Out of the 100 richest Ukrainians, I believe 90 percent of them have bank accounts in Switzerland," Hawrylyshyn said.

Hawrylyshyn knows a bit about Switzerland. His 84 year-old father, Bohdan Hawrylyshyn, emigrated to Canada and then Switzerland from Ukraine after World War II. He established himself as a well-known economist and successful businessman. Hawrylyshyn's Euroventures Ukraine has pumped tens of millions of dollars into a broad portfolio of businesses in Ukraine.

Switzerland gained fame for accepting suitcases of cash – no questions asked – and for accepting money from some of the world's biggest criminals, including Adolf Hitler.

It eventually came to light that many dictators, such as Robert Mugabe from Zimbabwe, Jean-Claude "Baby Doc" Duvalier from Haiti and Imelda and Ferdinand Marcos from the Philippines kept huge fortunes in Swiss bank accounts. Recent revelations involve the assets of former Egyptian President Hosni Mubarak and Libyan strongman Muammar Gaddafi. Those accounts were frozen amid domestic uprisings.

Switzerland, by some accounts, is involved in one way or another with up to a third of world's offshore accounts. Like Cyprus, the British Virgin Islands and Belize, its banks and company registration rules are used in murky transactions. Often, the end result is to deprive home nations of taxes and to mask the identities of the account holders.

"I'm not sure how so many multimillionaires made so much money in less than 15 years... but they are now proper enough to deal with Swiss banks," Hawrylyshyn said.

However, all that is changing and the veil of secrecy is slowing being lifted.



Pedestrians outside headquarters of Swiss bank UBS in Zurich. An ex-senior UBS banker was indicted by the United States on Aug. 2 for selling offshore tax-evasion services to wealthy Americans. See story on page 18. (AFP)



Leslie Hawrylyshyn

Since 2000, people who can't prove the origin of their money have had a hard time opening Swiss bank accounts. But the steps taken are rarely an impediment for Ukrainians nowadays, according to Hawrylyshyn. "Now, of course, their money looks

more legal – and could meet Swiss standards," he added.

Bowing to international pressure, the Swiss government eased banking secrecy in March 2009. The decision was a big break from a tradition set 75 years ago.

"I believe that there is more banking secrecy in Austria now than in Switzerland," Hawrylyshyn said.

By contrast, Ukraine's leadership does not seem to be curtailing abuse of offshore havens by influential politicians and business oligarchs.

The last attempt took place in July 2008, when Ukraine's parliament fell three votes short of legislation to cancel a double taxation avoidance treaty with Cyprus. The island has a corporate tax rate of 4.25 percent, far less than Ukraine's corporate profit tax.

As a result, Ukraine's state budget has been starved of billions of dollars in tax revenue since national independence in 1991.

The need to move money remains high. While some say the nation's

shadow economy is gradually coming into the light, others say it still hovers around 50 percent of Ukraine's economic output.

So Switzerland remains in demand – for legitimate and other reasons.

Siberian-born Vladimir Oster, managing director of Switzerland-based Tag Group, comes to Ukraine to explain at investment conferences how a Swiss company can be registered and operate.

"Trading companies and financial consultancies are the most interested. They benefit from stable political and economic systems, low taxes for the foreign entities as well as the ability to plan – which is what they can't get in Ukraine," Oster said.

For instance, many grain traders in Ukraine have legal entities registered in Switzerland, according to a source at the Swiss Embassy in Kyiv.

"One can make a deal with a Swiss canton [state], say buying property, and then the income tax could go down to as much as 1 percent," said Sacha Pictet,



Sacha Pictet

a descendent of the famous banking family that has been involved in Pictet & Cie private bank since 1830.

Sacha Pictet came to Ukraine in 2008 to oversee The Ukraine Opportunity Trust, an investment arm of Fabien Pictet and Partners, a fund that specializes in emerging markets.

What about secrecy? Swiss authorities now cooperate with criminal and financial fraud investigations, although it remains difficult for Ukrainians to learn who from their elite is hiding or moving their money through Switzerland.

