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Back Into The Gray Zone

Why is President Viktor Yanukovich fumbling integration with the European Union – supposedly his top foreign policy priority? Some say the lure of cheaper Russian natural gas is proving irresistible, but doubts remain about whether the Kremlin will give him a good deal. Others think that Yanukovich and the moguls who back him just want to stay in power at all costs and never had any intention of playing by democratic rules.

BY OKSANA GRYSSENKO
GRYSSENKO@KYIVPOST.COM

The president did not fly to Brussels. After President Viktor Yanukovich refused to back down to Western demands to release jailed former Prime Minister Yulia Tymoshenko last week, the European Union postponed his Oct. 20 visit to its capital indefinitely – until, officials said, democratic conditions in Ukraine improve.

The snub raises fears that Ukraine's European integration is now at risk, leaving the country alone in the face of increasingly loud demands from Russia, its former Soviet master.

The reason for the EU's wrath is the seven-year prison sentence given to Tymoshenko on Oct. 11 after what many in the West regard as a show trial. Brussels had pressed Yanukovich to find a way to release his main political rival, but the president indicated to a group of Western journalists on Oct. 17 that this was not in the cards.

"What kind of signal would this give society?" Yanukovich said. "That to be able to commit crimes one should be a member of the opposition?"

The president also talked up new criminal charges against the charismatic opposition leader, accusing her of attempting to embezzle \$405 million from the state while she headed a gas company in the 1990s.

The EU's tough response puts

Yanukovich on the spot over his attempts to combine European integration with a crackdown on opponents that some critics have compared to Russian Prime Minister Vladimir Putin's style of rule.

Brussels has told Yanukovich to strengthen the rule of law and independence of the judiciary if he wants to be welcome in the EU.

Not doing so could put an end to Kyiv's attempts to seal a political association and free-trade agreement with the EU. On Oct. 20, the EU announced that the details of the free trade deal had been agreed, but said implementation relied on Ukraine creating the right "political conditions."

So far, these demands have fallen on deaf ears.

"The imprisonment of a political rival was put on a par with concluding of the strategic agreement with the EU," said Oleksandr Sushko, an analyst at the Institute for Euro-Atlantic Cooperation. "And the president chose the first option, showing that his real priority was autocratic power."

Yanukovich upped the stakes on Oct. 19, saying in a televised interview that he may not sign the association agreement if it doesn't contain a clear path to EU membership for Ukraine.

"There is an impression that we are like beggars asking in, but they are not letting us in. I don't want this," he said.

Meanwhile, officials in Kyiv → 15

Russian President Dmitry Medvedev (L) and Ukrainian President Viktor Yanukovich meet in Donetsk, Ukraine, on Oct. 18. The seven-year imprisonment of ex-Prime Minister Yulia Tymoshenko prompted European Union officials to postpone a scheduled Oct. 20 meeting with Yanukovich until democratic conditions improve in Ukraine. Yanukovich responded defiantly by suggesting Ukraine may pursue closer ties with Russia instead. (AP)

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Mailing address:

Kyiv Post,
Prorizna Street 22B,
Kyiv, Ukraine, 01034

Advertising

tel. +380 44 234-65-03
fax +380 44 234-63-30
advertising@kyivpost.com

Editorial staff

tel. +380 44 234-65-00
fax +380 44 234-30-62
news@kyivpost.com

Subscriptions

Natalia Protasova
tel. +380 44 234-64-09
fax +380 44 234-63-30
subscribe@kyivpost.com

Distribution

Serhiy Kuprin
tel. +380 44 234-64-09
fax +380 44 234-63-30
distribution@kyivpost.com

Marketing

Iuliia Panchuk
tel. +380 44 234-30-40
fax +380 44 234-63-30
marketing@kyivpost.com



A palatial presidential estate near Dnipro River

Mezhyhirya is a 140-hectare estate north of Kyiv (1) where President Viktor Yanukovich lives, a luxury property acquired from the state in unexplained circumstances and with unclear sources of funding. When the massive construction project is finished, the luxurious residence will reportedly have outdoor and indoor tennis courts, an artificial pond, several pools, an indoor shooting gallery, a golf course, a horse club and a yacht marina. The president admits to owning only a 1.8 hectare plot and a two-story house there. But investigative reporters for Ukrainska Pravda and other news outlets, including the Kyiv Post, have exposed a trail of documents and individuals linking Yanukovich's inner circle to millions of dollars being spent on the place. The small black-roofed building surrounded by trees at the top of the picture (1) is the place Ukraine's president officially owns. This is the same house that he showed to a few hand-picked journalists during an interview last June. The 619-square meter house is estimated by real estate specialists to be worth \$10 million. Yanukovich's declared income in 2010 was \$115,000.

On the left of the compound, a much more prominent building stands out, the mansion Yanukovich describes as being built with his friends. Although a trail of documents reportedly show a connection of the territory the building was built on to the president's inner circle, he denies having anything to do with that part of Mezhyhirya. According to the development plan, a yacht club will be built on the shore of the Kyiv Sea reservoir (2).

The sports centers at the compound (3) look impressive: There is an outdoor tennis court, the white building on the left is a sports club, which includes indoor tennis court, bowling and a shooting gallery.

Photos by Dmytro Zabashtansky



Where is Lyudmila Yanukovych?

BY SVITLANA TUCHYNSKA
TUCHYNSKA@KYIVPOST.COM

She is one of Ukraine's most closely guarded secrets. She lives in virtual exile, many miles from her powerful husband, but displays his wealth ostentatiously. On her rare appearances in public she is surrounded by bodyguards who don't allow journalists near her.

She is Lyudmila Yanukovych, Ukraine's first lady.

Last seen with her husband, President Viktor Yanukovych, during his inauguration on Feb. 25, 2010, Ukraine's first lady lives in the eastern city of Donetsk and appears in public rarely, usually visiting local theaters.

Observers say the absence of Yanukovych's wife from public life damages the image of the president and Ukraine. It also places him alongside the authoritarian leaders of Belarus and Russia, whose wives are also hidden away.

Some think the reason she's 500 miles from Kyiv dates back to the 2004 Orange Revolution, when she had one major – and combative – appearance in the national spotlight.

When tens of thousands in Kyiv hit the streets to protest her husband's

fraud-tainted election, she made a speech to supporters in Donetsk that swiftly became an internet sensation.

Speaking in a hysterical voice, she slammed the Orange protestors in ungrammatical and undiplomatic language, alleging that they received American money and support. She referred to "American tents with heating" and "American felt boots" that she claimed supporters of ex-President Viktor Yushchenko had a supply of in Kyiv.

Calling the pro-Yushchenko supporters, nearly a million people, a "coven," she said people were given "[drug-] injected oranges" that made them a zombie-like crowd.

Not only was the speech itself widely mocked, but so was her fashion choice of a blue lambskin coat and a fur beret in the same color.

Political analyst Volodymyr Fesenko said the speech was a turning point for the future first lady, who has been rarely seen since then.

Only one journalist, with the Komsomolskaya Pravda newspaper, has been granted an interview with the first lady. The fawning question-and-answer article, published on Oct. 7, is a lifeless and polished portrait of the first lady.



First Lady Lyudmila Yanukovych (UNIAN)

It describes the 61-year-old former steel plant worker as a religious person who does low-profile charity and is not willing to move to Kyiv to live with her husband because she is helping to raise her grandchildren in Donetsk.

In the interview, the first lady describes how she met Yanukovych after dropping a brick on her foot while working at the factory.

"I did not ask her any tough questions, including why she is not seen

with the president, because I wanted to make a kind-hearted, positive interview. There are too many people who write negative, false stories about her and I wanted to support her," said Halyna Novikova from Komsomolskaya Pravda, who wrote the article.

Denys Ivanenko, a spokesman for the presidential administration, said it would be impossible for the Kyiv Post to talk to the first lady.

"The role of first lady varies in each country. There is no rule. Lyudmila Yanukovych is not a public person and not a state official, so we do not comment on her," Ivanenko said, adding that she also does not have a personal spokesperson or assistant who can be reached.

The absence of Yanukovych's wife from Kyiv has led to gossip in political circles and, more seriously, harm to the country's reputation.

"When we see leaders with spouses it sets a good example of family values. ... Public people should build both their public and private lives on human values," said Kateryna Levchenko, president of La Strada women rights organization.

Oleh Rybachuk, a former presidential administration chief-turned-civic activist, said the public absence of the first lady

is damaging the image of the country and puts it in a club of states like authoritarian Belarus, where the wife of strongman President Alexander Lukashenko, Galina, is also living in exile.

She has lived in a village since her husband took office in 1994. Meanwhile Lukashenko's personal life remains a mystery, spurring rumors over who is the mother of his seven-year-old son, who is often by his side.

Former Russian first lady Lyudmila Putina has been absent from the public eye since 2009, feeding rumors about the private life of Russian Prime Minister Vladimir Putin.

Of Ukraine's four presidents, only the wife of the first president, Leonid Kravchuk did not perform any public duties. The spouse of Yushchenko, U.S.-born Kateryna, was the most public first lady. She not only engaged in charity events and public duties but also visited art and fashion shows and often spoke to media.

Despite the distance from her husband, the first lady keeps him close when driving: She has been pictured in a \$30,000 Honda Odyssey minivan with his portrait in the front window.

Kyiv Post staff writer Svitlana Tuchyńska can be reached at tuchyńska@kyivpost.com



New Copyright Law 'in danger of stifling business'

Ukrainian Parliament is discussing new procedures of copyright levies collection for imported blank media carriers and equipment. If introduced, new legislation can set unfair market conditions, cause customs hurdles and distort trade balance.

Reinier Schlatmann, General Manager at Philips Ukraine and Moldova, comments on the situation.

How do you assess the novelties to copyright legislation in terms of the procedure of copyright levies payment before the import of blank media carriers and equipment? Do you consider the initiative risky and ineffective? Why?

From the business point of view the requirement to provide the Certificate confirming copyright levies payment made before customs clearance of products can cause delays in customs clearance and thus bring additional costs for storing products at customs warehouses while expecting the Certificate. In addition, business community opposes to such novelty as the broader list of documents would be required for customs clearance of equipment and blank media carriers that would hurdle customs clearance procedures. Moreover, the draft law can increase risks of corruption associated with the importation as only one non-governmental Collective Management Society (CMS) may issue the required certificate.

The draft law sets more favorable conditions of copyright levies payment for local producers of equipment and blank media carriers than it does for importers. According to the draft legislation Ukrainian producers have to pay the levies after the actual sale of products while the importers

have to pay levies even before the goods enter the Ukrainian market. This draft norm may be deemed discriminatory as to the importers, which is not allowed under the General Agreement on Tariffs and Trade and could harm the fair trading on the country's market.

The novelty also does not comply with the effective Ukraine's legislation as according to the Supreme Court of Ukraine, it contradicts to the Civil Code of Ukraine. According to the latter the authors have the right to receive compensation for actual use of their works. Therefore levies payment for equipment and blank media carriers before being imported into the territory of Ukraine, probably contradicts the Civil Code of Ukraine and the overall situation seems to be rather unreasonable.

How do you foresee the way out of the situation? What pillars of effective copyright levies collection system should be introduced in order to make the import of media carriers and equipment smooth and European-like?

It is necessary to establish a straightforward, fair and transparent procedures for copyright levies payment for all players on the

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Paying copyright levies after importation of products is a widespread and standard practice

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REINIER Schlatmann

Chair of EBA Consumer Electronics Committee
General Manager at Philips Ukraine & Moldova

market of consumer electronics in Ukraine. Thus it is essential to amend the draft law and introduce a clear mechanism of delayed payment of copyright levies within a certain period of time after the customs clearance of the product. The list/scope of the products to be levied and the reasonable levy rates should also be discussed and agreed between business, the CMS and the government. Upon such discussion, apparently, the respective resolution of the Cabinet of Ministers should be amended.

What international practices of copyright levies collection process could you recommend to Ukraine's lawmakers as beneficial and advantageous?

In multiple EU member-states copyright levies are paid after the importation of relevant products and in some cases even after the sale thereof to consumers. For example, in Portugal copyright levies are collected in the form of tax included into the price of a product. A system of copyright levies payment which implicates the importers being billed for the import of relevant products and the levies are paid within reasonable timeframe after customs clearance was established in the Russian Federation after continuous debate between business and state authorities. In general, international experience evidences that paying copyright levies after importation of products is a wide-

spread and standard practice.

What current hurdles and obstacles business faces when importing blank media carriers and equipment?

According to the current Ukrainian legislation the scope of products that should be subject to copyright levies is defined too broadly. The groups of commodities subject to levies are defined by the first four digits of customs commodity codes which include many products actually not designed to make copies of copyrighted works, their storage and display or demonstration. In addition, the levy rates are unreasonably high. Thus the scope of products that should be subject to copyright levies and the respective levy rates should be amended upon broad discussion between business, the Collective Management Society and government.

Could you please give an overview of the healthy and

balanced scope of products subject to copyright levies?

Copyright levies should be collected for importation and manufacture of only those products that are designed to reproduce copyrighted works (i.e. designed to copy and then store copyrighted works on themselves). The balanced scope of products subject to copyright levies could be developed by the application of such principle.

What is the most economically-effective and well-balanced rate for copyright levies to be established in Ukraine?

Current copyright levy rates in the amount of 3% of the cost of equipment and 5% of the cost of blank media carriers are unreasonably high for business. The economically justified rate of copyright levies should be set at the amount of up to 1% of contractual value of equipment and blank media carriers. By the way, such rate of copyright levies was set in Russian Federation. This rate may be acceptable in Ukraine only if a limited and specific scope of products subject to levies is defined. The copyright levy rates may vary from product to product and should probably depend on the cost of the reproduction function within certain product and the purposes for which it is actually exploited by users. Such approach was successfully applied in Poland.

International experience suggests that establishment of justified rate of copyright levies may actually increase contributions collected. For example, in Romania where the rate of copyright levies was reduced from 5% to 0,5% the amount of contributions collected increased significantly.

In an adverse scenario, if the procedure of copyright levies payment for import of blank media carriers and equipment is put in force in its proposed edition, what will be the results and consequences? -for importers/end consumers/trade environment

For importers this can probably cause a situation when importation of some equipment and blank media carriers would highly depend on the decision of a non-governmental organisation. In addition, the new procedure can cause additional financial costs and losses of sales for companies associated with delays in delivery of products. Doing business for "white" importers could become economically unfeasible and shipments of certain products would then probably be stopped. We believe that this scenario also might have a negative consequence for both consumers and rights holders.

InFocus

Multiplier effect of CE mark recognition

CE A new set of technical regulations governing the import of medical devices to Ukraine comes into effect on January 1, 2012. A key feature of the new rules is the requirement that all medical devices imported into Ukraine be labelled with Ukraine's own national conformity mark.

However, importers are still waiting for a precise and unambiguous description of the labelling procedure, and there are worries that they won't have enough time to adjust to the new rules.

The new rules cover medical items ranging from simple bandages to highly sophisticated life-support equipment. As imported medical devices are essential to maintaining and improving Ukraine's healthcare system, the European Business Association is strongly advocating the establishment of a clear, open and understandable set of rules governing the labelling procedure and the process of importing medical devices into Ukraine.

Given the present situation, EBA Health Care Committee is shining the spotlight on the issue of national CE mark certification. The CE (Conformité Européenne) mark on

medical devices is an indication of quality assurance awarded to those items that meet European safety standards, showing that the product meets the requirements of the relevant European Directives. However, the Ukrainian legislation on its own national CE mark certification envisages even stricter safety standards, thus placing a potential obstacle in the way to the importing to Ukraine of high-quality European-made medical devices.

The EBA believes that the establishment of simplified procedures for approving the CE marks on medical devices imported into Ukraine would obviate the need for time-consuming double-checks on items that have already been marked with the CE label.

ELIZAVETA Volobueva

Chair of EBA Medical Devices Subcommittee,
EBA Health Care Committee Board Member
Johnson & Johnson Ukraine



CE marking is a kind of a declaration by the manufacturer that the product meets all the criteria, health, quality and safety standards of the applicable European Directives. Conditionally CE marking pro-

cess implies 8(!) steps of conformity testing and approval the product is to undergo in order to become CE-certified. By affixing the CE marking on the product the validity for it to be sold throughout the European market is fully assured.

All medical devices which are imported into the territory of Ukraine go through excessive, time and effort-consuming process of national conformity testing and labelling. Moreover, the responsible authorities claim the Ukrainian standards of quality and safety coincide with the European ones.

So, the question arises: why do products from Europe nevertheless have to undergo a repeat set of quality and safety tests to ensure they meet Ukrainian national standards as well? Are not the Ukrainian certification bodies simply repeating a task already completed by the certification bodies of the European Union?

If the CE mark is eventually recognised in Ukraine as a label which indicates that the product meets EU & Ukrainian safety, health and environmental protection requirements, the process of medical devices import will be considerably simplified and smoothed. Thus state bodies responsible for the certification, customs administration and market control authorities will be able to take more action in case of improper use of the marking.

Editorials

Don't cave in

Personal revenge and the triumph of the natural gas lobby are the most convincing explanations for President Viktor Yanukovich's defiance of democracy and his political persecution of ex-Prime Minister Yulia Tymoshenko. The two rationales are related.

During and after the 2010 presidential election campaign, Tymoshenko prophesized accurately about her own fate and that of the nation if Yanukovich became president. On Oct. 26, 2010, after the Yanukovich administration started jailing former members of her government, she said: "The mafia is showing that if you go against them, sooner or later you'll be in jail. They have to show that they are in full control of people's lives and that anyone that crosses them will end up behind bars."

Tymoshenko also told the Kyiv Post in a Nov. 17, 2010, interview: "They don't see Ukraine as a country, with democracy and freedoms for citizens. They see it as a mega-corporation of their own, and it's a joint stock closed company. And all the resources and population are their assets." She has also called the president "a marionette" of the nation's billionaire oligarchs. On the eve of her Aug. 5 arrest, two months before her Oct. 11 conviction and seven-year prison sentence, she said: "Everything I do is my struggle against this criminal regime for Ukraine's rightful place in the world."

It looks like Tymoshenko's repeated denunciations of Yanukovich got under the president's skin enough for him to sanction her conviction and three other criminal investigations against her. His desire for revenge appears greater than his desire to lead Ukraine closer to membership in the democratic, 27-nation European Union, which does not accept authoritarian regimes.

Yanukovich is trying to frame the issue as the EU not respecting Ukraine. That's not the case at all. The EU doesn't respect Yanukovich's leadership because he doesn't respect democratic values and merely wants to stay in power.

Leaders of the so-called gas lobby – Energy Minister Yuriy Boyko, industrialist Dmytro Firtash, media magnate and Security Service chief Valeriy Khoroshkovsky and presidential chief of staff Serhiy Lyovochkin – appear to be in charge. Revenge is exacted against those who stand in their way. Tymoshenko is enemy No. 1, but they appear to have a long list of people they regard as enemies. It also seems that the aim of the gas lobby is to secure cheap Russian natural gas imports to fuel the nation's heavy industries, many of which were acquired through insider deals that mortgage national interests for personal enrichment.

What can the West do? One response is to not exaggerate Ukrainian leaders' threats to drop EU integration and get closer to Russia, including joining the Moscow-led customs union, a prospect that top officials are floating again. Ukraine's leaders are feinting eastward for short-term economic gains. They are smart enough to know that Russian Prime Minister Vladimir Putin is the biggest threat to Ukrainian sovereignty and that all bargains with him will be hard and require concessions.

If the West wants to punish the nation's leaders while minimizing harm to its citizens, it should look at denying visas to those officials associated with the ongoing repression. Also, as others have suggested, additional scrutiny of the wealthy elite's Western bank accounts and assets abroad may be warranted. The West, including the International Monetary Fund, shouldn't be lending any more money under these conditions – so little of it helps citizens anyway.