"Those who keep money [in Switzerland] should be a big fish. The minimum deposit should be at least \$250,000, but they won't take you seriously unless you put \$500,000 in the bank," Pictet said. To open a company, registered capital should be at least \$100,000.

While huge sums of Ukrainian money are believed to be moving through Switzerland each year, Ukraine has received only a tiny share back. Swiss investment in Ukraine is estimated to amount to less than one billion Swiss francs.

While top officials in government, such as Prime Minister Mykola Azarov, regularly urge Ukrainians to start paying taxes and stop using offshore schemes, the reality is that top government officials and the nation's richest businesspeople are widely suspected of benefitting the most from international tax schemes.

Kyiv Post staff writer Katya Grushenko can be reached at grushenko@kyivpost.com.

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Swiss diplomat: Businesses face greater problems in Ukraine today

BY KATYA GRUSHENKO
GRUSHENKO@KYIVPOST.COM

Ivana Wagner is charge d'affaires in the embassy of Switzerland in Ukraine, which is hidden on the heel of Koziatynska Street of Kyiv's center. Unlike many other diplomats interviewed by Kyiv Post, Wagner didn't boast about how close Ukraine and Switzerland are tied; instead, Wagner saw plenty of room for improvement. Speaking to the Kyiv Post, Wagner explained how Swiss business feels in Ukraine and how she sees the dispute over Russian and Ukrainian languages in the country.

KP: How would you describe the relations between Switzerland and Ukraine?

IW: Economically there is room for the relationships to improve. In terms of investment and the number of companies in Ukraine, Switzerland is not comparable to countries like Austria, Germany or even the northern nations.

Foreign direct investment stands at more than \$1 billion, which makes two percent of Ukraine's total FDI. Our biggest investments came from Nestle, which poured some money into Svitoch chocolate factory in Lviv Oblast, and Tetra Pak, a packing material producer. There were also investments in wood and glass industries. We can't boast a big trade turnover either – it stands at \$120 million.

KP: Why do you think there is unfulfilled potential in

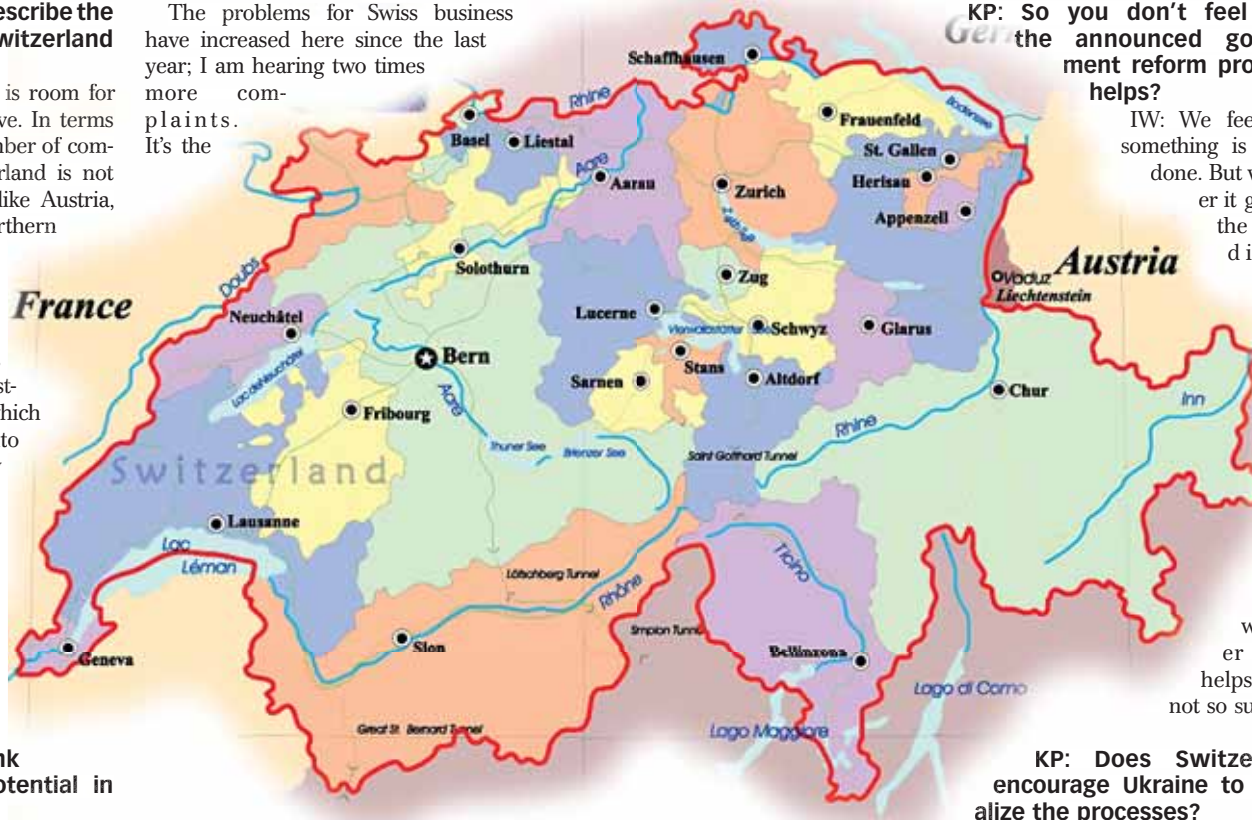
→ "I am hearing two times more complaints. It's the usual scope of issues – taxes, VAT refund and customs. So, of course, this doesn't inspire confidence."
– Ivana Wagner