These measures may not reverse the increasingly brazen behavior by members of the Yanukovich administration, but they may be enough to make them pause long enough to consider the consequences.

Damning evidence

Surely it's illegal for a prosecutor in a major case to meet up with a key witness minutes before the trial to discuss future testimony, especially in what appears to have been an attempt to extract false testimony?

Yet this appears to be the modus operandi of Ukraine's prosecutors.

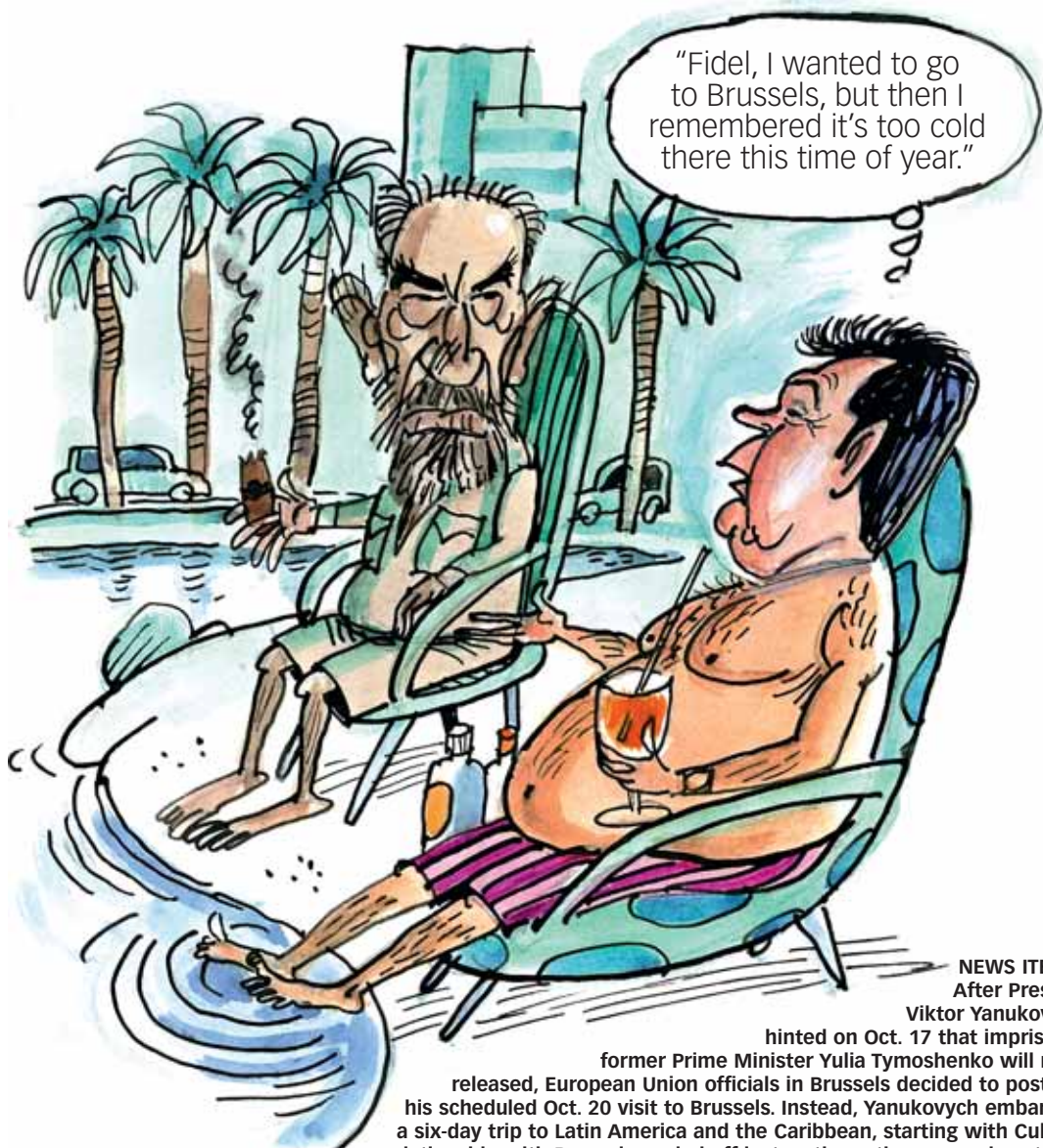
This week, a journalist from TVi secretly filmed a top prosecutor meeting with a key witness in the case of former Interior Minister Yuriy Lutsenko just 20 minutes before testimony in court. The witness, Valeriy Melnyk, was important for the prosecution because during the pre-trial investigation he had testified that Lutsenko gave him a direct order to illegally hire his driver.

The prosecutor made it clear that he expected a repeat testimony in court, but actually Melnyk told the judge something else. He said he had been questioned by the prosecutor for 12 hours when he was sick, possibly with cancer. He said he required drugs urgently and was ready to say and sign anything to get back to treatment in the hospital.

This testimony, combined with the news report about pressure by prosecutor, should be enough to have the case against Lutsenko thrown out. Yet the judge refused to take the news report into consideration or call the journalist as a witness, as requested by Lutsenko's lawyer.

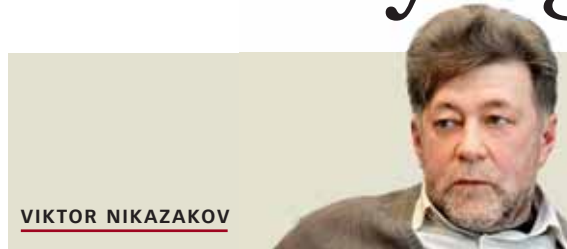
Several days later, General Prosecutor Viktor Pshonka was still reluctant to assess the actions of his prosecutor.

Ukraine's prosecutors are powerful, dangerous and ridiculously unprofessional. The whole nation is paying the price.



NEWS ITEM:
After President Viktor Yanukovich hinted on Oct. 17 that imprisoned former Prime Minister Yulia Tymoshenko will not be released, European Union officials in Brussels decided to postpone his scheduled Oct. 20 visit to Brussels. Instead, Yanukovich embarked on a six-day trip to Latin America and the Caribbean, starting with Cuba. The relationship with Brussels cooled off just as the nation came close to signing a free-trade agreement with the European Union. Instead, Yanukovich and other top officials said they are offended by the EU's attitude and hinted that Ukraine may pursue closer ties with Russia, including a Moscow-led customs union with Kazakhstan and Belarus.

Secrecy of Pukach trial is clearly against law



VIKTOR NIKAZAKOV

The ongoing murder trial against former police general Oleksiy Pukach is a state secret. How did it happen?

Technically it was done like this: The prosecutor petitioned the court to close the hearing to the public. The judge agreed to make all testimony and evidence on the Sept. 16, 2000, murder of journalist Georgiy Gongadze unavailable to public. This ruling came despite protests from the aggrieved party, in this case, the victim's widow, Myroslava Gongadze.

The reason behind the decision sounded impressive: It involves a state secret.

It turns out that this important secret is how the state trails its citizens, how it kidnaps them, tortures them in the depth of a forest, then kills them and buries them in a shallow grave. It turns out that if this terrible state secret becomes public, it will be to the detriment of the state.

Of course, this official nonsense does not convince anyone. But the problem is that nobody can do anything about it – the court has ruled so, and the Ukrainian presidents, first Viktor Yushchenko and now Viktor Yanukovich, just shrug their shoulders helplessly, pretending that the nation has an independent judiciary.

"I myself would very much like to know the whole truth about the Gongadze case," said Yanukovich recently.

I would like to help the president, so here I go. This is what the law says: Special Article 20 of the Criminal and Procedural Code, approved in 1962, refers to the "publicity of court hearings."

According to this article, "all court hearings are public, with the exception of cases that contradict the interests of

guarding a state or another legally protected secret."

The law on state secrets lists these exceptions by categories in detail. Here we can find the one that the prosecutor originally cited in his petition, the secret "in the sphere of state security and protection of law and order."

It says that, among other things, information about the staff involved in investigative and search operations, about the means, content, plans, structure, finances and equipment involved in search and investigative operations, as well as their methods, forms, and results is secret.

So, what has it all got to do with Gongadze? Was he a criminal? Was there a legal search and investigative operation conducted against him? Of course not.

Pukach and his subordinates, as well as those who gave them orders from the highest seats in power, are accused of committing a crime. All of them acted beyond their official duties and conducted actions that fall under several articles of the criminal code, including Article 365.

The law on state secrets has a provision that talks specifically about this type of a case. This is what it says: "Cannot belong to state secret information... containing facts about violation of rights and freedoms of a citizen; about illegal actions of the state organs."

So, Mr. Prosecutor and Ms. Judge: How can you explain that? Even if you did badly at school, you still can and should read this article of the relevant law.

It's true that nobody should interfere with justice. But if our president, who also happens to be the guarantor of the Constitution and our rights, modestly pointed out to prosecutor general that the earlier petition is illegal, who would condemn the president? Most likely, as a result, the prosecutor would call off his petition, and the judge would cancel her dubious decision.

This would not bring back the dead, but at least we would be one step closer to the truth.

Viktor Nikazakov is a prominent Ukrainian lawyer. He can be reached at vpn2006@ukr.net.

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J. Michael Willard, Chief Executive Officer
Brian Bonner, Chief Editor

Editors: Kostya Dovgan, Katya Gorchinskaya, Roman Olearchyk, James Marson, Yuliya Popova
Staff Writers: Oksana Faryna, Natalia A. Feduschak, Anastasia Forina, Oksana Grytsenko, Vlad Lavrov, Mariya Manzhos, Yura Onyshkiv, Kateryna Panova, Jakub Parusinski, Mark Rachkevych, Denis Rafalsky, Yuliya Raskevich, Olga Rudenko, Nataliya Solovonyuk, Maria Shamota, Daryna Shevchenko, Svitlana Turchynska, Nataliya Vasyutyn, Alyona Zhuk
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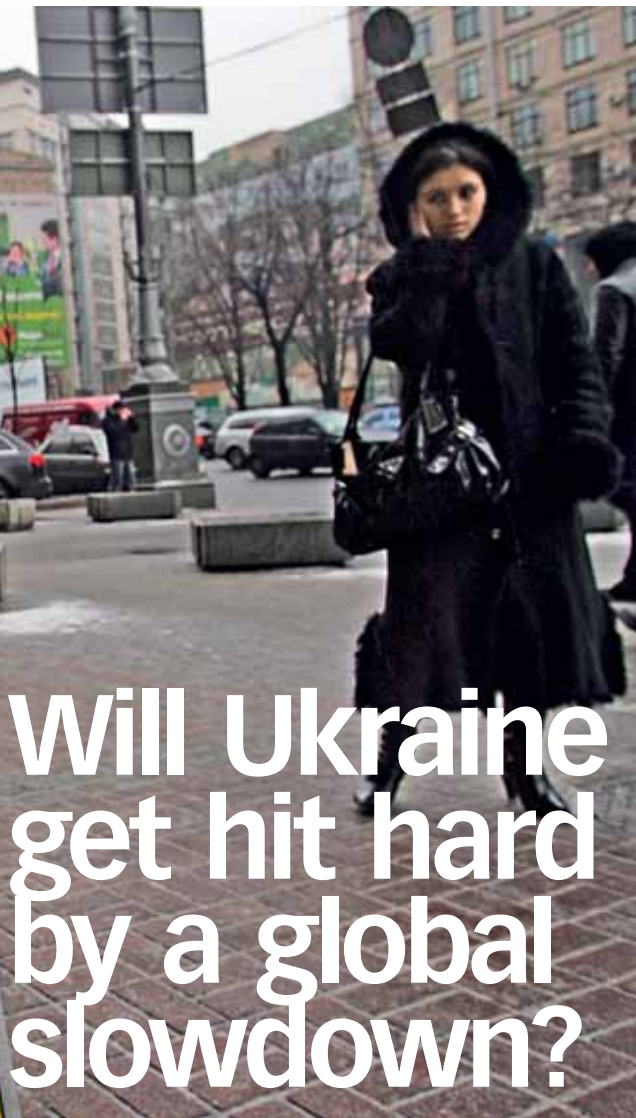
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Many fear that Ukraine's currency could get weaker, as it did in 2008 when it dropped against the dollar from 5 to above 9 before settling in at 8, where it's been for the last three years. (UNIAN)



VOX populi
WITH OLGA RUDENKO
Yulia Tymoshenko's imprisonment has caused Ukraine's relationship with the European Union to deteriorate. Do you think this is the right way to go?



Alexey Dyachenko, security guard
"To be honest, I think that first we need to become a European country ourselves, and then enter EU. Now our quality of life and people's mentality are far from the European level. I think we are not ready for EU."



Viktor Lymar, student
"As I see it, the political situation in Ukraine is worsening. Many things seem obscure for common people. It's really hard to understand what the direction is now."



Olga Luschyk, teacher
"I don't think that it will really influence Ukraine's future. They will change their mind and arrange that meeting later. I'm not sure our government has any strategy. It's more like they are just going with the flow. To me, the EU seems like a good direction to move to."



Galina Ivakhnyuk
"Estrangement from Europe is good for our economics, I suppose. That's because Ukraine has very few spheres in which it can compete with European countries – like metallurgy and pipes production. Our food industry and agriculture are poor, they won't attract Europeans. But in all other ways apart from economical this situation is bad for Ukraine. I don't think that Yanukovich will be 'sitting on two chairs.' I believe that Ukraine's vector to be east from now. Even though I, a Russian native, would prefer Europe."



Natalya Makhankova, student
"I think that Tymoshenko is actually the only leader that can bring Ukraine to the EU. Yanukovich is clearly focused on Russia. I think that we need a change of government. Until then, we won't have any EU prospects at all."

Reliance on exports, debts put nation in vulnerable position



TIMOTHY ASH
As the global economy slows, Ukraine could face a tight economic squeeze. There are two key questions: Will the crisis and its impact on Ukraine be as serious as 2008-2009, and are the authorities better prepared and more able to react this time around? The economy grew at a brisk pace in 2010, and over the first eight months of 2011, driven by a combination of base-period effects, a recovery in metals exports, a better harvest and some recovery in credit growth. Official projections suggest 5 percent real gross domestic product growth in 2011, and similar levels of growth in 2012. These projections look set to be revised down, and we would suggest that a more realistic growth assumption would be for growth in the range from 0 to 2 percent. The economy might even push back into recession. Key determinants of the pace of any slowdown will be the pace of decline in metals export prices and volumes, the resilience of the key Russian market and the outlook for the grain harvest. The near-record harvest in 2011 suggests a higher base, albeit problems in grain procurement, pricing and exports have suggested that the agricultural sector is in a poor shape as it goes into this year's planting season. More broadly, the impression remains that the business environment remains very difficult for both domestic and foreign investors, with high levels of red tape, bureaucracy and corruption. There is some considerable concern

as to how the large external financing requirement will be covered in 2012, while Ukraine could suffer a significant further terms of trade shock if the global slowdown brings a marked slowing in metals prices. If the global economy takes a turn for the worse, the danger is that prices for metals, which make up 40 percent of exports, will dip. This could lead to a terms-of-trade shock as happened in 2008, meaning fewer dollars coming into the country, making imports more expensive and putting pressure on the hryvnia. Given difficult global market conditions, international capital markets will remain all but closed to sovereign and corporate borrowers this year, leaving options for President Viktor Yanukovich's administration as limited to domestic deflation, exchange rate correction, the depletion of foreign currency reserves, or resort to multilateral financing – likely a combination of all these. Our sense is that the authorities are increasingly aware of all of these threats. Ukraine is currently working under a \$15.6 billion International Monetary Fund bailout loan program, albeit at present this remains off track. However, the IMF have made clear what would be required in order for it to resume lending: hiking natural gas prices for households by 30 percent this year, and providing details to how budget targets will be met for 2011-2012. On the plus side the ruling pro-presidential Party of Regions enjoys a large majority in parliament suggestive that it could react through legislative means much quicker than in 2008. Next year's parliamentary elections are a complication, and the government seems reluctant to hike gas prices for fear of undermining its already lowly public standing. Instead, the government is focused on trying to secure a →20

This is 2011, not 2008; nation can better cope with next downturn



VASYL HORBAL
Europe is experiencing major economic turbulence. The debts of Greece and other nations are threatening the fate of European banks, which had bought billions of highly profitable securities that seemed safe because they were denominated in euros. Many experts are once again talking about 2008. Then, the crisis also started far away from our borders, but hit us harder than many others. So there is no surprise that many in Ukraine are worried that we will be affected by the new European problems. However, this is 2011, not 2008. The current situation is complicated but there is no reason to panic. First of all, the crisis might not happen in the acute form that many expect. Three years ago the main turbulence came as an aftershock of the bankruptcy of the American investment bank Lehman Brothers on Sept. 15, 2008. The panic that ensued because of the collapse of one of the pillars of Wall Street seized all the markets. The collapse of a European Lehman Brothers with a vast number of faulty securities in its portfolio could be a trigger this time, too. But the European Union understands this. And, despite the complicated decision-making in the EU, it will save banks from bankruptcy and the financial system from a collapse. No matter how many billions of euros of financial assistance are pumped into Greece and other debtors, a new crisis would be even more expensive. Today's Ukraine is also very differ-

ent from three years ago, when the crisis surprised the government. There was no consistent anti-crisis policy and anarchy ruled the government organs. Now Ukraine has political stability and is ruled by a cohesive team, which had time to prepare for the trouble. Nor is Ukraine anything like Greece. We have passed our period of unrestrained expenditures, of living beyond our means, and consuming above our income. We're not as vulnerable any more. In the first six months of 2011, the negative foreign trade balance was \$6.67 billion. This is not small, but three years ago the same figure was \$11.05 billion. Moreover, the main problem of Ukraine's foreign trade is high prices for imported gas, which hopefully will be reduced. Three years ago, Ukraine kept taking on more debts, but now it's paying them off. The government even feels strong enough to pause cooperation with the International Monetary Fund by turning down its demands, which are currently too tough for the population. In 2008 the National Bank of Ukraine had to refinance some problematic banks with billions of hryvnias to prevent the collapse of the financial system. Today the NBU is not refinancing anyone. The banking system is a lot more prepared for any problems now. The crisis burned out anything non-competitive and inefficient. The banks were well immunized by surviving 2008, and are now tougher and stronger. They have no risky assets that can lose value in case of a new financial crisis. And, because the peculiarities of Ukrainian laws, even the bankruptcy of parent banks in Europe will not reflect on them. But the most important thing →20

Yes

No

Eye On Investment

Editor's Note: Launched this week by the Kyiv Post, Eye On Investment is a new and regular feature. Editorial reporting on this page will focus on the investment climate, opportunities and risks. If you have an idea for an interesting topic, email it to news@kyivpost.com. To advertise on this page, email advertising@kyivpost.com, or call 234-6503.

Where to put your money: tips for locals and expats

BY JAKUB PARUSINSKI
 PARUSINSKI@KYIVPOST.COM

These are volatile and risky times for even the most savvy of international investors who increasingly find themselves in a guessing game when it comes to choosing the safest yet profitable place to put their assets.

For Ukrainians and expats in the country the options of where to put anything from \$10 to \$1 million can, surprisingly, be wider and more profitable – if you play your cards wisely.

A look at global equity markets may give one the impression of the impending doom of our modern financial civilization. Domestically, things are even worse: The local Ukrainian Equities Index has lost a staggering 48 percent since the beginning of the year, making it one of the world's worst performers.

With many economists now predicting a long stagnation on developed markets, punctuated by frequent, albeit shallow, recessions, investors are scrambling to find ways to keep their yields above inflation.