our economic relations?

IW: Swiss people are quite prudent and cautious. They think twice before going somewhere. And conditions for business here are still to be improved.

The problems for Swiss business have increased here since the last year; I am hearing two times more complaints. It's the

usual scope of issues - taxes, VAT refund, and customs. So, of course, this doesn't inspire confidence. When these issues improve, the Swiss will come.



Ivana Wagner says that Swiss-Ukraine business ties could be much better, but cites more than \$1 billion in foreign direct investment from Switzerland, including Nestle, as one of the bright spots. (Andrey Kravchenko).

KP: So you don't feel that the announced government reform program helps?

IW: We feel that something is being done. But whether it goes in the right direction,

IW: German, French, Italian are our official languages and the fourth one – Retro Romansch – is our national language. Each canton decides which language they want to use in their schools and universities. But one can use all three languages dealing with the public authorities in any canton. Public officials know at least two languages – German and French - while diplomats have to know Italian also.

A few valleys in the eastern part of the country speak Retro Romansch. Unfortunately the language is less and less popular as the youth is moving to the big cities from these valleys so the government tries to support its development.

KP: So what is your perception of the debate we have over Ukrainian and Russian languages?

IW: I really don't understand it. When I interview students who are the finalists to receive scholarships from the Swiss government [Swiss government issues 5-8 scholarships yearly for Ukrainians to study in Switzerland], I always ask them about the languages in Ukraine. Many give me a quick answer that Ukrainians have to defend Ukrainian language and if we introduce Russian, Ukrainian will disappear.

For someone who comes from Switzerland this is not understandable. I think two, three, four languages can live together.

KP: Do you find it difficult to be a woman diplomat?

IW: I would suggest every woman who dreams of becoming a diplomat to think twice because it is not easy, especially for the family life. My husband followed me during my missions in Argentina and Czech Republic, but after that he returned to Switzerland to proceed with his career. Since then, I took on posts that are 2-3 hour flight from Switzerland. But, of course, it is a rewarding experience because I get to learn about many cultures.

KP: So which chocolate is better, in your opinion, Ukrainian or Swiss?

IW: I have to defend Swiss chocolate. I like it more.
Kyiv Post staff writer Katya Grushenko can be reached at grushenko@kyivpost.com.

KP: Does Switzerland encourage Ukraine to liberalize the processes?

IW: We have been here for 11 years with a cooperation office that has programs for good governance, decentralizations, and helps to reform judicial system and healthcare. It's a slow process.

KP: What is the Ukrainian diaspora like in Switzerland?

IW: There are around 8,000 Ukrainians living in Switzerland. Many work as nurses. Right now it would be very difficult to apply for a job in Switzerland from Ukraine, but I think Ukrainians come through other countries.

KP: Are there many Ukrainians who travel to Switzerland?

IW: We issue around 20-22,000 visas per year. There are many demands for visas in winter and in summer with people going to the well-known Swiss resorts. Around 20 percent of visas are marriage visas and then some Ukrainians are going to Switzerland to study.

KP: Switzerland is known for its multilingualism. How do you combine so many languages in such a small country?

Confederation Day

Swiss celebrate their national day on Aug. 1. On that date in 1291 three Alpine cantons – Schwyz, Unterwalden and Uri – swore the oath of confederation on the Rütli field. They also agreed to act jointly if their freedoms were threatened by outside aggressors. This act was later considered the foundation of Switzerland. Only in 1993 did the Swiss make Aug. 1 their National Day. The official part of the celebration takes place on Rütli field, where the federal president pronounces his speech. Other politicians of all levels and the heads of communes appear from all over Switzerland. Fireworks are popular during the celebrations.

Switzerland at a glance:

- Government type: Swiss Federal Council consisting of seven members who are elected by the Federal Assembly for a four-year term. These seven counselors have equal power but one of them is elected president of the confederation for one year.
- Administrative divisions: 26 cantons
- Location: Central Europe, east of France, north of Italy
- Population: 7.6 million
- Capital: Bern
- Languages: German, French and Italian are official languages, Romansch is national language
- Economy overview: Switzerland is a peaceful, prosperous, and modern market economy with low unemployment, a highly skilled labor force, and a per capita GDP among the highest in the world.
- GDP - per capita: \$42,600
- Switzerland's economy grew by 2.7 percent in 2010
- GDP/PPP (gross domestic product; purchasing power parity):

- \$324.5 billion
- Exported commodities: machinery, chemicals, metals, watches, agricultural products
- Major exports partners: Germany, US, Italy, France, UK
- Imported commodities: machinery, chemicals, vehicles, metals; agricultural products, textiles
- Major import partners: Germany, Italy, France, US
- Military service: 19-26 years of age for male compulsory military service. Every Swiss male has to serve at least 260 days in the armed forces
- The Swiss franc is among the world's most stable currencies
- In 2009, the Swiss financial sector employed 195,000 people, or 5.8 percent of the entire Swiss workforce
- The Swiss are world leaders in offshore private banking. In 2007, they managed close to 27 percent of all private offshore funds.
- One third of UBS and Credit Suisse profits are generated by their offshore banking services.
- In 2008 Switzerland came under increasing pressure from the EU and the US to reform its banking secrecy laws.
- Swiss government agreed to conform to Organization for Economic Co-operation and Development regulations on administrative assistance in tax matters, including tax evasion

Ukraine-Switzerland ties

- Trade turnover: \$123 million
 - Swiss exports to Ukraine: \$ 47,5 million
 - Ukraine's export to Switzerland: \$76 million
 - Swiss living in Ukraine: 130 people
 - Ukrainians living in Switzerland: 8,000
- Sources: CIA factbook, Ambacy of Switzerland in Ukraine.

US indicts ex-UBS banker for tax evasion services

FAIRFIELD, Conn., (Reuters) - A former senior UBS private banker was indicted by the United States on Aug. 2 for selling offshore tax-evasion services to wealthy Americans, the latest evidence of a rapidly-hardening U.S. approach toward Swiss banking.

The former banker, Martin Lack, is a Swiss national who until around 2003 oversaw UBS's North America business for wealthy Americans hiding money in secret offshore accounts.

He was charged with one count of conspiracy to defraud the United States.

Lack left UBS after losing a power struggle with senior UBS executives, according to persons briefed on the matter. He went to work at Keusch & Merlo Invest AG, a financial advisory firm in Zurich, according to court papers. He also ran a separate advisory business, Lack & Partner AG, in Zurich.

The indictment, in Fort Lauderdale, Fla., represents the newest wave of pressure by American officials on Swiss bankers and banks that enabled wealthy Americans to evade billions of dollars in taxes through hidden, or undeclared, offshore accounts.