Ironically, Ukraine's chaotic economy has better prospects than many richer and more stable peers. For one, the looming depreciation of the hryvnia is a chance for reasonable bets on the currency markets.

While the traditional choice for Ukrainians is the dollar, other denominations may offer higher returns. Italy's UniCredit bank and France's Societe Generale now both recommend buying Polish zlotys, set to appreciate against most of the region's currencies.

Alexander Valchyshen, head of research at ICU, a Kyiv-based investment bank, points to a more exotic option: China's renminbi. The U.S. Congress is now eyeing protectionist legislation against undervalued currencies, primarily the renminbi; history sug-



Alex Bart

→ If you only have a little, buy something useful with the money

gests this will lead the Middle Kingdom to raise the value of its coin.

Risk-takers whose salaries are indexed to hard currencies can also try to take a loan in hryvnias, hoping for a big devaluation, particularly if they plan to use the credit for productive investments. Valchyshen warns this is a big gamble, though.

A minimum of capital is needed to cover transaction costs for other investments. The risk-prone but short on cash can always try their luck at the

one-arm bandit joints that cover the country, though they should be warned that the slot machine's payout percentage rarely rises above 80-90 percent of the "invested" sum.

Asked what to do with \$1,000, Alex Bart, vice-president of international sales at the investment bank Foyil, says "buy something useful."

At around \$1,000 things become more interesting.

With the local stock market at a two-year low, many hope it may have bottomed-out, with potentially high rewards in store. The best picks in Ukraine are highly liquid and solid companies like turbine producer Motor Sich or steel mill Alchevsk Metal for which incomes are in dollars and costs in hryvnias, thus protecting them against devaluation, according to Bart, who notes that with \$1,000 dollars one should focus on a single position.

Investing in the many Ukrainian companies traded in Warsaw and London is also an option, albeit one closed to law-abiding Ukrainians without an individual license from the NBU. Expats, however, can try their luck with heavily discounted equities, many of which lost 20-30 percent of their value since August but are still exhibiting solid growth.

The big buy at the moment, however, are bonds.

While the government bonds of Western states trade at a dismal 1-3 percent, with inflation likely to make real returns negative, the recent flight from risk has driven yields on some Ukrainian sovereign hryvnia-denominated bonds up to 20 percent. Though such instruments offer no protection against currency risks, they are easily accessible for Ukrainians, who can purchase \$1,000 blocks directly through a brokerage account.

"The bond market is very good now



Sergiy Fursa

→ If you have a lot, the bond market is a good bet for safety

to come and buy," said Sergiy Fursa, a fixed income specialist at Dragon Capital, a Kyiv-based investment bank, who nonetheless recommends having a sizable amount at one's disposal.

Fursa explained that this was the easiest solution for bond market investments available to Ukrainians: Purchasing dollar-denominated Eurobonds requires either the use of an offshore account, or, for local buyers, to go through a fund that invests for you. However, the latter option can be more advantageous, he noted, as funds are engaged in trading,

which can increase the returns from the low double digits to 20 percent.

Corporate bonds have even higher yields than sovereign ones. And this despite the fact, cynics might argue, that they are more likely to honor their obligations than the government is. While this investment is only open to foreigners (and Ukrainians operating through off shore accounts), corporate Eurobonds for such highly stable companies as Ukrainian steel giant Metinvest or top poultry producer MHP have recently exhibited yields of up to 12 or 15 percent, respectively.

A further option, for those with hundreds of thousands or even millions, is real estate.

Indeed, prices for housing have recently fallen, particularly in the business and premium segments. "Current prices seem to be at the low point and there is low chance for a further drop in prices," said Bart, noting that this was a better long-term investment, as the market was not very liquid at the moment. However, he added, real estate is a fairly good protection against devaluation, and could always generate cash-flow, for commercial properties, or be lived in, for residential ones.

Yet for these investments to succeed the eurozone will have to avoid a disorderly default by Greece that would spread through banking systems across the world, an increasingly plausible scenario.

To hedge yourself against doomsday many advise purchasing gold. But analysts warn that gold is at historically high prices, pays no dividends, and is based on subjective valuations.

If Greece really does propel us all into economic hell, ammunition and canned food may be a more practical way to protect your assets.

Kyiv Post staff writer Jakub Parusinski can be reached at parusinski@kyivpost.com.

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BUSINESS ADVISER

Economic Snapshot

Editor's Note: Economic Snapshot is a new Kyiv Post feature on the economic situation in Ukraine.

Consumer confidence drops

BY JAKUB PARUSINSKI
PARUSINSKI@KYIVPOST.COM

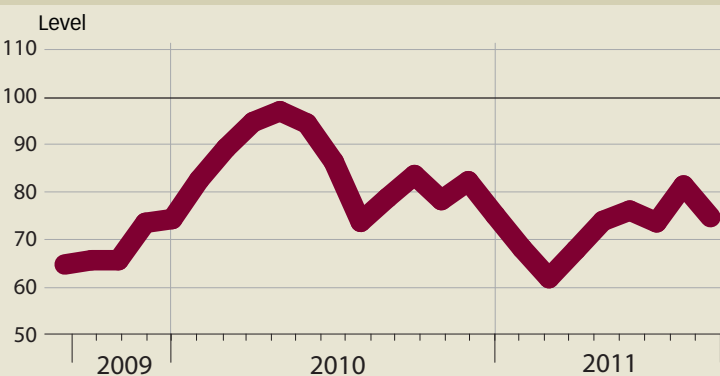
With the eurozone in debt throes, a double-dip recession lurking around the corner and both political and economic trouble brewing at home, Ukraine's consumers are beginning to lose confidence. The latest monthly survey by market research firm GfK Ukraine shows that the consumer confidence index (CCI) dropped in September to 74.7 out of 100, down 6.7 points from August.

The index, a composite of multiple measures, was driven by a fall in economic expectations, particularly in regards those for the country over the next five years. The most active groups proved to be the most pessimistic, with active 31- to 45-year-olds with above average incomes, who lived in cities with 500,000 or more inhabitants, exhibiting the most negative outlook. Regionally, the biggest drop took place in the country's south and east.

The silver lining here is the improved expectations regarding employment, albeit one that this balanced out by expectations of rising inflation. This will likely be the case — rising gas and energy tariffs will hit the population hard.

"Fear that the financial crisis will repeat along with the low confi-

Consumer Confidence Index



Source: GfK Ukraine

dence in the government has caused a decline of consumer confidence despite the good harvest and significant GDP growth," GfK said, adding that "such level of confidence might provide negative impact to the market of durables and to the entrepreneurs' willingness to invest."

Conducted since June 2000, GfK's consumer confidence survey is produced by polling 1,000 individuals aged 15-59, an age group that represents 61.3 percent of Ukraine's population and the country's most active consumers.

Meanwhile, the economy is holding

up. Industrial output put in another month of growth in September, rising 6.4% year-on-year. Likewise, retail turnover was up 13.8% year-on-year in September, rising slower than in August but still outperforming many of Ukraine's neighbors. Dragon Capital, however, warned that this will likely "be adversely affected by slowing bank lending and moderating growth in real wages."

The economy, while still vulnerable to external shocks, is much less exposed than it was in 2008. Ultimately, however, the state of Ukraine's export-dependent economy will depend on global sentiment and demand.

Pressure building on the hryvnia

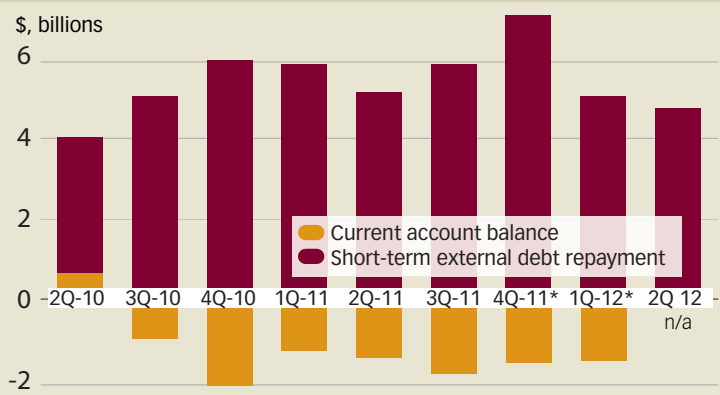
BY JAKUB PARUSINSKI
PARUSINSKI@KYIVPOST.COM

Pressure on the hryvnia has been mounting over the past weeks, with the dollar gaining strength against most of the region's currencies and household purchases of foreign cash rising to \$2 billion in September, the highest level in two years.

Official reactions to the burgeoning crisis range from orthodox to quirky. Aside from the traditional monetary measures, which contributed to the \$3.2 billion plunge in foreign reserves in September, the National Bank of Ukraine also introduced considerable restrictions on purchasing foreign currency, with the official explanation of fighting money-laundering, and created "devaluation-insured" bonds, for which the principal is indexed to the dollar.

The new bonds, which must be purchased in hryvnia, are meant to increase foreign currency inflows and bypass the high rates demanded on the local and Eurobond debt markets. But with the government exposed to unlimited currency risk if the hryvnia depreciates, investors are wary of buying longer-term bonds, fearing a significant fall in the hryvnia exchange rate could trigger

Current account balance and debt situation bode bad for hryvnia



Source: Dragon Capital, Citi

*forecast

Ukraine to default on the debt.

Ukraine faces \$53 billion in external debt repayments over the next 12 months, as well as a widening current account deficit and capital outflows, which will require \$8-10 billion in the fourth quarter of 2011, according to Citi, a leading international bank. With capital markets growing increasingly risk-averse, Deputy Prime Minister Sergiy Tigipko declared on Sept. 30 that the country had no choice but to unlock billions of dol-

lars in fresh bailout loans by reviving cooperation with the International Monetary Fund.

While most analysts expect that the hryvnia's exchange rate will fall gradually to 8.1-8.5 hryvnias per dollar by end-2011, and 8.5-9 by end-2012, Dragon Capital, a Kyiv-based investment bank, noted a sharp devaluation to 9.5-10 hryvnias per dollar should not be ruled out, particularly if global pressures increase.

Equity Capital Markets for Ukrainian Business. Rules of the Game

At the time when local capital markets are underdeveloped, a true domestic IPO is not yet an attractive idea for corporate finance strategists. Following the standstill caused by the financial crisis of late 2008 through early 2010, in 2011 Ukrainian businesses, inspired by apparent recovery from the recent economic downturn, resumed looking at ECM to overhaul their old assets and further expand operations structurally and geographically.



Oleksiy Demyanenko, Associate at Asters

Oleksiy Demyanenko, associate at Asters, provides an overview of certain key issues that must be considered by local businesses entering equity capital markets and shares his thoughts on the situation in eurozone.

What is the most suitable way to float on the foreign stock exchange?

There are a number of different ways in which local businesses seeking to float can enter the ECM: (a) direct share placement by Ukrainian issuer on a foreign stock exchange; (b) placement of depositary receipts representing shares in Ukrainian issuer; (c) placement of depositary receipts representing shares in a foreign holding company that owns the majority of shares in Ukrainian issuer; and (d) placement of shares in a holding SPV.

Given an unequivocal prohibition of denomination of Ukrainian stock in foreign currencies and oppressive applicable regulations by Ukrainian securities supervisors a direct IPO of Ukrainian shares at international markets remains to be a bright future while depositary receipts have become an everyday practice and indirect issues through a holding SPV are ready to be launched by many.

IPO through the issuance by a foreign depositary bank of depositary receipts (ADRs, EDRs, or GDRs) listed at a foreign stock exchange with underlying local shares was broadly used by Ukrainian companies over the last decade. Initially, many of those issues were not intended to get finance to the Ukrainian issuer. Relevant depositary receipt programs were of so called first and second levels with underlying shares admitted to the program from the secondary market when the main purpose of the program was to raise international publicity of Ukrainian businesses. Level 3 and 4 are true share placements.

In case of an IPO through a foreign holding SPV what will be the best jurisdiction for incorporation of the issuer?

The following factors shall be considered when setting up a foreign listing vehicle: available options for effective tax planning, timing for approval of the prospectus and level of protection of minority shareholders. Considering the above criteria, the most popular jurisdictions for incorporation of the issuer are: Luxemburg, Cyprus and the Netherlands. The statistics below shows that all 'Ukrainian' IPOs in 2010/2011 were structured through one of these jurisdictions with Luxemburg leading the list.

Ukrainian IPOs in 2010/2011			
Year	Stock Exchange	Company	Jurisdiction of a Listing Vehicle
2011	Warsaw Stock Exchange	Industrial Milk Company	Luxemburg
		KSG Agro	Luxemburg
		WESTA ISIC	Luxemburg
		Coal Energy	Luxemburg
		OVOSTAR Union N.V.	Netherlands
2010	Warsaw Stock Exchange	Sadovaya Group	Luxemburg
		Agroton	Cyprus
		Milkiland	Netherlands
	London Stock Exchange	Avangard	Cyprus

Since the double tax treaty between Ukraine and Luxemburg has not been ratified and local businesses do not have direct tax preferences, one may be confused by the increasing popularity of this jurisdiction. The reason is obvious. According to the European regulations a prospectus (IPO admission document) may be approved by the issuer's home competent authority in the EU and 'passport' to another EU member state as the basis of a public offer or admission of securities to a regulated market. Approval of the prospectus in Cyprus may take up to 4 months, while Luxemburg regulator recently did the same within 3 weeks; and it is not surprising that volatile markets made timing crucial for businesses looking for a window of opportunity to have a successful placement. For effective tax planning structurers incorporate Cypriot sub-holding entity between the issuer and Ukrainian companies of the group.

What are your expectations regarding situation in Eurozone?

For the majority of Ukrainian companies international capital markets were essentially closed during last several months due to volatility in the Eurozone and only very high-profile businesses were able to make debut issues. Investors were gripped by the approaching prospect of the US sovereign default and collapse in Europe. Although it is difficult to predict when markets will improve and the world would return to its former health, issuers are trying to be ready to go ahead when they see a window of opportunity.

It is expected by many that the first offerings will come from mature companies since investors are going to be very selective about what they are looking at and will be unwilling to pay for future growth as much as stable cash flows. Many potential issuers have avoided the ECM in the second half of this year because of depressed share prices, but capital markets will inevitably stabilize and there remains enough room for optimistic expectations.

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Kiev Cigar Club is pleased to announce that we have filled our open position among administrative staff. **BORIS TSOMAIYA** has joined us as the Head of Club House on Oct. 4.

We're excited to add Boris to our team. He brings us 11 years of increasingly responsible experience in marketing. Following his hiring, we expect that Boris will take the lead role with the group and an active part in the maintenance of the Club House and organization of the club's public and private events.

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Special news coverage ahead on the following topics in Business Focus:

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Editor's Note: With this edition, the Kyiv Post launches a periodic feature called "Expats To Watch." We will spotlight expatriates from all walks of life who have just arrived in Ukraine, are having great years or are simply doing interesting things or making notable achievements. The Kyiv Post in 2010 published a special edition called "The Richest And Most Influential Expats." We will conduct these rankings from time to time, but the more frequent "Expats To Watch" segments are meant to help the communities we serve – Ukrainians and foreigners alike – learn more about each other. If you have suggestions for expats to profile, please email news@kyivpost.com.

The Swedish networker

BY KATERYNA PANOVA
[PANOVA@KYIVPOST.COM](mailto:panova@kyivpost.com)

Anders Ostlund arrived in Kyiv two years ago with only a few acquaintances. Then he hit on a novel way to meet new people – by organizing networking events.

Ostlund, a 37-year-old Swede who runs human resources firm Stella100, launched the "Fryday Kyiv" events for professionals after finding that Kyiv had none of the "meet-new-people" bars that he used to frequent in his home country.

"Every Friday I used to walk a couple of blocks [from work] and go in one of five different bars. Without any special arrangements it was where you met on a Friday night. The kind of people that went there were well-educated professionals: lawyers, bankers, finance people, government officials. Just to hang around, have a couple of drink, catch up, meet," he recalls.

That description pretty much sums up the crowd at the networking events that take place on Friday evenings in classy bars, nightclubs and restaurants. The events now regularly attract around 500 people looking to establish new contacts for business or fun, or just socialize with people they know.

The gatherings started out much more modestly in April 2010. The first networking meeting, arranged by Ostlund and fellow Swedes Gustav and Ulrika Hultgren, brought together 17 people in the lounge bar of Avalon nightclub.

"In the beginning we had a majority of foreigners. But five, six events later in September we were 100 people, and the majority were Ukrainians. That's how it has been ever since. Maybe 70 percent Ukrainians and 30 percent foreigners," he says.

The most recent Fryday at Premier Palace Hotel this month gathered around 500 people. The event seems to be popular and trendy, with its LinkedIn group having more than

Anders Ostlund



(Andrew Kravchenko)

Name: Anders Ostlund
Nationality: Swedish
Age: 37
Position/Activity: Founder of Fryday Kyiv networking club and Coffeenar Ukraine
Length of time in Ukraine: Two years
Tips for succeeding in Ukraine: "Play the network, understand what people like. Don't be shy. What you want is nothing bad – just talk to somebody. Have some small talk. That is a good start of relationship"

4,000 members and Facebook page the same number of likes. More than 16,000 people are in the Fryday database.

To join Fryday events you just have to come to the place announced on the Fryday LinkedIn Group and Facebook pages. There is no membership or entrance fee. There is no loud music disrupting from conversation. Everybody is welcome.

Ostlund says he focuses on picking the right places for his event. "We want people to move freely around the room. We take chairs and tables away and create an open area with easy access to the bar. [We want] lounge music that doesn't interrupt conversation and service to be rapid with people able to get their drinks fast," he says.

Ostlund describes Fryday Kyiv as a "hobby project" that doesn't bring him any profit. Nevertheless, the project is sponsored by a whisky and vodka brand.

This April Ostlund started a new business venture with Belgravia business club – two-hour Coffeenar seminars. He got the topic for the first one from discussions in Fryday Facebook and LinkedIn, where people told they were uncomfortable with networking. "The penny just dropped and I thought: OK, I know something about it. From all the things I tried in my life, networking is the one I am pretty good at," he says.

Kyiv Post staff writer Kateryna Panova can be reached at panova@kyivpost.com

Helping to spread democracy all over

BY MARK RACHKEVYCH
[RACHKEVYCH@KYIVPOST.COM](mailto:rachkevych@kyivpost.com)

Kristina Wilfore knows artificial behavior when she sees it.

Possessing more than 17 years of experience in political organizing, Wilfore has been around a few corners. This includes detecting flaws in the legislative drafting process that equate to a sham.

By March 16, her National Democratic Institute and the International Republican Institute had had enough. Instead of becoming political parrots, they withdrew their participation in the president's election law working group after it had kept its central functions of "transparency, debate, deliberation and drafting behind closed doors."

It was an uncustomary stance. Foreign non-profit organizations in Ukraine usually don't rock the boat, and limit their statements to neutral diplomacy.

But the Montanan said she wasn't going to let the values from which NDI operates and the people her organization gives a voice be compromised.

"I've striven to raise the profile of NDI to aggressively defend [the democratic] values from which we operate and our role in that," she told the Kyiv Post. "It's a balancing act of trying to take leadership to in fact better support the democratic processes in this country."

Wilfore moved to Ukraine to share her experience in elections, policy development and civic advocacy stemming from work in 35 of the 50 U.S. states "in order to help create a more vibrant and accountable democracy for Ukrainians."

By engaging with various civil society organizations and political parties on both sides of the political aisle, she said NDI has a unique vantage point by witnessing how different audiences are affected by what others do.

"It's not natural to focus on one sector, we get to see what others are doing and try not to get too cynical and continue mobilizing and engaging with them," she said.

Wilfore said that since political change moves fast, aggressive action needs to be taken to stay informed, which includes talking to people outside Kyiv.

"I've visited 18 cities on many night trains...you're mistaken if you think you could follow politics sitting behind a desk in Kyiv," she said.

She described Ukraine as an Alice in Wonderland where "often things are the complete opposite from how they appear."

Asked what she does to maintain her sanity in politically turbulent Ukraine, Wilfore says she gets back massages from the former Soviet water polo Olympic team masseuse and enjoys winding down with a glass of wine at the Hyatt's Bar on 8.

"It's perfectly positioned to offer a view of both the Saint Sophia Square and Saint Michael's Cathedral," she said.



Kristina Wilfore

Name: Kristina Wilfore
Nationality: American
Age: 38
Position/activity: Civil Society, democracy education, country director of National Democratic Institute
Length of time in Ukraine: since December 2009
Tips for succeeding in Ukraine: "You've got to hold on to the tail of the tiger and learn how to work in an extremely fluid environment."

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Trusted name at energy helm

KYIV POST STAFF

There are at least three reasons to keep your eyes on Belgian national Peter Vanhecke.

First, he is the first foreigner entrusted by Ukrainian authorities to head a lucrative state company, being appointed this year as chief executive officer of Ukrnafta.

Ukrnafta is Ukraine's leading oil and gas company, responsible for approximately 70 percent of the nation's oil and condensate production as well as for 12 percent of the natural gas production. Vanhecke's appointment and plans are part of an effort to take this top Ukrainian hydrocarbon producer and explorer public, possibly as early as next year, through an initial public offering on one of the world's leading stock exchanges.

"In the mid-term, our focus will be on the further expansion of the company and we believe that a capital markets' route could be the appropriate way to support this strategy," Vanhecke said.

"Attracting additional investments into Ukraine in this way would not only be supportive for the company's plans but equally supportive for the development of the sector and for the overall investment climate."

Secondly, Vanhecke is not a newcomer to Ukraine or the CIS region. He has been brokering and advising on some of the biggest investments, mergers and acquisitions in the region since joining Renaissance Capital in 2006. Before accepting the CEO job at Ukrnafta, he was CEO at Ren Cap in Ukraine and Central and East Europe since 2008. Prior to that he worked in investment banking in London, Frankfurt and Moscow for Dresdner Kleinwort. He also worked in the mergers and acquisitions departments of Wasserstein Perella & Co in London and Lazard in Paris. Vanhecke was also a strategic consultant for the Boston Consulting Group and a lawyer for Baker & McKenzie.

As head of Rencap's operations in Ukraine, he headed a team of more than 50 Kyiv-based professionals with industry-leading investment banking experience. Back then, the Belgian national said he was proud to have not only survived the global financial crisis but also to have expanded during it. He oversaw the opening of an office in Minsk in 2009 and the entrance to the Polish market in February.

Vanhecke, who boasts a law degree from the Leuven School of Law (Belgium), a master's in law from



Peter Vanhecke

Name: Peter Vanhecke

Nationality: Belgian

Age: 42

Position/Activity: chairman of the management board of Ukrnafta, Ukraine's leading oil producer

Length of time in Ukraine: 5 years

Tips for succeeding in Ukraine: "If you're doing fly-in, fly-out business here, then you're going about it wrong. It's a big mistake to think this is a province of another country, to think it's like Russia. There are similarities, but they are not the same."

Northwestern University in Chicago and a master's in business administration from Columbia University in New York, said he enjoys taking part in charity activities organized by the local Belgian Embassy and the case-by-case projects his company tackles.

With so much experience at his fingertips, Vanhecke has the privilege of seeing Ukraine from the inside out, as well as in the global scheme of things. In a past Kyiv Post interview, he stressed that Ukraine needs to be taken seriously as a separate market with its own dynamic.

"The investment potential of Ukraine is obvious. Making this potential a reality will depend on the speed by which the overall regulatory and institutional framework will develop. I am realistically optimistic about these prospects," Vanhecke said.

A comeback of epic proportions in 2011

KYIV POST STAFF

British-born Robert Shetler-Jones has come a long way since arriving in Ukraine as a student about the time of the Soviet Union's collapse. He came to study Russian at the Kyiv Institute of Foreign Languages.

It was in those early years that he became close friends with the current head of Ukraine's presidential administration, Serhiy Lyovochkin, as well as mutual friend Ivan Fursin. Those early relationships appear to have paid off for Shetler-Jones.

In recent years, he has been CEO of Group DF, the holding company of billionaire Dmytro Firtash, who is close to the inner circle of President Viktor Yanukovich and has been a partner in past years of Russia's Gazprom in the multi-billion-dollar business of supplying Ukraine with natural gas. Shetler-Jones could not be reached for this story.

With his influential friends, business partners and contacts, Shetler-Jones has been and remains in the middle of some of the biggest business dealings in town. He has been listed as a member of the supervisory board of Centragas AG, through which Firtash and Fursin jointly control Swiss-registered gas trader RosUkrEnergo.

In fact, Firtash and his friends appeared to trust Shetler-Jones so much that they entrusted him to act as beneficial owner of some of their biggest assets in Ukraine.

It was in a 2005 Kyiv Post interview that Shetler-Jones claimed to be the sole owner of such lucrative businesses in Ukraine such as Crimean Soda Plant and Krymsky Titan. The first factory was acquired in 2004 for about \$70 million and the second transferred to private hands through a joint venture with the government sanctioned by then President Leonid Kuchma.

"I am the owner of RSJ Erste. I have no other partners in the business," Shetler-Jones told the Kyiv Post in 2005, adding that RSJ Erste acquired the factories using credit lines. He said then that RSJ Erste invested tens of millions into the business. But, as it turned out years later, the assets are now part of Firtash's Ostchem chemical holding.

Firtash's business appeared to be in jeopardy while Yulia Tymoshenko, convicted and jailed this month for seven years on abuse of power charges,



Robert Shetler-Jones

Name: Robert Shetler-Jones

Nationality: British

Age: 42

Position/Activity: CEO of Group DF

was prime minister from 2007 through 2010. But with Shetler-Jones very much in the middle of things, Firtash's business has blossomed since Yanukovich became president.

Through billion-dollar acquisitions, he has greatly expanded his grip over Ukraine's chemical industry in a flurry of acquisitions. In deals reportedly bankrolled by Russian banks, Firtash snapped up Cherkassy Azot, Stiro, Severodonets-based Azot. Experts say he is well-positioned to gain ownership over two remaining big chemical plants in Ukraine which could be privatized in the near term: Sumykhimprom and Odesa Portside Plant.

This year, Firtash also managed to broker a deal that allows him to import natural gas from Central Asia to his Ukrainian factories at a price sharply lower than the rest of Ukrainian industry pays.

Firtash evidently trusts and takes good care of Shetler-Jones. The fluent Russian speaker had joined in on top meetings with Russia's Gazprom and made enough in the mix of all the dealings to purchase Chateau d'Arriac-Bordes in France, which was on the market recently for \$4.78 million.

Shetler-Jones also has extensive connections in the United Kingdom. He is a financial donor to top British politicians and has had friendly relations with Viscount Asquith, allegedly the former British MI6 special agent who sneaked ex-KGB double agent Oleg Gordievsky out of the Soviet Union.

In some ways, Shetler-Jones' story could make for a good spy novel. At the very least, his acquaintances make him a supremely well-connected and successful expat.

Raise a glass to healthy milk

BY JAKUB PARUSINSKI

PARUSINSKI@KYIVPOST.COM

"A company cannot be healthy if the ecosystem in which it operates is not healthy," says Dario Marchetti, general manager of Danone Ukraine.

Since taking on the top job at the country's largest dairy producer, Marchetti has sought to combine business with social responsibility, convincing Danone to invest about \$1.5 million to create "milk cooperatives" that unite local farmers.

The cooperatives, which currently number 20, were created in the wake of the crisis, when local farmers barely had enough to subsist on. By pooling together resources they are able to increase both the quantity and quality of their milk production, all the while boosting employment and relieving their local communities.

Marchetti is impressed by the results, which include rising incomes and entrepreneurship, but also notes the benefits for Danone. Indeed, Ukraine's dairy crisis, driven by falling production and the socio-economic collapse of many rural areas, means the country faces constant raw milk shortages. Earlier this year, Danone introduced a \$2.5 million preferential loan program together with Index-Bank, hoping to boost the quality and efficiency of local farmers.

Meanwhile, Danone Ukraine is strengthening cooperation with megafarms and will soon complete the integration of Unimilk, with which it merged in April 2010, giving it a



Dario Marchetti

Name: Dario Marchetti

Nationality: Italian

Age: 39

Position/Activity: Danone Ukraine general manager

Length of time in Ukraine: 2 years

Tips for succeeding in Ukraine:

"Be patient and open. Patient for things here go at their own speed and trying to force things may backfire. Open for learning and adapting!"

24 percent share of Ukraine's dairy market.

Despite the global downturn, Marchetti remains upbeat about the company's prospects in Ukraine. "Outlook depends on expectations,

and our expectations are continued instability," he said. "The population has already adapted to these conditions."

Marchetti is also proud of the company's social engagements, which include fighting heart disease among children and the organization of a Danone Nations football championship. This year a team from Makiyivka went to Madrid to compete in the international stage, while last year a team from Lviv placed fourth at the finals in South Africa.

Asked if there is culture of healthy living, Marchetti diplomatically responds that this depends on cultural standards: "In Ukraine salo is healthy, in Italy complex carbohydrates are healthy." However, he emphasizes that there is a culture of trying to do what is right for one's health.

The big challenge in this regard, according to Marchetti, is to move away from the locally-produced unpacked products that account for a third of the market, and which are often toxic and sold in poor sanitary conditions. While everybody trusts their local babushka, Marchetti explains, the products that come from sterilized factories are usually much safer.

Marchetti confidently answers "the people" when asked what he likes best in Ukraine. "They are genuine and entrepreneurial. I empathize with them that [Ukraine] reminds of Italy, where you have a political system and a political class that doesn't necessarily reflect the values of most people on the street."

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Benefits of GDR Programmes

By Mykola Stetsenko, Managing Partner, and Iryna Nikolayevska, Associate

Despite the fact that Ukrainian securities legislation changed substantially in recent years, share placements by Ukrainian issuers ("Issuer") on foreign stock exchanges remain poorly regulated. This, together with a number of currency control restrictions, forces Issuers to resort to alternative ways of capital raising, e.g., placements of global depositary receipts ("GDRs") on international stock exchanges. The increasing demand for GDRs has been driven by significant benefits realised by both Issuers and investors.

Benefits for Issuers

- no approval from the Ukrainian SEC for the share placement abroad is needed;
- unlike local shares, which can only be denominated in Hryvnia, GDRs may be denominated in U.S. dollars or Euros;
- access to capital outside of the Issuer's home market is gained through global offerings (e.g., on the London Stock Exchange); and
- Issuer's visibility, status and profile among international investors and consumers are increased.

Benefits for Investors

- permit investors to trade securities of Ukraine-based companies denominated in U.S. dollars or Euros;
- reduce or eliminate trading, clearing, currency control and settlement difficulties associated with direct investment in Ukrainian securities; and
- provide investors with ability to acquire underlying shares upon cancellation of GDRs.

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Enterprising lawyer

BY JAKUB PARUSINSKI
PARUSINSKI@KYIVPOST.COM

"I like the way things are exciting here," says Wolfram Rehbock, senior partner at Arzinger law firm. "Life in Berlin is a little bit boring."

The German lawyer started working in Ukraine at Arzinger and Partners in 2002, after stints in Germany and Russia. Unlike many other expats he didn't encounter a culture shock upon his arrival. Being from the former East Germany, he says Ukraine's culture is quite familiar to him.

In 2009, Arzinger became an independent firm operating solely in Ukraine, with 92 employees now working in its offices in Kyiv, Lviv and Odessa. The company is still mainly focused on foreign clients, notably from Austria and Germany, though larger Ukrainian companies make up a growing share.

One focus of his work here is energy and infrastructure, notably in connection to renewable energy. He personally advocates for biogas, which can be cheaper to produce than traditional natural gas and is safer for the environment. Moreover, it is now under a favorable tax regime. Together with other renewable energies, it will benefit from a zero percent income tax for the next 10 years.

But foreign companies are still wary. "The big question for investors is: Is there rule of law or not," Rehbock said.

Compliance is another big issue. Rehbock said many companies are limited by national and internal rules that prohibit them from engaging in the "flexible" business-style that the Ukrainian market often requires. "This is a barrier for many companies, especially the bigger ones," he said.

Rehbock is also focused on public-private partnerships. He said the coming Euro 2012 football championship was disappointing in this regard: the Viktor Yushchenko-Yulia Tymoshenko government did nothing, and President Viktor Yanukovich started preparations "at five to midnight." Moreover,



Wolfram Rehbock

Name: Wolfram Rehbock
Nationality: German
Age: 39
Position / Activity: Senior Partner at Arzinger law firm / Co-founder of the German Economic Forum
Length of time in Ukraine: 9 years
Tips for succeeding in Ukraine: "If you wait for changes, and only then hope to start something, neither the first nor the second will happen."

the lack of tenders and arbitrary choice of partners meant that foreign companies only participated at the level of sub-contractors.

Rehbock is, nonetheless, upbeat about the possibilities smaller public-private partnerships.

"In Germany, 90 percent of private-public projects involve schools," he said. "The best way to change something is to start and show people it can work."

One example of this entrepreneurial spirit came this year when Rehbock co-founded the German Economic Club. Though some may find it surprising, the local German business community was not well organized, he said, but broadly welcomed the move, though some are waiting to see what happens with the planned German-Ukrainian Chamber of Commerce.

Rehbock says that when he arrived in Ukraine he was hoping for a spectacular boom. He is still waiting.

"Some people were talking about a boom in 2008, but this was not a boom for a country like Ukraine," he said, noting the nation's vast potential. "It's still peanuts."

Kyiv Post staff writer Jakub Parusinski can be reached at parusinski@kyivpost.com

Honest banker, tough nation

BY MARK RACHKEVYCH
RACHKEVYCH@KYIVPOST.COM

Jacques Mounier doesn't mince words when it comes to describing the work environment in Ukraine.

"I can't stand the system here. The system of perpetual robbery that has been in place forever...I cannot stand the terror...and they manage people by threatening them in one way or another," he told the Kyiv Post.

But Mounier didn't make headlines this year for his blunt observations of Ukraine. Nor did he make them for his continued service on the American Chamber of Commerce in Ukraine's banking and financial services committee.

It was for taking an influential multi-millionaire property developer's company to court for "deliberately not paying back a loan" and going public with it.

In April he won a favorable ruling.

"It would have been wiser for (Mykola) Tolmachev not to enter into such litigation against our bank, a litigation which ridiculed himself, his businesses TMM, Sintal, and that, even if, eventually, he was not successful, tarnished Ukraine," said Mounier. "We believe that such a judgment is good news...for Ukraine, and is a booster for the investment climate."

Although the amount was small when it comes to corporate loans – less than \$800,000 – he went public with the lawsuit and pursued the loan delinquency "to make an example of him."

"I went against TMM the way we did because they're publicly listed (on the Frankfurt Stock Exchange), that is... sorry guys if you want to be a Westerner, that's fine, if you don't want to be, that's okay, it's our mistake to lend to you... either you're here or there, and this reminds me about Ukraine's behavior," he explained, referring to the country's identity conflict.

Mounier acknowledged what an Oct. 15, 2009 U.S. diplomatic cable had reported, leaked by whistleblower website Wikileaks, that second-tier oligarchs and members of parliament as well as their relatives deliberately evaded debt obligations during the economic crisis.

"Sure, they [second-tier oligarchs] were playing games, abusing the bureaucratic system and paying bribes to get favorable court judgments," said Mounier.

The banker added that he encountered only isolated cases as chairman of Credit Agricole CIB, Ukraine's 37th largest bank by assets, according to the central bank's April ranking.

"We've have quite a good experience with other oligarchs," said Mounier.

And the bank he heads has been profitable every year it's been in Ukraine beginning in 1993. Like other Western banks, the bank's net profit took a hit during the financial crisis.

It made \$6.34 million the first six months of this year, down 69.5 percent on the same period of 2010. Yet it was recognized for being one of Ukraine's most reliable commercial banks for the third straight year by Expert magazine for its ability to withstand adversity.

It's quite an accomplishment in a country where Mounier says "there's nobody to speak to" in government.

"There's no competence, nobody to deal with financial issues, and this country is about to collapse once again



Jacques Mounier

Name: Jacques Mounier
Nationality: French
Age: 64
Position/activity: Corporate and investment banking, senior country officer of Credit Agricole CIB.
Length of time in Ukraine: 12 years.
Tips for succeeding in Ukraine: "Mindfulness, determination is key, organization on its own, understanding what is behind the surface, strength of character and the refusal to 'Ukrainianize,' no double standards, which is very Ukrainian, what drives me also is I like the people, what I do for them, I do for myself."

because of that," he lamented. "The NBU (central bank) was, is and will be shit, it's even more corrupt and politically driven than ever."

Mounier said he maintains a peace of mind by "protecting his bones and that of his company's staff...by making sure everything is working well, by progressing through discussions and proposals and building in a very adverse environment, one of the worst in the world."

Besides cherishing his nine grandchildren, Lviv is his favorite place in Ukraine along with Kyiv's city center where enjoys morning jogs.

When asked about his funniest moment in Ukraine, he said: "This isn't a funny place for people, that's why they unfortunately vote with their feet by leaving it."

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

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Name: Ivan Pocuch
Nationality: Czech
Age: 50
Position/activity: the Czech ambassador to Ukraine
Length of time in Ukraine: Since August



(Anya Korbut)

Ivan Pocuch

Czech envoy seeks to smooth relations

BY DENIS RAFALSKY
 RAFALSKY@KYIVPOST.COM

Ivan Pocuch, the new ambassador from the Czech Republic, arrived in Ukraine at a difficult time for relations between the countries. Last year, his nation granted political asylum to former Ukrainian economy minister Bohdan Danylyshyn, incensing authorities in Kyiv that wanted to prosecute him for abuse of office. The bilateral relations suffered another blow after Ukraine expelled two Czech diplomats for alleged spying in May. The Czech Foreign Ministry retaliated by expelling two people from the Ukrainian Embassy in Prague.

Prague increased the pressure in August, when Czech President Vaclav

Klaus wrote a letter to his Ukrainian counterpart Viktor Yanukovich asking for assurances that the trial of former Prime Minister Yulia Tymoshenko had no political overtones. Earlier this month, the Czech President ignored the Eastern Partnership summit in Warsaw, where Ukraine and its president took center stage.

Pocuch said he wants to put all these troubles in the past, as the Czech Republic is a "natural ally" of Ukraine.

"I would like to stress the word 'natural,'" Pocuch says. "There is much in common in our history, culture, in our languages. As a natural ally, we believe that it would be good for the European Union and Ukraine to continue on the path of promotion of relations. I see my role in helping Ukraine move along this path." → 12

A diplomat who tells it like it is

BY MARK RACHKEVYCH
 RACHKEVYCH@KYIVPOST.COM

Much to the displeasure of his detractors, many of whom are in Ukraine's leadership, the European Union's top official in Ukraine has often criticized the government's hypocritical approach to embracing its top priority of EU integration, especially on rule of law and human rights issues.

His main message has consistently been: you can't have your cake and eat it too.

He has aptly called the prosecution of Yulia Tymoshenko the pursuit of selective justice, has questioned the undemocratic process of having President Viktor Yanukovich determine the nation's electoral system, why Kyiv's absent mayor has neglected his duties, and has blamed the nation's politically-connected oligarchs for being greedy monopolists that refuse to open up the economy to competition.