The indictment cites Lack's work with nine wealthy American clients, including one who traveled to a hotel in New Orleans and handed Lack \$200,000 in cash to take back to Switzerland. Lack also encouraged American clients not to come forward to the IRS under a "voluntary disclo-

sure" program that reduced fines and penalties, court papers said.

Among other allegations in court documents:

- Lack told a client he could create fake bank records that would misrepresent hidden funds as the proceeds of a loan.
- He advised other clients to create sham entities in the British Virgin Islands and foundations in Liechtenstein as a veil for their Swiss proceeds.
- At a meeting with another client, in Chicago in 2006, Lack handed the client a cell phone and told him not to call Switzerland from his U.S. phone line.
- Lack told another client in 2008 that Switzerland's bank secrecy laws were "rock solid" despite a nascent investigation of UBS by U.S. authorities.

Talks break down

The U.S. Justice Department has widened its investigation of Swiss banks with the focus largely on Credit Suisse AG, Switzerland's second-largest bank after UBS.

Credit Suisse said last month it had received a target letter from U.S. officials formally notifying it that it was under criminal scrutiny. Several of its bankers have been indicted.

Talks between Bern and Washington over a multi-billion dollar "global settlement" of the various investigations broke down last month and have not moved forward, according to a second



Oswald Gruebel, CEO of Swiss Bank UBS, speaks during a press conference announcing second quarter results of 2011 in Zurich, Switzerland, on July 26. Swiss bank UBS AG lowered its forecast and announced fresh job cuts after posting sharply diminished second-quarter net profits of 1.02 billion Swiss francs (\$1.2 billion). (AP)



Brady W. Dougan, CEO of Swiss Bank Credit Suisse, speaks during a press conference announcing 2011 second quarter results in Zurich, Switzerland, on July 28. Credit Suisse Group announced fresh job cuts after posting steeply lower second-quarter net profits of 768 million Swiss francs (\$959 million), battered by a strong currency and plunge in trading. (AP)

person briefed on the matter. The talks bogged down in part over a Swiss insistence on immunity from prosecution for its bankers.

In 2009, UBS averted indictment by agreeing to pay a fine of \$780 million, admitting to criminal wrongdoing with its offshore private banking services, and agreeing to turn over client names.

Lack is the second high-ranking for-

mer executive from UBS to be indicted. Raoul Weil, who oversaw the bank's cross-border private banking operations from 2000-2007, was indicted in 2008 and fled to Switzerland as a fugitive in early 2009.

UBS private banker who was indicted last December and is cooperating with investigators. Lack's indictment said that he worked with an unnamed Swiss cantonal bank to help wealthy American clients of UBS further conceal their assets. That bank, according to persons briefed on the matter, is Basler Kantonbank, which is under scrutiny by the Justice Department, these persons said.

Swiss cantonal banks are effectively government-owned, making American scrutiny of them a diplomatic affair between Bern and Washington.

The indictment also cited Lack's work with an unnamed, unindicted co-conspirator, referred to by the initials "S.L." The person is Stefano Longo, a private banker at Basler Kantonbank in Zurich and a member of the bank's management committee, according to persons briefed on the matter. Michael Buess, a spokesman at Basler Kantonbank, declined to comment and said he could "neither confirm nor deny any cooperation between Lack and Basler Kantonbank."

The indictment said Lack encouraged clients of UBS to continue to work with him when he left the bank and to create a further veil of secrecy by hiding some of their money in Swiss cantonal banks, long considered the safest of Swiss banks.

Under the Swiss tradition of bank secrecy, tax evasion is generally considered legal.

Cantonal bank

Lack shared business and office space with Renzo Gadola, a former senior



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Certainly.

St. Petersburg's white nights mean endless summer



1

1. Twilight at St. Isaac's Church (Isaakiyevskiy Sobor), St. Petersburg's largest Orthodox cathedral, built in 1858.

2. Local artists often draw inspiration from the scenery at Fontanka, the river crossing in the central part of Saint Petersburg. Excursion boats full of tourists regularly pass by.

3. Saint Petersburg's mimes and street musicians earn their living on Nevskiy Prospect, the city's main street.

4. A boy looking at "The Death of Camilla, Sister of Horace" painting by Fedor Bruni in the Russian Museum in Saint-Petersburg.