"During the talks in Ukraine, we are told: Give us the prospect of EU membership, otherwise we will not carry out reforms. What we say: do you think these reforms are necessary for the country or not? If 'yes', do it!" Jose Manuel Pinto Teixeira said in June 2010.

On Nov. 30, 2010, the former navy man said what many diplomats thought about Ukraine's unwillingness to free up the business environment: "Corruption, red tape, administrative obstacles of every kind – these are only things that serve the interests of those who today control the economy because they do not want competition. They are allergic to competition."

Fluent in five languages, including Russian, Pinto Teixeira had been



Jose Manuel Pinto Teixeira

Name: Jose Manuel Pinto Teixeira
Nationality: Portuguese
Age: 59
Position/activity: Diplomacy, European Commission ambassador to Ukraine
Length of time in Ukraine: Three years.

Tips for succeeding in Ukraine:

"You need to understand the specific features of Ukrainian politics, the aspirations of the Ukrainian people who want to live their own life in the European Union and that Ukraine belongs in Europe. This will enable you to know how to best promote the closest possible EU-Ukraine relations based on European values".

a regular presence in the Pechersk courtroom in Kyiv during Yulia Tymoshenko's abuse of office trial.

When the trial started in summer, he called the courtroom conditions "inhumane," so a second air conditioner was installed before the next hearing.

"Unfortunately, today we're witnesses to Ukraine backpedaling on these (human rights) values and the weakening of democratic principles," he said in September after leaving the Pechersk courtroom.

In charge of a large mission of 90 staffers, the diplomat had to explain to Ukrainian journalists why Yanukovich didn't make it to a much anticipated meeting in Brussels on Oct. 20. "My answer is clear: now is not the right time when this kind of high-level meeting should take place," he said several hours after official Brussels cancelled the scheduled meeting with Yanukovich, presumably because of democratic regression.

As for the president's parliamentary election law in parliament he said this during a lecture at the Kyiv-Mohyla Academy in September: "But now I will ask you, show me any country among the European states, in which the president himself would intervene in what the electoral system should be like."

At a lecture at the Kyiv-Mohyla Academy Pinto Teixeira commented on Mayor Leonid Chernovetsky's extended truancy: "I don't know whether the mayor is now in Kyiv. There was a man who was elected a few years ago, who allegedly still exists, but who has disappeared from the city and from his administrative post. And now I would like to ask you whether anyone knows any European capital... in which there is no mayor?"

At least we know where Europe's diplomat to Ukraine stands on these issues.

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

A spiritual force for the times

BY MARK RACHKEVYCH
 RACHKEVYCH@KYIVPOST.COM

While tending to his flock of 1,400 full- and part-time students at the Ukrainian Catholic University in Lviv, the Rev. Dr. Borys Gudziak has had his moral and spiritual resolve tested more than once over the past two years.

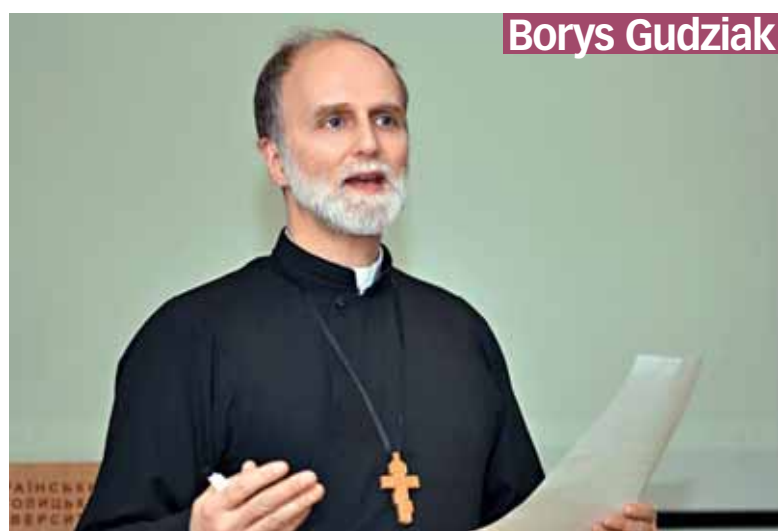
Like The Old Testament's Abraham, Gudziak's first test came in early 2010 when the Security Service of Ukraine, Ukraine's KGB successor organization known as the SBU, allegedly tried recruiting him as a secret collaborator.

Not only did the priest refuse, he had a pastoral moment with his SBU visitor: "I said to the agent that, as the former KGB and with many employees remaining from the Soviet times, the SBU has a heavy legacy of breaking and crippling people physically and morally. I cautioned him that, as a young married person, he should be careful not to do anything that could cause lasting damage to himself and shame his children and grandchildren."

Gudziak humbly said he hoped he acted as Metropolitan Sheptytsky would've acted during the ordeal, referring to the 20th century Ukrainian church leader who stood up to Tsarist, Polish, Nazi and Soviet regimes. A preacher of reconciliation between ethnic groups, thousands of Jews were saved during World War II at his command.

This year, Gudziak, in what could resemble the biblical story of David and Batsheba, accepted pledged money from billionaire Dmytro Firtash to build a new \$25 million campus.

It stirred controversy since Firtash is widely believed to have made his fortune in titanium, chemicals, banking and gas through not completely trans-



Borys Gudziak

Name: Borys Gudziak
Nationality: American
Age: 50
Position/activity: Education, Rector of the Ukrainian Catholic University in Lviv
Length of time in Ukraine: since 1992.

Tips for succeeding in Ukraine: "Be really patient; develop the ability to see things below the surface; one can be 'successful' in the short-term through less than moral means, however one cannot ultimately be fruitful; Ukraine needs leaders who are willing to sacrifice and even suffer to give birth and breathe life into a nation."

parent means.

"Every significant donation to UCU is an unconditional gift that has no influence on faculty hiring, student admissions or curriculum decisions," the U.S. fundraising arm of UCU said in a statement in May.

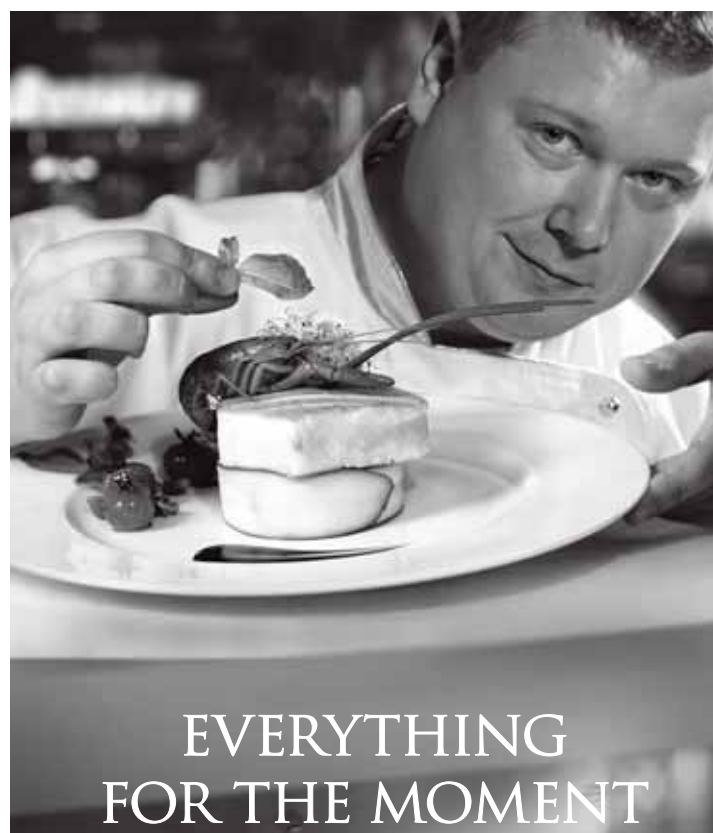
Yet Gudziak and the UCU have forged ahead with new programs and by creating a closer university community.

This year the university launched programs in journalism, conflict studies and in bioethics. The institution offers one of the nation's few programs on non-governmental organizational management.

UCU's publications also won three awards at this year's annual book forum in Lviv.

Gudziak offered this encounter as testament of the goodwill UCU fosters: "Two weeks ago a student came up to me in the hallway and asked, 'father, what is the most important of these three: witness values, service, or community building, where should I start?' When you have students stop you in the hallway with those kinds of questions with the intention to act and follow-up, you know that the Lord is bountiful."

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



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Rich in Ukraine doing well while lower ranks suffer

BY OKSANA GRYTSENKO
GRYTSENKO@KYIVPOST.COM

As the Occupy Wall Street protests against big capital spread around the world last week, Ukraine's richest are still sitting pretty.

Demonstrators in New York and European capitals demanded higher taxes for the rich – surely something that Ukrainians, in a country where the gap between rich and poor is vast, could rally around.

But when about 2,000 trade unionists gathered on Independence Square in Kyiv on Oct. 17, they weren't campaigning for the wealthiest in society to bear a heavier burden. Instead, they called for higher salaries.

"Our people demanded something real. They perfectly understand that our rich are very different from the rich abroad that for decades were taught by democracy," said Iryna Bekeshkina, director of the Democratic Initiatives Foundation. "Otherwise the people understood they would gain nothing."

Despite the financial turmoil of the last few years, Ukraine's wealthiest aren't doing badly. Forbes magazine placed eight Ukrainians in its list of U.S. dollar billionaires in 2011, three more than in 2010.

Experts say that the rich's fortunes are kept safe by their connections with top officials in government and parliament (who sometimes are rich themselves), as they keep taxes on the rich

low and often allow their companies to escape large taxes through offshore schemes.

"Well-off people and the middle-higher level (top management) of the population didn't suffer during the economic crisis in 2008," said Liudmyla Cherenko, an expert at the Institute of Demography and Sociological Research.

The burden of supporting Ukraine's poorest through the economic troubles was laid on the shoulders of Ukraine's small and powerless middle class.

"The state took the revenues of the middle class to assure the minimal incomes for the poorest as it [the state] was obliged to guarantee them the minimal social standards," Cherenko explained.

In most European countries the tax system is progressive, taxing the richest much more than the poorest. But not so in Ukraine, where those who earn more than Hr 10,000 per month pay only 2 percent more than everyone else.

"Taxation in Ukraine does not depend on the financial status of the taxpayer," said Andriy Servetnyk, partner on tax and legal services at Deloitte, one of the Big Four audit and consulting firms. "The taxation is the same for the middle class and the rich in Ukraine."

Thanks to the government policy of redistribution the statistical number of poor Ukrainians has for the first time



Trade union members wave flags at a protest on Kyiv's Independence Square on Oct. 17. (Ukrinform)

fallen under 25 percent of the total population, while Ukrainians themselves haven't started feeling more prosperous, experts say.

Meanwhile, according to the state tax service, the number of hryvnia millionaires increased by 8.2 percent in the same period.

Mykhailo Mishchenko, deputy head of sociology service in the Razumkov Center, said the economic

crisis caused a fall in the number of people who consider themselves as middle class from around 9.4 percent in February 2008 to 5.8 percent in October 2011.

Mishchenko also said that, according to the sociological survey, conducted by his center the number of people, who consider themselves poor increased by 1 percent, while only the number of the very poorest Ukrainians

stayed the same after the crisis at about 13 percent.

The number of the richest people – defined as those who can afford to buy anything they want – stayed at the same level of 0.2 percent, Mishchenko added. He pointed out, however, that this stratum of the population tends to understate their revenues while speaking to sociologists or even refuses to talk to the interviewers.

Can new Czech ambassador help repair strained relations?

→11 Although the new Czech ambassador started in August, he hasn't yet given his credentials to the president Viktor Yanukovich by late October. Pocuch doesn't see any conspiracy: he says he's just waiting, like a couple of other ambassadors.

"In various countries the gap between the arrival of new ambassadors and their handing over credentials varies," Pocuch says.

He can also explain why the post of Czech ambassador to Kyiv was vacant for more than a year: it took time to find a person whose profile would suit the importance of the post, then the Czech Republic waited for four months for the consent of the Ukrainian side.

The new Czech ambassador avoids answering directly whether the politi-

cal asylum given to Danylyshyn could have anything to do with delays.

"That is for Ukrainian side to contemplate what the reason was," Pocuch says. "The four month delay, after all, was not such a long time. It gave me sufficient time to prepare for my work in Ukraine."

Pocuch previously worked at the Czech representative office in NATO, which Ukraine's government is no longer aspiring to join.

"We respected the decision of this Ukrainian government back in 2010 to discontinue its ambition to become a full NATO member," says Pocuch. "Yet Ukraine continues cooperating with NATO, including joining military exercises on Ukrainian territory. And the alliance is ready to ensure security

during the Euro 2012 championship, as requested by Ukraine's authorities."

Asked how the Czech investors have felt in Ukraine recently in terms of freedom and safety of their business, Pocuch diplomatically says that there are certain concerns because there have been several disputes brewing.

"The Czech Republic is a small country, and this type of information travels fast," the envoy says. "I will have a great chance to discuss this particular issue with number of Czech businessmen this month at an international forum in Truskavets, and then in Crimea at the Czech-Ukrainian trade and economic forum."

Kyiv Post staff writer Denis Rafalsky can be reached at rafalsky@kyivpost.com



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Kyiv Post's Lavrov wins prestigious Daniel Pearl Award

KYIV POST STAFF

Kyiv Post staff writer Vlad Lavrov won a share of the Daniel Pearl Award for his participation in the transnational investigative project Offshore Crime, Inc.

Lavrov was part of the group of journalists from Bulgaria, Hungary, Romania, Serbia, the United Kingdom, the United States, and Ukraine. The six-month investigative research uncovered organized criminal groups and others which used offshore tax havens to launder money, hide assets and evade taxes.

One of the stories, "Ukraine Goes Offshore," was published by the Kyiv Post on Nov. 12, 2010. That segment focused on the proliferation of schemes, including legal ones, for evading taxes offshore. Experts estimated that as much as \$3 billion of the government's \$30 billion annual budget could be lost in the tax haven of Cyprus alone.

Lavrov was one of the reporters who investigated offshore tax heavens including the U.S. state of Delaware, the Cayman Islands, Seychelles, New Zealand, Romania and Ukraine. In order to uncover the underlying illegal activity the journalists posed as businessmen seeking services. In meetings and online consultations, the reporters received detailed advice on avoiding paying taxes through offshore mechanisms.

The Daniel Pearl Award is a biannual prize that is given out by the International Consortium of Investigative Journalists. This award specifically aims to distinguish investigative reporters who cooperate across the borders of various countries. Pearl was an American journalist who worked with the Wall Street Journal before he was kidnapped and later killed by Al-Qaeda after he went to Pakistan with an investigative mission.

Romanian journalist Paul Cristian Radu coordinated the winning team of reporters, which also included Mihai Munteanu (Romania), Beth Kampschror (United States), Stanimir Vaglenov (Bulgaria), Tamas Bodoky (Hungary), and Stevan Dojcinovic (Serbia). Drew Sullivan (US) and Rosemary Armao (United States) edited the project.

The Ukrainian journalist received his award at the Global Investigative Journalism Conference that took place in Kyiv on Oct. 13-16.

Other finalists of the 2011 competition included investigations on the Tamiflu drug scheme, human trafficking in Latin America, problems of the foreign employees at the American bases in Afghanistan and Iraq, crimes of the Peace Corps, and piracy.

Lavrov won in the category of non-US news outlets.

The prize for US outlets went to Mimi Chakarova and the Center for Investigative Reporting for "The Price of Sex," a documentary exposing the shadowy world of sex trafficking from Eastern Europe to the Middle East and Western Europe. More information about the documentary can be found here: <http://priceofsex.org/>

Awards judge Ginger Thompson of The New York Times said: "Her attention to detail and dignity in her portrayals of victims and the breathtaking courage she showed during her forays into the criminal underworld should serve as the professional standard to which all investigative reporters aspire."



Vlad Lavrov



The Kyiv Post's Vlad Lavrov won the Daniel Pearl Award in the non-US category, while Mimi Chakarova won in the US category for her documentary "The Price of Sex."



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A message board, missing people and broken hearts

BY OLGA RUDENKO
RUDENKO@KYIVPOST.COM

Kyiv central train station is always full of people. They occupy every single spot in the building, except for one. Next to a police room tucked near an escalator, a small board with the photographs of missing people hangs on the wall.

To the pain of distressed relatives, travelers who could help in the search rarely stop by this place. In September, there were photographs of 18 people, some black-and-white, and others in color. Some are scribbled by hand and contain corrections. Both police and civilians can post announcements to this message board, which is only the tip of an iceberg in the sea of missing people.

In 2011, 132 persons went missing in Kyiv, 25 of them were children. A total number reported for Ukraine is 3,035 this year and more than 4,000 in 2010. An illness or a fight with relatives is the most common reasons for people to disappear off their families' radar.

Most of the reported people are eventually found, if police statistics are anything to go by. This year, for example, more than 67 percent came back home. Some human rights experts, however, believe that police numbers don't reflect the true picture in the country.

There is one eye-catching photo on the station's board of a young man in a grey turtleneck. He has been missing for three years now. "Oleg Kravchenko left home at 6:15 a.m. on Dec. 17, 2007, to see his wife and didn't come back," reads the announcement.

"We haven't lost hope," said Iryna Prokofyeva, Kravchenko's sister, her voice brimming with optimism. Her family had to move to the countryside after her 35-year-old brother went missing four years ago. "Our mother couldn't stay in Kyiv, where everything reminded her of Oleg."

According to the family, Oleg left home to discuss divorce with his wife and never came back.

"We were told that Oleg had an



A sample of the pleas for help in finding missing children. The message board is in the main lobby of Kyiv's central railway station. (Ganna Bernyk)

argument with his wife's lover and was then badly beaten by his friends. But we don't know what happened next. We waited for him for three days and then went to the police, but they couldn't find out where my brother was and what happened to him," Prokofyeva said.

Volodymyr Dmytrenko, a police spokesperson, describes investigators' work in such cases as "information and analytics mostly." An active phase of investigation lasts for about a month, which involves calling hospitals, mortuaries and talking to all parties involved. And then a calm period of analysis starts, said Dmytrenko, which in some cases can last forever.

To remove a lost man from the search engines and mark him as untraceable is only in the hands of his relatives. Before that, the photos of missing people will continue decorat-

ing the hidden message board at the train station.

One announcement in the upper right corner of the board is written on an A4 sheet of paper and folded twice in its plastic pocket. On the cover, there are photos of two teenage girls, who went missing in 2002. If one cares enough to unfold the notice, he will be rewarded with two more photographs of two more missing girls.

Police negligence is one explanation that one hears all too often from the distressed parties involved.

The case of Inna Lukyanovich, a nine-year old girl from Dniprodzhezynsk in Dnipropetrovsk Oblast, is perhaps one of the more striking cases. In July, Lukyanovich left her grandmother's house to buy some milk in the evening and didn't come back. The girl's relatives called the police two hours after she left, but it didn't help.

→ Some leave and never come back; families say police could do more

"Police started with a version that Inna just went for a walk," said Galyna Yanovich, the mother of the missing girl. "And after that they were checking us, her family, to see if we could have possibly done something to her. They didn't consider it as kidnapping first."

The search for Inna intensified. Social networks, billboards, TV and radio announcements – a wave of social support seemed unprecedented. Dozens of volunteers joined the search looking through the district.

"A guy who owned a printing company printed 60,000 leaflets for free. We started distributing them, pasting them up everywhere," said Oleksiy Karpenko, 23, who coordinated the volunteers' work. Not related to the girl's family, he said he was doing it because he felt the same could have happened to his younger sister who lives in the same part of town.