5. High school graduates celebrate prom on the quay near Birzhevaya Square, with the Petropavlovskaya Krepost (Peter and Paul Fortress) in the background.

- Photos by Alex Furman



2



3



4



5



City Life: Old Arbat beats Kreshchatyk

→ **13** when they see some of the high heels that strut down Kreshchatyk Street every day. Point for Kyiv.

On the topic of walking, we must compare Moscow's Old Arbat to Kyiv's Kreshchatyk. They may not be the perfect parallels to draw between the two cities, but both streets are alike in their friendliness towards pedestrians. One of the things I like most about living in Kyiv is when Kreshchatyk is closed to traffic on weekends in the summer, and everyone comes out to walk on what is normally a very busy stretch of road. Without fail, street performers and food vendors come out to try to make a profit off of the sudden surge in pedestrian life, and the atmosphere is relaxed and pleasant...but this only happens once a week.

Because Old Arbat is always a pedestrian street, it usually has the "Sunday Relaxed" atmosphere that I love so much. Its smaller scale is charming and more personal, and while there are a few large American establishments—namely Starbucks and Hard Rock Cafe—that take some of the appeal away, it isn't overwhelming with advertisements like Kreshchatyk can be. I am also personally not a fan of large, intimidating Soviet architecture, so I generally don't find Kreshchatyk as aesthetically pleasing as Old Arbat. Though they're both great, I think the Arbat is nicer. Point for Moscow.

The Moscow and Kyiv metros were built by the same people, both around the same time, so at first it is difficult to find differences between the two.

Yes, the one in Moscow is bigger, but it is a far bigger city so that seems fitting. It's also true that in Moscow the stations tend to be more ornate than those in Kyiv, with mosaics depicting glorious Soviet workers adorning the walls of cavernous platforms.

They share the same impossibly long escalator rides underground, the same wonderfully short three-minute wait (get your act together, Chicago!), and the same rickety trains. Overall, the similarities are more numerous than the differences, but ultimately riding the Kyiv metro is a more enjoyable experience. Then again, perhaps enjoyable is not the correct word to use.

Kyiv is a much smaller city—a trait that I am increasingly realizing is an advantage—so fewer people commute every day, and the metros are relatively less congested. Fortunately for me, the agony of being underground in a crowd of several hundred people, all of whom are trying to get a spot a single escalator, is more characteristic of Moscow.

Kyiv's metro is anything but pleasant, but the sheer chaos that takes place in Moscow twice a day makes the Ukrainian rush hour seem like a walk in the park. Point Kyiv

The final call is Kyiv 3, Moscow 1.

While I will always have a soft spot in my heart for Moscow, I can't deny the fact that my quality of life is better here.

Caitlin Cleary is an American high school student living in Kyiv this summer.

Kyiv still hostile to bicyclists; activists push for change

→ **13** this rude neglect, cyclists have begun more actively promoting their healthy lifestyles and trying to develop infrastructure to support more of them.

"The number of cyclists has significantly increased. Up to 7,000 people gathered on Velo Day [Bicycle Day] this year, while last year only 3,000-4,000 came to this event," said 27-year-old entrepreneur Egor Koliadenko, who rides his bicycle to work daily. Velo Day was May 28 this year.

Koliadenko says that, by riding his bike, he saves money and time.

Viktor Zagreba from the Kyiv Cyclists' Association said that more than a half of all city trips are than five kilometers. "It takes about an hour to travel this far on foot. By car it is possible to get stuck in traffic jam while you can definitely overcome this distance by bicycle in 15-20 minutes," Zagreba said.

Doctors say people who regularly ride bicycles say they feel 10 years younger than those who prefer cars — if they stay alive. Cycling in Kyiv, however, is a risky activity. Bicyclists are involved in many accidents with cars and, of course, anyone on a bike is bound to come out of the encounter in worse shape than the motorists.

Still, city officials are getting the message. The city plans 17 bike routes on 62 streets for a total length of 161 kilometers by 2012. However, bike activists are skeptical. They say that few of the existing routes are in the convenient center.