"We found people who owned billboards and they agreed to place Inna's photo for free. A regular advertising costs Hr 2,000 per month on these boards, but we got them for free."

Police officers say that are not that lucky in getting advertising agencies to help, said Dmytrenko, the police spokesman. They only have this board at the train station and a few more around the city and in the metro.

Board or no board, though, Inna is still missing. Her family has gone as far as asking psychics for help. This practice of consulting self-proclaimed magicians is widespread in Ukraine. Every advertising board in the metro has announcements from at least two people, usually women in shawls holding candles, offering extraterrestrial help.

Because of these psychics, the sister of Oleg Kravchenko who's gone miss-

ing four years came to the train station again to put up his photograph on the board again.

"We visited a psychic and she said that Oleg is alive and living somewhere in Kyiv Oblast. So now we have hope and we're trying to find him," said Prokofyeva.

Police do not shy away from using psychics themselves. "We do check some hints coming from them," confirmed Dmytrenko, "and even asked them for help several times ourselves, but it never ended in any progress."

Police reports, however, suggest that Ukrainian law enforcement doesn't need extraterrestrial help: more than 70 percent of those reported missing in 2010 (4,000) was found. However, some experts think that these numbers don't reflect the real picture.

In the United Kingdom, around 350,000 missing persons' incidents are reported to the police each year, according to National Policing Improvement Agency report for 2009/2010. The Interior Ministry of Russia, the largest country in the world by territory, claims that no more than 70,000 are reported missing every year. In Ukraine, however, the numbers look artificially low, thinks Kyiv-based human rights lawyer Tetyana Montyan.

"[Instead of starting the search immediately,] sometimes police ask people to wait, saying 'your husband must be walking drunk somewhere,'" said Montyan. "Missing people's cases cannot be closed unless the person is found; they spoil the police statistics, [which makes police reluctant to registering cases.]"

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

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Melnychenko, fearing for his life, flees to United States

BY YURIY ONYSHKIV
ONYSHKIV@KYIVPOST.COM

Mykola Melnychenko, the former presidential security guard who claims to have secretly recorded conversations that implicate Leonid Kuchma and other top officials in serious crimes, is back in the United States again.

In an interview with the Kyiv Post, Melnychenko said he fled Ukraine because he learned of a plot to kill him, which he believes may be orchestrated by parliamentary speaker Volodymyr Lytvyn to "set up" President Viktor Yanukovich.

Lytvyn's representatives say they will not dignify Melnychenko's baseless allegations with a response, while Yanukovich's spokespeople did not respond.

Prosecutor General Viktor Pshonka said last week that authorities are searching for Melnychenko, who is reportedly under investigation for treason. Prosecutors would not comment on his latest allegations.

Melnychenko claims that his recordings caught Kuchma and Lytvyn, who was Kuchma's chief of staff in 2000, engaging in criminal activities, including the plot to kill Gongadze on Sept. 16, 2000.

Kuchma and Lytvyn have always denied the allegations and dismissed Melnychenko's credibility.

Melnychenko fled as former police general Oleksiy Pukach is being tried secretly for carrying out Gongadze's murder.

Three Pukach subordinates are convicted in the murder and serving prison sentences. Pukach's supervisor, ex-Interior Minister Yuriy Kravchenko, died from two gunshot wounds to the head on March 5, 2005.

Meanwhile, Kuchma, who was close



Mykola Melnychenko

to Kravchenko, has faced criminal charges since March that he exceeded his authority as president in giving an order that led to Gongadze's murder. Melnychenko's tapes were declared to be material evidence in the case.

Kuchma's lawyers said Melnychenko likely fled to avoid justice, but the ex-security guard told the Kyiv Post that he is "not hiding from any investigation."

He said that he left Ukraine after learning of a plot to kill him and Pukach, key witnesses in the case.

He also said he expects the firing of first deputy prosecutor general Rinat Kuzmin, who launched the criminal investigations against Kuchma and against Yulia Tymoshenko.

Kuchma lawyers Vitor Petrunenko and Serhiy Uliyanov, in response to the latest developments, said that Melnychenko "has escaped from inves-

tigation in order to avoid liability for incriminated crimes and escape answering the questions of law enforcement authorities and of Kuchma's defense, regarding connections of his and his secret curators' actions with the death of Georgiy Gongadze."

Kuchma lawyers also said: "We would like to emphasize that only identification of all persons and circumstances, regarding the records in the office of president of Ukraine, their editing, assembling and disclosure, will make possible to define the real masterminds and organizers of the killing of Georgiy Gongadze."

The following are excerpts from the Kyiv Post interview with Melnychenko:

Kyiv Post: You are in the U.S. When did you leave Ukraine?

Mykola Melnychenko: I left Ukraine in early October. I initially stopped in several European countries, but am currently in the U.S.

KP: How did you leave Ukraine? Who helped you?

MM: I left the country using my papers and did it absolutely legally.

KP: We heard that you believe your life is under threat. Who is supposedly threatening you?

MM: There was a plan to physically exterminate me. I had the privilege of listening to an audio recording in which I recognized the voice of Yanukovich and the voice of Lytvyn. When talking about me someone who sounded like Yanukovich said: "I will kill him."

KP: Do you think somebody wanted to set up Yanukovich or does he want you to disappear?

MM: I am convinced that by kill-

ing me somebody wants to set up Yanukovich.

KP: Do you have any idea as to who that might be?

MM: Lytvyn and his people.

KP: You blame Prosecutor General Viktor Pshonka for lying about the travel ban on you. But Pshonka is allegedly the president's man. So don't you think that Yanukovich is behind Pshonka's actions?

MM: Yanukovich will quickly get rid of this ballast. Pshonka is brazenly lying when he says that I am hiding, that I was summoned [for questioning], and that I was under a travel ban.

KP: In what context was the word "kill" said in that recording that you are talking about?

MM: We submitted this recording for analysis. And I am praying to hear that the voice of Yanukovich on the tape is fake. This way we can understand if Ukraine is really rolling back to [Josef Stalin's times of terror in] 1937, or whether someone wants to create such an image of Yanukovich.

KP: Who exactly did you give the tape to for examination?

MM: This is a private entity. They promised to complete the tests of the tape within a month.

KP: Is the company located in the U.S. or elsewhere?

MM: I won't say that now. It is important first of all for me, myself, to determine the authenticity.

KP: When are you planning to return to Ukraine?

MM: I do not see this to be neces-

sary now. Due to the signals regarding my physical elimination, I see no reason to return to Ukraine anytime soon. For two months I had been demanding that the state Security Service of Ukraine (SBU) and the General Prosecutor's Office conduct investigations on the criminal case against me that was re-launched.

KP: What are you officially charged with?

MM: On Aug. 9, I sent a request to the SBU and the General Prosecutor's Office to let me know if any criminal case was launched against me. But by the end of September there was no response.

KP: What do you think about the current investigation into Gongadze's murder? Do you think that cover-up of the crime is continuing or not?

MM: I am convinced that there is now a plan to physically eliminate two people who point at Kuchma and Lytvyn [as those who allegedly ordered the murder of Gongadze] – Pukach and myself. Sooner or later they will kill Pukach. I think it will happen soon. Also Kuzmin will be removed, at least from his current position. A lot of money is pumped to make sure neither Kuchma nor Lytvyn are prosecuted for the murder of Gongadze.

KP: Do you really think Kuchma and Lytvyn are now that powerful to do anything like that?

MM: In the above-mentioned tape they are heard as offering Yanukovich financial and media assistance to manipulate public opinion in Ukraine. Yanukovich needs such assistance.

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

Where is president leading Ukraine?

→1 have warned that the EU's tough stance could push them to listen closer to Russia's offers of closer cooperation, sweetened by offers of cheaper gas.

"If we receive an absolutely clear 'no' signal from the European Union, the possibility of our changing direction toward the customs union is quite large," Deputy Prime Minister Sergiy Tigipko told the Den newspaper.

On that same day, Russia and Ukraine signed a free-trade deal with six other post-Soviet states. Moscow's main aim, however, is to pull Kyiv into its customs union with Belarus and Kazakhstan.

Analysts said Yanukovich is trying to play a clever strategic game, seeking to get the best deal possible from both sides. But he may end up losing it all, said Olga Shumylo-Tapiola, an analyst at the Carnegie Europe in Brussels. "He may be remembered as just another dictator in the gray zone between the EU and Russia; a chess player who mistakenly checkmated himself by engaging in a complicated game on three boards simultaneously, with no understanding of the rules and no strategy," Shumylo-Tapiola wrote.

After taking office on Feb. 25, 2010, Yanukovich made his first visit to Brussels. He said joining the EU is a strategic goal for Ukraine. He also set about repairing relations with Moscow, which had frayed under his predecessor.

But the president balked at Russian

attempts to pull Ukraine into the customs union, as this would contradict the country's membership in the World Trade Organization and plans for free trade with the EU. Yanukovich has tried to negotiate energy contracts with Russia, which has demanded closer ties in return for cheaper gas. Yet analysts say Ukraine is unlikely to turn completely toward Russia, as Yanukovich doesn't want to hand over economic control to Moscow.

"Ukraine can't say goodbye neither to Europe, nor to Russia and is doomed to sit in two seats at the same time," said Mykhailo Pogrebinsky, a political analyst and former adviser to ex-President Leonid Kuchma, who was famous for his "multi-vector" policy.

But Shumylo-Tapiola said Yanukovich "is not as smart as Kuchma to balance Russia and the EU," while his strategy of "trying to milk two cows" is obvious to EU officials. "The majority of people in Brussels think this is a game Yanukovich is playing," she said.

Sushko said Yanukovich had no economic resources to play those geopolitical games and had just "narrowed the space for maneuver" in talks with Russia by suggesting he would accept a pause in EU integration. Others questioned whether Ukraine's rulers had any intention of playing by democratic rules. "Our politicians and businessmen do not have statehood in their souls," said Alexander Pashkaver, president of the Center for Economic Development

in Kyiv. "They think about themselves, not about the future."

Dmytro Marunych, head of the Kyiv-based Energy Research Institute, said billionaire Dmytro Firtash, a long-time partner of Russia's Gazprom in the supply of gas to Ukraine and Tymoshenko's enemy – "has won. For Firtash, Tymoshenko's coming back to power would be the end of all business and influence in Ukraine."

Oleh Voloshyn, a Foreign Ministry spokesman, said Ukraine is still expecting to sign the association agreement with the EU at the bilateral summit on Dec. 19. But Shumylo-Tapiola said the feeling in Brussels is that the EU would "find it very difficult to sign and ratify this agreement, and even to hold the summit," if Tymoshenko is not set free and allowed to take part in elections.

The EU snub could also hurt Yanukovich at home. A recent poll by the Razumkov Center shows that most Ukrainians support EU integration. Amid protests over the government's economic and social policies, a group of 100 protesters gathered outside parliament on Oct. 20 against the policies of Yanukovich. "We want to live by European laws. We don't need a new iron curtain," Evgeniy Ikhelzon, one of the protest's organizers, wrote on his blog.

Kyiv Post staff writer Oksana Grytsenko can be reached at Grytsenko@kyivpost.com. Vlad Lavrov and Yuriy Onyshkiv contributed to this report.



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Friday (5A Besarabska Square)
Goodman Steak House (75 Zhylianska St.)
Grandal (24B Polyova St.)

Himalai (23 Khreshchatyk St.)
IQ bar (25 Lva Tolstoho St.)
IL Patio (112 Saksahanskoho St.; 5A Besarabska Square; 5/13 Naberezhno-Khreshchatytska St.; 57/3 Velyka Vasylkivska St.)
Izumi (46/2 Moskovska St.)
John Bull Pub (36 Saksahanskoho St.)
Kaffa (3 Shevchenko prov.; 22 Saksahanskoho St.; 5 Skovorody St.)
Klovsky (16A Mechnykova St.)
Korifej (6 Horodetsko St.)
Kraina Kavy (5 Spaska St.)
La Bodeguita del Medio (21/20 Yaroslaviv Val St.)
La Casa Del Habano (13 Kloviskiy Spusk)
Le Cosmopolite (47 Volodymyrska St.)
Leonardo (2 Besarabska Square)
Luciano (33V Dehtiarivska St.)
Lun Van (26 Bohdana Khmelnytskoho St.)
MaLLina (27B Sahaidachnoho St.)
Marokana (24 Lesi Ukrainki Blvd.)
Marmaris (40 Hlybochytyska St.)
Mare Azzuro (1/10 Bankova St.)
Metropolis (12 Amosova St.)
Monako (20A Velyka Zhytomyrska St.)
Natürlich (3 Bohdana Khmelnytskoho St.)
New Bombay Palace (33A Druzhby Narodiv Blvd.)
News café (6 Hetmana St.)
O'Brien's (17A Mykhailivska St.)
O'Connor's (15/8 Khoryva St.)
O'Panas (10 Tereshchenkivska St.)
Oliva (34 Velyka Vasylkivska St.; 25A Druzhby Narodiv Blvd.; 5 Kominterni St.)
Panda (76 Saksahanskoho St.)
Panorama (3 Sholudenko St.)
Pantagruel (1 Lysenko St.)
Pizza Vezuvio (25 Reitarska St.)
Pivna #1 (15 Baseina St.)
Planeta-Sushi (68 Saksahanskoho; 12 Khreshchatyk St.; 57/3 Velyka Vasylkivska St.)
Repriza (40/25 Bohdana Khmelnytskoho St.; 38 Velyka Zhytomyrska St.; 26 Velyka Vasylkivska St.)
Route 66 (87/30 Zhylianska St.)
SAD (2 Bankova St.)
Schnitzel Haus (51 Saksahanskoho St.)
Shokoladnitsa (53/80 Saksahanskoho St.; 48 Velyka Vasylkivska St.; 1/2 Baseina St.; 31/27 Bohdana Khmelnytskoho St.; 4 Lunacharskoho St.; 33 Dniprovsk Naberezhna; 12 Luhova St.; 58/2A Artema St.)
Shooters (22 Moskovska St.)
Soho (82 Artema St.)
Stina (2 Besarabska Square)
Suare (11 Artema St.)
Sunduk (22A Prorizna St.)
Sutra Bar (3 Tymofivoi St.)
Svitlytsia (13B Andriyivskiy Uzviz)
Tarelka (62 Dmytrivska St.)
Tike (31A Sahaidachnoho St.)
Timeout (50 Horkoho St.)
To Dublin (4 Raisa Okipna St.)
Trans Force (34B Moskovskiy Prosp.)
Tsarske Selo (42/1 Ivana Mazepy St.)
Under Wonder (21 Velyka Vasylkivska St.)
Varenichna Pobeda (14 Sofiivska St.)
Verona Pizza (71E Konstantynivska St.; 1A Lva Tolstoho St.)
Videnski Bulochky (25B Sahaidachnoho St.; 14/1 Instytutska St.; 14 Mechnykova St.; 1-3/5 Pushkinska St.; 107/47 Saksahanskoho St.; 34 Lesi Ukrainki Blvd.; 20 Esplanadna St.)
Viola's Bar (1A Taras Shevchenko Blvd.)
Warsteiner Pub (4B Horodetsko St.)
Wolkonsky Keyzer (15 Khreshchatyk St.; 5/7-29 Taras Shevchenko Blvd.)
Yakitoria (27A Taras Shevchenko Blvd.; 27 Lesi Ukrainki Blvd.)

Sport Clubs

5 Element (29 Elektrykiv St.)
Favorit (6 Muzeyniy prov.)
Kiev Golf Center (20 Obolonska naberezhna)
Kiev Sport Club (5 Druzhby Narodiv Blvd.)
Planeta Fitnes (10 Kropyvnytskoho St.)

Hotels

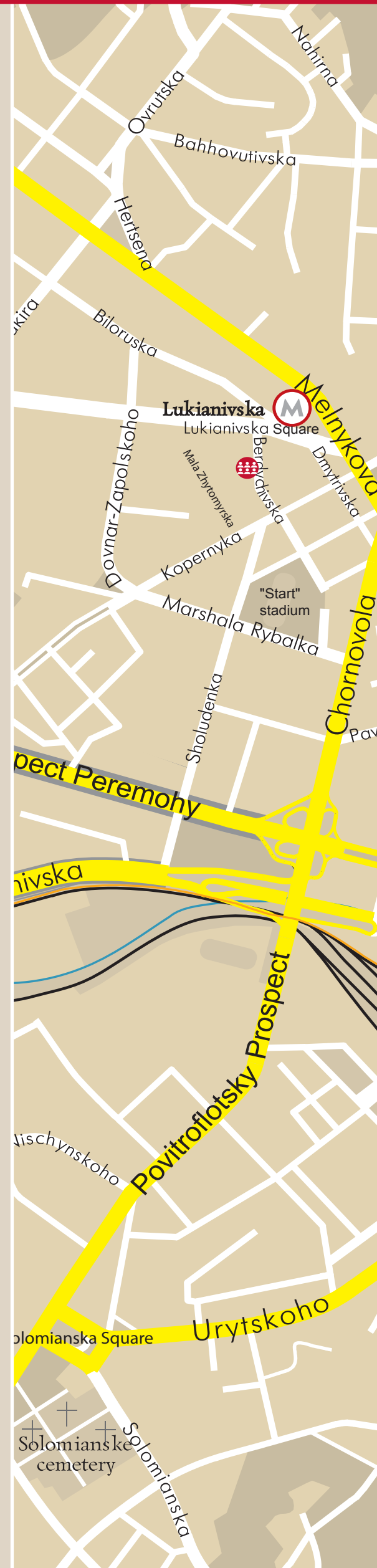
Adria (2 Raisa Okipna St.)
Apartments privat (67/7 Velyka Vasylkivska St.)
Attaché Hotel (59 Zhylianska St.)
City Park Hotel (20A Vorovskoho St.)
Diarso (5 Velyka Kiltseva Doroha)
Domus Hotel (19 Yaroslavka St.)
Express (38/40 Taras Shevchenko Blvd.)
Gorniy Ruchey (66 Michurina St., village Gora, Boryspil region)
Hotel Dnipro (1/2 Khreshchatyk St.)
Hyatt (5A Alla Tarasova St.)
Impressa Hotel (21 Sahaidachnoho St.)
Intercontinental (2A Velyka Zhytomyrska St.)
Korona (5 Boryspilska St.)
Kozatskiy (1/3 Mykhailivska St.; 2/32 Antonova St.)
Kozatskiy Stan (Boryspilske Shose, 18 km)
Khreshchatyk Hotel (14 Khreshchatyk St.)
Lybid (1 Peremohy Prosp.)
Mini-hotel (10 Bohdana Khmelnytskoho St.)
Mir (40-richya Zhovtynya Prosp.)
Opera Hotel (53 Bohdana Khmelnytskoho St.)
Oselya (11 Kameniariv St.)
President Hotel (12 Hospitalna St.)
Premier Palace (5-7/29 Taras Shevchenko Blvd.)
Radisson Blu (22 Yaroslaviv Val St.)
Riviera (15 Sahaidachnoho St.)
Rus (4 Hospitalna St.)
Saliut (11B Ivana Mazepy St.)
Senator Apartments (6 Pyrohova St.; 62/20 Dmytrivska St.)
Slavutych (1 Entuziastiv St.)