Another problem is the lack of places to park bicycles, but city officials say they are working to rectify the situation there. Oleksandr Popov, head of the Kyiv administration, unveiled three new bike parking lots in May, calling them "our little victory."

However, fundamental problems remain. Kyiv is an ancient, but densely packed city. The narrow roads don't even offer enough space for cars.

Meanwhile, Piotr Kuropatwinski, vice president of the European Cyclists'



Federation, believes Ukraine's capital will need to change its underlying philosophy. "Fighting with congestion by merely widening the roads is like fighting with obesity by loosening your belt," Kuropatwinski said.

Kuropatwinski said such a transition is possible. He said that Bogota transformed itself from "the worst city in the world" for bicycles in the 1990s to "the bicycle capital of Latin America." The former Bogota mayor credited for the transition, Enrique Penalosa, created a road system in which "a citizen on a

\$30 bicycle is as important as one in a \$30,000 automobile," Penalosa said.

Armin Wagner, a German expert who heads a climate-friendly mobility project in Ukraine, said that not only motorists wishes must be taken into account when designing transportation systems. Kuropatwinski says car owners would feel better in cities with lots of bicyclists. "The cyclists never compete with them for parking places," he noted.

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

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Moroccan Ambassador to Ukraine Abdeljalil Saubry.

➔ On Aug. 30, the Kingdom of Morocco celebrated Fête du Trône (Throne Day) commemorating the date when King Mohammed VI was enthroned in 1999, after the death of his father, Hassan II. In Kyiv, the celebration took place in the reception room of President Hotel. Diplomats and business people came to celebrate Morocco, the North African nation where many are seeking greater democratic freedoms. Guests enjoyed traditional cuisine. (Andriy Kravchenko)



From left: Ambassador of Sweden to Ukraine Stefan Gullgren, Ambassador of the Republic of South Africa to Ukraine Andris Fenter, Ambassador of Japan to Ukraine Tadashi Izawa and Ambassador of Egypt Yaser Ateph.



Fouzi Haloul of Libyan Embassy and Sahah Cheklal of Algerian Embassy.



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Duties and Responsibilities:

- Coordinate activity of social activists, NGOs, mobilizing citizens to be more active to promote reforms;
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- Coordinate strategic planning of advocacy activities, engage different stakeholder in advocacy campaigns, including government, business, NGOs and media stakeholders;
- Assist in network development by providing Capacity Development tools to the advocacy activists;
- Provide assistance in the preparation of programmatic work plans, reports, etc.

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- Provide assistance in the preparation of programmatic work plans, reports, etc.

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УКРАИНА: Візові випробування українців: літо 2011

Оксана Гриценко

Хоча в серпні на вулицях Києва людей помітно меншає, під дверима столичного візового центру європейських країн, що на Фрунзе, 60, метушня та гамір, як на Східному базарі. На кожному кроці відвідувачам пропонують свої послуги страхові агенти та перекладачі, поряд припарковано машини з ксероксами апаратами, а довкола на лавках нервово перебирають свої документи стурбовані "клієнти". Одна з них, 25-річна Наталя, подає документи на візу у Францію, бо вже не вперше хоче провести літню відпустку в Провансі. Вона не в захваті від того, що за свою шенгенську візу мусить викласти 35 євро, плюс 25 євро за послуги візового центру, без якого тепер не обійтись...

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РОССИЯ И СНГ: Kyiv Post нашел Романа Ландика

Наталія Васютин

Екс-депутат Луганського горсовета Роман Ландик, об исчезновении которого из Краснодарского СИЗО заявили ряд украинских медиа, нашелся... в том же Краснодарском СИЗО. Недоразумение с исчезновением Ландика могло произойти из-за его перевода из одного следственного изолятора, полицейского, в другой - службы исполнения приговоров. Украинские СМИ, сообщившие 2 августа об исчезновении Ландика, ссылались на представителей полицейского ведомства. Первый изолятор, в котором пребывал Ландик, находился в их ведомстве, но вторым, в который перевели экс-депутата, ведает уже совсем другая служба...



Роман Ландик

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