Educational establishments

Business School MIM-Kyiv (10/12B Shuliavska St.)
British Skylines (16 Khreshchatyk St.; 10G Larysy Rudenko St.; 29 Dragomanova St.)
DEC school (19 Obolonska Naberezhna)
Edinburgh Business School (9/10 Dvornar-Zapolskoho St.)
GreenForest (51B Bohdana Khmelnytskoho St., office 42; 28 / 2 Hrushevs'koho St., entrance #1, office 3; 37A Olesia Honchara St., office 10; 3 Khoriva St., office 25; 15B Shota Rustaveli St., office 10; 29B Shota Rustaveli St., office 11)
International Institute of Business (8A Brest-Lytovskiy Highway)
Kyiv International School (3A Sviatoshynskiy prov.)
KMBS (8/5 Voloska St.)
Master Klass (34 Ivana Mazepy St.)
Pechersk International School (7A Viktora Zably St.)
Runov school (30 Velyka Vasylkivska St.)
Speak Up (14 Kotsiubynskoho St.; 25B Sahaidachnoho St.; 4 Lunacharskoho St.; 136 Peremohy Prosp.; 14 Vasylkivska St.; 26 Lesi Ukrainki Blvd.; 3-a Hryshka St.)
Sterling Business School (7 Nesterivskiy prov.)
The London School of English (39 Politekhnicna St.)

Business Centers

Arena (2A Baseina St.)
Artem (4 Hlybochytyska St.)
Cubic Cente (3 Sholudenko St.)
Diplomat Hall (59 Zhylianska St.)
Eurasia Ukraine (73-79 Zhylianska St.)
Evropa (4 Muzeyniy prov.)
Evropa Plaza (120 Saksahanskoho St.)
GOOIOORD B.V. (34/33 Ivana Franka St.; 36 Ivana Franka St.; 11 Mykhailivska St.; 52B Bohdana Khmelnytskoho St.)
Horizon Park (12 Amosova St.; 4 Hrinchenko St.)
Illinsky (8 Illinska St.)
Khreshchatyk Plaza (19A Khreshchatyk St.)
Kiev-Donbass (42/4 Pushkinska St.)
Podol Plaza (19 Skovorody St.)



Ukraine's dismal finances offer no simple way out



ANDERS ASLUND

Ever since the financial crisis of 2008-9, Ukrainians have worried about a second wave of crisis. I have long said that there is no need for it and that it is unlikely. To my surprise, alas, the current government has not alleviated the causes but on the contrary added reasons for a new financial crisis. Therefore a new financial crisis appears increasingly likely.

Ever since the financial crisis of 2008-9, Ukrainians have worried about a second wave of crisis. I have long considered it unnecessary and unlikely. Yet the current government has not alleviated the original causes of the crisis but added reasons for a new financial crisis. Therefore a new financial crisis is increasingly likely.

The first cause of the crisis was that the hryvnia exchange rate was pegged to the US dollar. Ukraine remains in such a situation, while economists overwhelmingly think that a relatively large country that is highly dependent on exports of a few commodities ought to have a floating exchange rate. Once again, the dollar peg undermines the credibility of the Ukrainian exchange rate.

Another concern in 2008 was Ukraine's exposure to global financial markets, when the nation's gross external debt amounted to \$102 billion. Today it has risen to \$130 billion, or from 57 percent of GDP to 79 percent of GDP. This includes both public and private debt. Ukraine is therefore much more sensitive to a sudden stop of international liquidity as occurred in September 2008.

Ukraine's public debt was no great concern in 2008, when it amounted to merely 20 percent of GDP, but not least after the International Monetary Fund has delivered a total of \$14 billion of credits from 2008 to 2010, Ukraine's state debt has risen to 39 percent of GDP, and repayment is due to start in August 2012.

The present key concern is that the state budget for 2012 calls for \$11.3 billion of new borrowings and public debt repayments will amount to \$7.3 billion, a total of \$18.6 billion. That is a

sizable amount, and Ukraine has difficulties in finding any source of financing.

The government had planned to raise \$3.5 billion through Eurobonds in 2012, but the euro-bond market has just closed for Ukraine and it is not likely to open soon again. Domestic treasury bills in hryvnia are just too costly with a yield of 17-19 percent a year.

A mitigating factor in 2008 was that 17 Western banks accounted for 40 percent of total Ukrainian banking assets and they continued financing Ukraine during the crisis. Today, their share has shrunk to 27 percent, and some of them are giving up. The official budget deficit was never great in 2008 and it might be slightly larger this year.

The only clear improvements are inflation that is much lower today and the current account deficit, which has shrunk from 7 percent of GDP in 2008 to probably 4 percent of GDP this year. Arguably, these two factors were main causes of the crisis, but the aggravation of the public and foreign debts may more than compensate for these two positive observations. The current international reserves are marginally higher than in 2008 at \$35 billion.

In 2008, the IMF rushed to assistance, and did so again in July 2010. Today, however, the Ukrainian government has alienated the IMF. The last IMF mission left on February 14, after having agreed four prior actions with the Ukrainian government for any new disbursement. Crucially, the Ukrainian government reneged on its promise to hike gas prices for consumers and utilities. As a result, the Ukrainian government's subsidization of import of natural gas from Russia has risen to 4-5 percent of GDP. Ukraine should subsidize its poor rather than Russia's Gazprom.

Therefore, the budget deficit - the most important IMF parameter - will be considerably larger than acceptable. The IMF is not likely to give up this demand, and nor is the Ukrainian government likely to hike gas prices in the middle of the winter. Therefore, no more IMF financing appears likely for the next half year. Without IMF approval, the World Bank cannot provide financing either.

The Ukrainian government has further undermined its credibility with the IMF by claiming repeatedly that an IMF mission is supposed to arrive or that the IMF is about to give one or even

→ Spectacular mishandling of economy puts nation on path of devaluation and default

two tranches, when nothing of the kind has been considered.

For many reasons, Ukraine's relations with Russia have turned really bad. In spite of frequent claims by Ukrainian officials, nothing indicates that Russia is about to lower its gas price for Ukraine, and Vladimir Putin is adamant that no Russian oil or gas will be transited through Ukraine in the future. During the last financial crisis, four Russian banks expanded in Ukraine so that their share of Ukrainian banking assets has risen to 11 percent, but now the Russian state bank VTB is demanding back a loan of \$2 billion, whose rollover had been anticipated.

Over the summer, President Viktor Yanukovich has claimed success in relations with China, with an alleged Chinese loan of \$4 billion, but all this is supposed to be in kind, and there are serious doubts that anything is forthcoming.

The European Union can provide Ukraine with an emergency loan, as it did to Iceland and Serbia. But after the severe European protests against the unjust sentencing of former Prime Minister Yulia Tymoshenko it is most doubtful that the European Union will sign the already completed European Association Agreement, and EU emergency financing is close to impossible.

One remaining possibility is privatization. Ukraine has a substantial privatization program prepared. But it is geared to benefit a handful of friends of the regime, who already own many big corporations in Ukraine. Currently, they are increasing their transfer-pricing, aggravating corporate governance and depressing all stock values.

The Ukrainian stock market has recorded the worst performance in the world this year with a plunge of 47 percent, and this market is virtually dead. These businessmen accumulate their large untaxed profits in Cyprus, which is the largest "foreign" investor in Ukraine. The current asset grab is reminiscent of Russia in the first half of 1996.

Few real foreign investors want to enter such a market. The European Business Association has just recorded an unprecedented decline in its investment attractiveness index from 3.39 in the second quarter of 2011 to 2.56 in the third quarter. The main deteriorations concern pressure and inspections from state administration, corruption and bureaucracy, and taxation. Specifically, the rules of the new Tax Code have been designed to stamp out small entrepreneurs, and at least one million small legal businesses have already closed shop.

Thus, the current government has managed to alienate all potential sources of financing. The decline of international reserves of \$3.2 billion in September appears a natural consequence, as ordinary Ukrainians scramble to sell all hryvnia they can for any foreign currency. In the absence of any trust in government policy, depreciation of the hryvnia becomes inevitable. The more rigorous currency controls that have been introduced offer no solution.

A devaluation, however, would only aggravate the problems with both public and private debt service. A new round of bank failures and enterprise bankruptcies would follow. The government would face most unattractive choices. One alternative would be truly draconian cuts in public expenditures. Another option would be large gas price increases in the middle of the winter to gain IMF financing. A third possibility would be to sell the family jewels of the most attractive states assets, such as the gas pipeline and storages, to Russian investors, because nobody else is ready to accept the current Ukrainian country risk. Finally, Ukraine could default on its public debt. The substantial reserves offer a lifeline but no solution.

Unfortunately, after spectacular mismanagement of economic policy during the last year there seems to be no easy way out for Ukraine.

Anders Aslund is a senior fellow at the Peterson Institute for International Economics and author of "How Ukraine Became a Market Economy and Democracy."

Punish Yanukovich, not nation



VITALY SYCH

Western policymakers should follow the money if they want to punish the authoritarian Ukrainian regime.

Jail the opposition? No problem.

Strangle rule of law and free markets, while building business empires? Sure.

Build mansions the size of Hyde Park, while cutting social spending? Of course.

Now that President Viktor Yanukovich has washed off the leftovers of his democratic makeover, the West is mulling a response to an increasingly brazen regime. The most common idea coming out of Western capitals these days is that the civilized world should put any further cooperation with Ukraine on hold.

That's the wrong path.

It won't hurt Yanukovich and his associates as much as it will Ukraine.

And Ukraine is 46 million people, most of whom share the core values with Europeans to a much larger extent than Ukraine's government. Seven years ago, citizens endured freezing temperatures for months to let the whole world know

→ West can get Ukrainian leaders' attention by refusing visas and scrutinizing their Western bank accounts closely

they are for democracy and rule of law.

The capital of Kyiv still is full of well-educated, multilingual professionals who effortlessly switch from Ukrainian into Russian and English and back. Many of them are well-travelled and have degrees from the US and Western Europe. Their world view is completely different from that of post-Soviet dinosaurs running Ukraine.

I heard American and Polish managers working in different markets say that the best teams of professionals they ever had was here in Ukraine, where people are unmistakably European and hoping their government will catch up some day. And it will be millions of these same young Ukrainians who take the hit if Ukraine gets a red card from the West.

This doesn't mean that Yanukovich and those involved in crackdowns on personal freedoms shouldn't be reprimanded.

He and many of his colleagues show disgust for

the rule of law, human rights and property rights. Tymoshenko was sentenced to jail for seven years for a technicality in signing an inter-governmental treaty. There was no evidence of corruption or personal gain.

Leaders of entrepreneurs' unions are facing prison terms of five years each for damaging the tiles on Kyiv's main square during a strike. At the same time, the interior minister goes unpunished for receiving an off-road vehicle from an unnamed individual as a gift.

The president himself is building a huge mansion the size of London's Hyde Park without bothering to explain where the finances come from. Reports of corporate raiding have become ubiquitous. Tax police and other law enforcement bodies have forgotten their proper role.

In the last two years, media owners and editors have sunk into fear. Compiling the list of officials involved in what increasingly looks like

Lukashenko-style repressions is not a difficult task.

Want to get even? Here is how to teach the Yanukovich gang that nurturing dictatorial skills in the center of Europe can be painful in the 21st century:

Ukrainian government officials and businessmen love showing off in Monaco, spending vacations in Sardinia and weekends in London.

Difficulty in getting visas for US and Western European trips would be a blow to them. They will then have to explore the vastness of Siberian natural beauty or go hiking to the mountains of Kyrgyzstan - a couple of the countries where Ukrainians can travel freely to without a visa. They would also be able to enjoy the benefits of reintegration with drunk Russian workers on the beaches of Turkey.

Closer attention to government officials' personal bank accounts in the West should be another step. As well as a closer look at their foreign subsidiaries through which they siphon off money from Ukraine and back.

While making immediate and all future decisions on Ukraine, the key thing for all Western diplomats to remember is that Viktor Yanukovich is actually not Ukraine. Ukrainians are definitely on their path to the European Union.

Yanukovich is a hefty, but still temporary barrier that Ukrainians will sooner or later remove.

Vitaly Sych is chief editor of Korrespondent weekly magazine.

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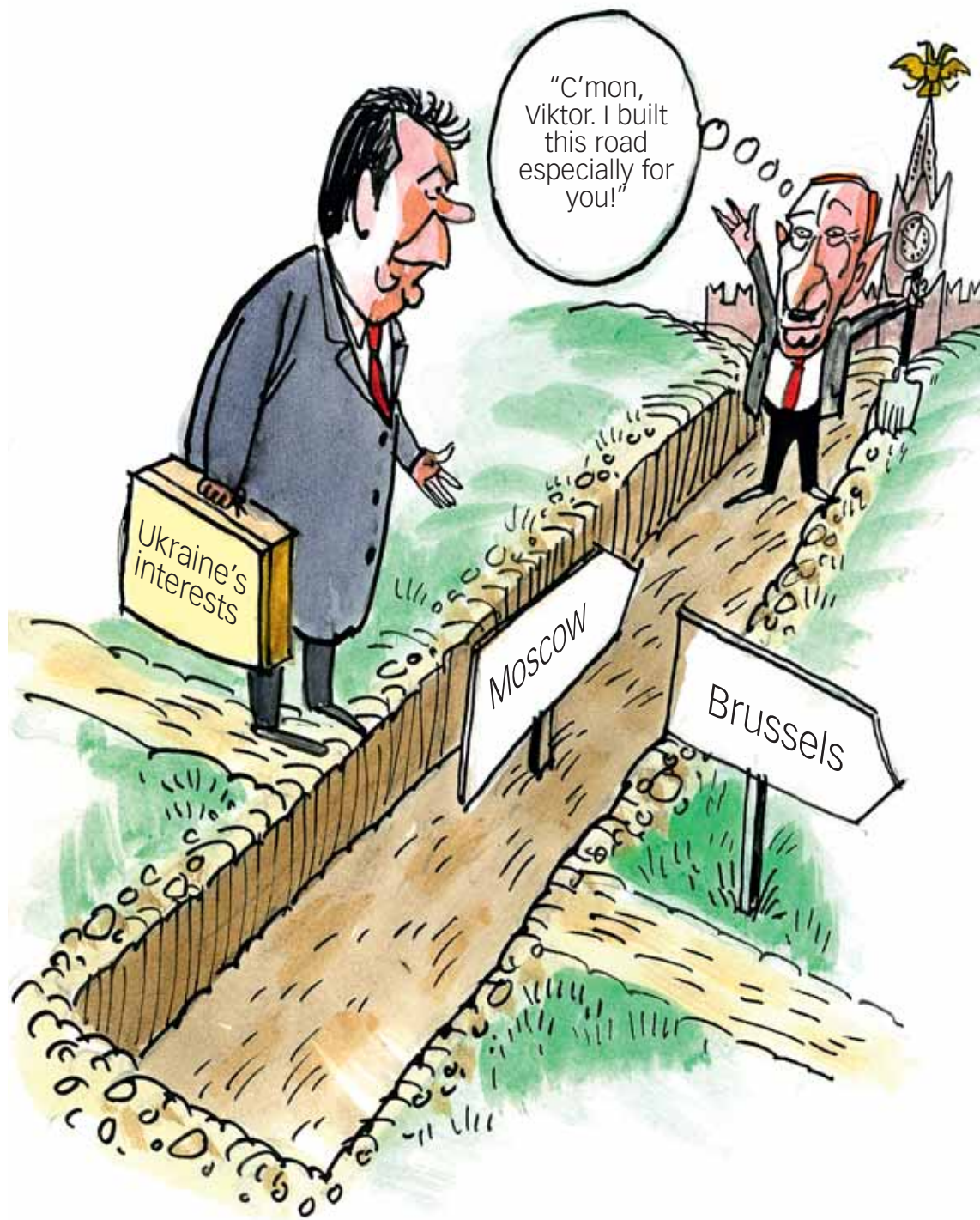


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NEWS ITEM: Despite making no progress on striking a new gas deal with Russia during the meeting of two presidents in Donetsk on Oct. 18, Ukraine's leaders announced this week that they may think about joining a Russian-led customs union that also includes Belarus and Kazakhstan. The apparent U-turn in foreign policy comes after European Union leaders decided not to meet with Yanukovich on Oct. 20, after he defended the conviction and seven-year imprisonment of his political foe, ex-Prime Minister Yulia Tymoshenko. Officials in Brussels, the EU's administrative capital, said there are no plans for further meetings until democratic conditions in Ukraine improve. "Ukraine has to make improvement on important issues, such as the rule of law and the independence of the judiciary," said Dirk De Backer, spokesman for EU President Herman Van Rompuy.

Ash: Time is running out for Ukraine to clean up fiscal mess

→5 gas price discount from Russia, which could delay the need for domestic gas price hikes, albeit also stalling an IMF agreement in the process. The danger is that time (and markets) run out for the government. Budget financing also looks strained to year end, and it is difficult to see how the government will be able to cover budget financing needs, with likely limited market access and given the likely demands of pre-election spending.

Unless new IMF budget financing is secured, the danger is that some spending items are not met. The pressure point will be the domestic currency, with the central bank likely to be forced to allow the hryvnia to weaken to Hr

9-10 to the U.S. dollar by the end of the year. This will be balanced against possible pressure on the domestic banking sector. Domestic banks, which have aggressively expanded their balance sheets again over the past year, could prove vulnerable and this might result in a repeat of the 2008-09 experience where banks needed recapitalization by the state.

Policymakers need to move very fast to shore up their defenses.

Timothy Ash is global head of emerging markets research at the Royal Bank of Scotland in London. This article is an abridged version of a note circulated to investors on Oct. 7 after a visit to Ukraine.

Horbal: Government won't allow hryvnia to devalue further

→5 is that the government is set to support the currency, the hryvnia, and won't allow its devaluation.

Nobody here is interested in destabilization. The horrible memories of three years ago are still too fresh. Even exporters who seem to win when the hryvnia gets weaker will actually lose out more because they have to import spare parts, equipment and energy sources.

Of course, an effective peg to the dollar is not too good for an open economy like Ukraine's, where the share of export is very high in gross domestic product. But the main thing is to keep the currency stable.

However, the government efforts will not be effective without public support. The main risk Ukraine could soon face is in people's heads. Belarus comes to mind a recent example of how destructive panic and irrational behavior can be.

The NBU, which recently introduced

new limitations for exchanging hard currency to fight illegal hard currency trade, is doing it as an insurance measure. Perhaps it's a little over the top, but in this case it's better to be safe than sorry, when the fate of the hryvnia is at stake.

Of course, the next few months may be tough. If our neighbors get into trouble, Ukraine will not be able to remain a peaceful oasis with no trouble at all.

But we can feel safe until Europe gets its own Lehman. And even in the worse-case scenario for Europe, Ukraine is quite able not to import the crisis in full.

Vasyl Horbal is a member of the National Bank's Supervisory Board, a parliament deputy from the Party of the Regions, and a former governor of Lviv Oblast. Ukrzazbank, a bank that he controlled along with partners, was nationalized by the state during the 2009 recession due to financial problems.

Life ain't that bad, or is it?



KATYA GORCHINSKAYA

It helps to talk to billionaires. They are the true optimists of our time. They have the luxury of taking the long view, and there, on the horizon, they can see what many of us can't: a bright future for Ukraine.

Having talked to a few of the nation's richest and most powerful list in the last few months, I was recently struck by the similarity of their visions. All of them, bar none, preach a prosperous, democratic future for the nation, with a strong voice in the world.

Victor Pinchuk, the pipe magnate, told me recently that if one reflects on the past 20 years, it's pretty clear that the nation is moving in the right direction. We're doing it at our own pace, but we're treading the path other people took hundreds of years to walk. He's right.

Oleg Bakhmatiuk, who became a

billionaire in just six or seven years by aggressively expanding his agricultural empire, said that God gave Ukraine two things: good land and good location. Thankfully, we have no oil, he says. But the two gifts we have will inevitably push the nation to taking a number of right decisions and taking its rightful place on the global stage.

He predicts that the lack of food in China in 2020, the changes in consumer behavior in India which is happening already, will push Ukraine's leaders in politics and business to realize what the nation's natural advantages are, and will make them create the environment to use them. He may be right.

Borys Kolesnikov and Sergiy Tigipko, both deputy prime ministers and multimillionaires, have their own separate strategies for making the nation prosper, and are both working to implement them. Their ideas include bringing production of international brands to Ukraine, developing the IT sector to make it a locomotive for the export of services, and so on. They're working to achieve the best in the current circumstances, as far as I can see.

Lev Partzkhaladze, a Kyiv businessman and multimillionaire, says there already are decision-makers around, himself included, who are not motivated by everyday benefits and material gains but would like to leave the nation better off for their children. I want to believe that.

It may take 20 years for major changes, some of them say. Others think it needs two generations, when the children of the children of the nation's rulers and nouveau riches start to matter. Others still think it will only take a critical mass of about 30 percent of people in the government to make a real change.

I like their theories, they make me feel good. But I can't afford to live in the future all the time. Like many Ukrainians, I have every day needs that cannot be moved back even until tomorrow.

So, I look around today, and fall into despair.

I see that my mother cannot afford new clothes because her only source of income is the minimum pension. After dozens of years of working at a

chemical plant she apparently does not deserve any more, according to the state. There are too many people around like her.

I see my children who go to schools designed to deal with factory-made kids who must sit all day at a school desk with their mouths shut, until the teacher asks them to open them. Like most Ukrainians, I cannot afford private Swiss (or even Ukrainian) educators to take care of that problem. Many families face the same problem.

I know that a chief editor from a major weekly magazine fears losing his job because the publisher is running scared after the magazine ran an expose of the president's opulent private residence, Mezhyhirya.

I know that this magazine is one of the few remaining bastions of free press. There are so few of those free media that the fingers of one hand would be too many to count them. And it takes one strike to kill any one of them.

I could almost feel the pain of regular Ministry of Foreign Affairs staff on Oct. 18, when it became clear that four years worth of work on the association

agreement with Europe will be shelved for the time being, either because of the president's personal animosity towards the imprisoned opposition leader or because people in influential positions benefit from the ensuing chaos.

I know none of this is likely to change any time soon. That's because those important Ukrainians who talk about European values in front of respected Western audiences then get into their Bentleys and drive back to their luxury homes, all owned by their mothers and sisters to disguise ownership.

They talk about creating new industries, and then, in the privacy of their offices, they approve privileges for their own companies that make the rest of the nation pay.

Those who talk about "reform" and rule of law have yachts and airplanes they could not have earned honestly and fairly in their government jobs.

And I truly see no way out.

At least not until I talk to a rich optimist who can afford a long view.

Kyiv Post editor Katya Gorchinskaya can be reached at gorchinskaya@kyivpost.com

Australian pop star Kylie Minogue comes to Kyiv to sing at Ukrainian talent show X-factor on Oct 22. Tune in at 7 p.m. on STB TV channel.



What to wear this autumn

BY OLGA RUDENKO
RUDENKO@KYIVPOST.COM

October is perhaps the most important month for fashion magazines to flash out new haute-couture collections, which most of us won't buy, but will certainly take into account planning this rainy season's wardrobe. Judging from the fabric and style selections presented in Paris and Milan six months ago, the 1960s are back in fashion. Furs, maxi skirts, snake prints and leather suits are currently in high demand.

To get through a cold winter, you are now justified to buy what was once a big no-no: colorful fur jackets or glossy black fur coats, with fur sleeves or fur collars – the style makes no difference, as fur is hot right now.

Designer Alexander McQueen suggested white coats with rich fur decoration while French fashion house Celine presented colorful coats – loony and sophisticated at the same time. Even designers of the Italian label Marni, while staying away from outdoor garments, still managed to squeeze in furs on the gloves' fringes. There are no rules with furs this season: somehow designers managed to mix unexpected sets and still convey a posh look.

For some shoppers, however, furs – natural or fake – remain a contentious material. Vintage-like coats in the '60s style rule the world once again this season with coats and blazers retreating to the back stage until better times. Look for geometric cuts and warm colors as you are shopping for that new old coat. Modern American sitcom "Mad men" about a prestigious advertising business in the 1960s may pitch more fashion ideas. Some fashion critics believe that the show's massive and long-lasting success, since it was first aired in 2007, played a huge role in the comeback of retro.

It seems that long skirts, having been in style for several seasons already, aren't getting any shorter this fall. Almost every noted designer bet on maxi trend in their fall-winter collections.

But not any long skirt will rock the party. Losing some curves, skirts – some with high waist – are now fitted to shape for a sexy smart look. Moreover, last season's trend of matching baggy sweaters with long skirts has been replaced with simple tops.

When it comes to fabrics, don't rule out chiffon, silk or light jersey. They will go well under almost any overcoat, including a maxi-coat – another hot trend of the season. So, don't hesitate and play along.

One tricky trend is a snake print as it can easily cheapen one's look → 27



A model presents a maxi dress by French designer Stephane Rolland during the Fall/Winter 2011-2012 Haute Couture Collection show on July 5 in Paris. (AFP)

Food Critic

WITH KATERYNA PANOVA
PANOVA@KYIVPOST.COM

Tasty Soviet nostalgia at Spotykach restaurant

My childhood memories of Soviet cuisine center on gray mashed potatoes, a disgusting beetroot salad and boiled eggs stuffed with mayonnaise. Just thinking about this food kills even the strongest of appetites.

But my stepfather, a historian with particular interest in the Communist era, was in town so we had to oblige. To fulfill his curiosity and our hunger, we settled on Spotykach, the Soviet-themed restaurant conveniently located near St Sophia's Cathedral.

The name of the eatery comes from homemade wine liquor – spotykach, which tastes like a light version of moonshine with a tinge of sweetness to it. Every visitor is welcomed to knock down a shot at the doorway along with a small salo sandwich, traditional Ukrainian pork fat believed to match strong alcohol.

After this hearty welcome, our party of five proceeded inside, now to indulge in the 1960s interior. Fancy glassware, red carpets on the walls and the floors, massive wooden furniture and an old-fashioned gramophone left an impression of a wealthy party leader's apartment. Some of these items were apparently brought here by clients who did not know what to do with these Soviet leftovers.

My three-year-old niece loved the collection of telephones, some of which had buttons with letters instead of numbers. To a child of the digital age it was practically impossible to explain how they were used.

It was much easier, of course, to win her over with Soviet food than technology. Most of the dishes offered that evening were based on "The Book About Tasty and Healthy Food," the 1939 cooking bible, which every household had to have.

I must admit the food tasted very differently from what I was served in canteens, cafes and restaurants in my Soviet childhood. Back then it was awful, but in Spotykach it was delicious.

I would particularly recommend Pozharskaya cutlet (Hr 78) – finely minced tender chicken, fried in butter and coated with crunchy bread crumbs. The name apparently comes from the Pozharsky family who owned an inn back in czarist times. Legend says that one Russian czar once spent a night at the inn and ordered veal for breakfast. The innkeepers were in despair as they didn't have this type of meat, but were afraid to disobey. So, they risked by serving a chicken cutlet masking → 25

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Thur, Oct. 27

Poland continues cultural tour with orchestra

Polish global cultural tour "I, Culture" returns to Kyiv with its musical initiative "I, Culture Orchestra," aimed at connecting Eastern and Western European cultures. Nearly 100 gifted young musicians from Ukraine, Belarus, Moldova, Azerbaijan, Armenia and Georgia were chosen after passing a rigorous audition by an international jury.

The grand tour of the Orchestra will be launched in Kyiv and tour some of the most eminent European concert halls, including the Berlin Philharmonic, Palais-des-Beaux-Arts in Brussels, the Royal Festival Hall in London and the Teatro Real in Madrid. During their European travels, these young musicians will be mentored by conductors of the best orchestras of Western Europe.

Thur, Oct. 27, 7 p.m., National Opera of Ukraine, 50 Volodymyrska St., tickets: Hr 20-150.



Until Fri, Nov. 11

Festival of photography

Photography aficionados will relish the series of events as part of the annual International Festival of Photography "KievFotoCom." Romantic theme "Time to Dream" will unite the works of three world-class artists represented at the festival.

Witold Krassowski pioneered Polish photojournalism and was awarded numerous prestigious awards. French photographer Antoin D'Agata is acclaimed for his work at the notable photo agency Magnum, releasing 10 books and exhibiting at Amsterdam's FOAM and Metropolitan Museum in Tokyo. Beth Yarnelle Edwards, the artist from the United States, was recognized by Ruttenberg and Gerbode Foundations.

The artists will also teach the art of photography in free master classes. Since the launch in 2006 the festival brought together photographers from Mexico, Netherlands, Latvia, Canada, Argentina, Brazil, Czech Republic, Chile and other countries. Ukrainian amateur and professional photographers will have a chance to submit their works in the all-Ukrainian OpenAirPhoto contest.

Until Fri, Nov. 11, for information, exhibition and master class schedules see www.kievfotocom.com or call 235-3619, free admission.

Best gallery picks

Even though the paintings of Alexander Korol belong to the school of realism, he also experiments with abstractions, textures and technologies. His collection "Magical realism" will feature a series of realistic landscapes and cityscapes distinguished by curious perspectives: the scenes appear as if you were looking through the window of a passing train. In Korol's expressive portraits and still lifes, the artist relies on the academic tradition. The works convey harmony with nature through richness of color and atmospheric portrayal of space.

Sat, Oct. 22 – Fri, Nov. 11, "Wunjo-Art" Gallery, 10-A Geroiv Stalingrada Prospect, building 8, metro Obolon, 228-6620, free admission.

Valeriya Turbina draws on inspiration from nature in her collection "Flashback." Among the works are empty landscapes painted in loose strokes, sunrays breaking through the sky, forests reflecting in water with a tiny human silhouette occasionally appearing in the background. The show's title is symbolic: the artist uses photos as a source of memory to recreate images she had seen before. The concepts of time, memory and nature infuse the painting with romantic emotion and spirituality. Turbina currently divides her time between Ukraine and the U.S.

Until Tue, Nov. 8, Bottega Gallery, 22-B Myhailivska St., metro Maydan Nezalezhnosti, 279 53-53, free admission.

Known as the master of portrait, David Shostak painted Kyiv's intellectuals, favorite writers and close friends and family. In Shostak's still lifes, he combines a variety of objects, such as flowers and painting materials, creating unexpected compositions. This exhibition is the first one since Shostak's passing in 2010.

Until Wed, Nov. 30, The Bohdan and Varvara Khanenko National Museum of Arts, 15-17 Tereshchenkivska St., 235-02-06, www.khanenkomuseum.kiev.ua, tickets: Hr 10-40.

IAMX returns

Chris Corner's solo musical project IAMX will give a concert in Kyiv as part of his "Into Asylum Tour," which will be the band's last until 2013 to give them time to work on a new concert format. With his captivating performances, eccentric makeup and peculiar black leather outfits, front man Corner creates an unforgettable fusion of rock, electronica, energy and melancholy.

His lyrics tend to revolve around such emotion-packed topics as sex, death, drug use and religion. The group is bringing an extended crew to enhance the performance with a variety of dazzling multimedia features.

Fri, Oct. 21, Crystal Hall, 1 Dniprovsky Spusk St., www.crystalhall.com.ua/en/, 538-0100, tickets: Hr 300-1,000.



Fri, Oct. 21

Kevin Mahogany

Kevin Mahogany's warm and velvety baritone voice brought him to the heights of jazz prominence in the 1990s. His performance in Kyiv will consist of his own best-loved ballads, as well as classics of Nat King Cole, Jonny Hartman and Jo Williams.

When Mahogany was a child, music in his family was as important as English and math. Mastering piano, clarinet and baritone saxophone, he started playing in jazz bands and teaching music while still in high school.

Throughout his career Mahogany has reached numerous milestones, including the soundtrack for the movie "Kansas City" and performing on stage at Carnegie Hall with legendary Kenny Barron and Jimmy Scott Jazz. He also taught at the Berklee College of Music in Boston and the University of Miami.

Sun, Oct. 23, Kyiv Conservatory, 11 Khreschatyk St., 279-12-42, tickets: Hr 80-200.



Sun, Oct. 23

Movies



A French chambermaid explores the world of chess in the French comedy 'Joeuse.' (www.medhatmoheb.blogspot.com)

Editor's note: Molodist, Ukraine's most famous film festival, opens for the 42nd time on Oct. 22. It will be heavy on French, Polish, German and Scandinavian films. The competition program includes 12 films but their showings have been scheduled afternoons during midweek. So we chose to highlight a couple of feature films with convenient viewing times but out of the competition. Find the full schedule on www.molodist.com/en/program_catalogue.

JOEUSE

Comedy
France 2009
Language: French with Ukr and Eng subtitles
Sat, Oct. 22 at 7:10 p.m.
Kyiv cinema

Set in idyllic Corsica, this film is about an addiction. A young French chambermaid picks up an unusual hobby for a woman – chess and won't stop short of impressing just her family. An American expatriate doctor who lives a reclusive life on the same stunning island becomes her partner. Dreamy, romantic and intellectually sophisticated, their game will be more than black and white.

LA CEREMONIE

Thriller/drama
France 1995
Language: French with Ukr and Eng subtitles
Sat, Oct. 22 at 9 p.m.
Kyiv cinema

In a secluded mansion in Brittany, a family of four hires a maid to help them around the house. Sophie works out as a very considerate, hard-working and pleasant helper. She is illiterate, however, and is very ashamed of it. Throughout the film, she tries to mask her shortcoming by refusing to take driving lessons, buying fake eye glasses and washing dishes by hand, because she can't read the instructions on a dishwasher. Sophie makes friends

with Jeanne, an opinionated and forceful woman who works in the post office. Together they fall out of favor with the Lelievre family, which leads to a series of dramatic events.

SEX & DRUGS & ROCK & ROLL

Biography/drama
U.K. 2010
Language: Eng with Ukr subtitles
Sat, Oct. 22 at 9:40 p.m.
Kyiv cinema

Ian Dury was a legend in late 1970's England. And it wasn't only for his acting and singing. The rock and roll star first rose to prominence in his boarding school where he – a child with polio – was encouraging other ill kids not to give up. The biopic is about Dury's everlasting energy, fantasies, wild parties and difficult relationships. It is widely believed that he defined the punk-rock scene in the U.K. Superbly edited, with graphics and stunning images like a band playing under water, the film is a personal story of a chaotic, yet inspiring music legend.

CURLING

Drama
Canada 2010
Language: French with Ukr and Eng subtitles
Sun, Oct. 23 at 9:35 p.m.
Zhovten cinema

In a dreary and very cold part of Canada, a father and his 12-year-old daughter struggle with monotonous and lonely lives. Living

together, they seem connected only by physical space and some unhappiness. The father is scared of letting his child outside much, to school or even watch TV. He locks her up at home whilst working in a hotel or a bowling alley. There's no explicit drama, and for some people it may not be enough. But for art house fans, figuring out the source of a sophisticated pain will be enticing.

ELOKUU

Drama
Finland 2011
Language: Finnish with Eng and Ukr subtitles
Mon, Oct. 24 at 7:10 p.m., Kyiv cinema
Tue, Oct. 25 at 9:30 p.m. Kyivska Rus cinema

In a blissful, enigmatic Scandinavian summer, Aku graduates and is left to his own devices since his family and long time girlfriend leave the city. Coming from a well-off family, Aku can imagine his future with a comfortable job, a big house and a Christmas tree when December breaks. But meeting a free-spirited young woman he begins to doubt if it really is what he wants. They set out on a romantic adventure through the east of Finland trying out everything they want to be but cannot – just yet.

JODAEIYE NADER AZ SIMIN

Drama
Iran 2011
Language: Farsi with Eng and Ukr subtitles
Thur, Oct. 27 at 9:20 p.m., Kyiv
Sat, Oct. 29 at 7:30 p.m., Zhovten

"Separation" won the Golden Bear, best actor and best actress awards at Berlin earlier this year. It's a moving personal story of one family bereaved by an illness. The mother wants to leave Iran to provide better care for their only daughter but the father insists on staying as he feels a responsibility for his ageing father, who has Alzheimer's. The importance and pressure of the Koran in this story is palpable. Tension mounts as the mother decides to get a divorce.

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www.zhovten-kino.kiev.ua/

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www.kino.com.ua

Live Music



Frank Parter to play in Art Club 44 on Oct. 24 (www.userserve-ak.last.fm)

ART CLUB 44

44B Khreshchatyk St., 279-4137,
www.club44.com.ua
Concerts traditionally start at 8 – 10 p.m.
Oct. 21 Good life, Hr 50
Oct. 22 Yurkesh, Hr 50; MJ Project, Hr 50
Oct. 23 Soviet Soviet (Italy)
Oct. 24 Frank Parker, Hr 40; Grigoriy Parshin Band, free admission
Oct. 25 Jazz Karaoke night, Hr 40
Oct. 26 Good Evening Party, Hr 40
Oct. 27 'The Kooks' Cover Party, Hr 50

DOCKER'S ABC

15 Khreshchatyk St., 278-1717,
www.docker.com.ua
Concerts traditionally start at 9:30-10 p.m.
Oct. 21 Mad Heads XL, Tex-Mex Company, Hr 75
Oct. 22 Good Life, Crazy Train, Hr 75
Oct. 23 Foxtrot Music Band, free admission
Oct. 24 Nochnoy Kvartal, free admission
Oct. 25 Angie Nears, Hr 20
Oct. 26 Hits Battle - 60ies vs 70ies: Vostochny Express vs Second Breath, Hr 30
Oct. 27 Mr Och, Hr 30

DOCKER PUB

25 Bohatyrska St., metro Heroyiv Dnipra,
www.docker.com.ua
Concerts traditionally start at 9:30-10 p.m.
Oct. 21 Vinta, Red Rocks, Hr 75
Oct. 22 Kiss Forever Band, More Huana
Oct. 23 Smyslovyye Galutsinatsii, Crazy Train
Oct. 24 Animals Session, free admission
Oct. 25 Tres Deseos Latino Party, free admission
Oct. 26 The Magma, free admission
Oct. 27 Ruki v Briuki Rockabilly Party

BOCHKA PYVNA ON KHMELNYTSKOHO

4B-1 Khmelnytskoho St, metro Teatralna,
390-6106,

www.bochka.com.ua
Concerts traditionally start at 9-10 p.m.
Oct. 21 Chill Out, Lucky Band
Oct. 22 Borys Tarshys & Sergey Pidkaura, Hr 50; Tres Deseos, Beefeaters
Oct. 24 Sergey Tabunshchik Jazz: Saryi & Co, Hr 40
Oct. 26 Alisa Band
Oct. 27 Funk Day Festival: Moya Poslednyaya Korporatsiya, Intellect Plug & Get, Hr 30

BOCHKA PYVNA ON PETRIVKA

17/1 Moskovsky Ave., metro Petrivka,
461-8788,
www.bochka.com.ua
Concerts traditionally start at 9-10 p.m.
Oct. 21 Antytila, Hr 50; Kandur, Hr 20
Oct. 22 Meloman Project: Valentyn Strykalo
Oct. 23 Pauk, Hr 50
Oct. 24 7 Rasa
Oct. 25 Bochka Jackpot, 1/8: The Groovers vs. Gastrotery
Oct. 27 Ivan Demiyaniy & 7B, Hr 200-350

PORTER PUB

3 Sichnevogo Povstannya St., 280-1996,
www.porter.com.ua
Concerts traditionally start at 7:30 p.m.
Oct. 21 Pozitiv Band
Oct. 22 HPZ
Oct. 25 Maks Tavricheski
Oct. 26 Ivan Bliuz
Oct. 27 Juke Box

JAZZ DO IT

76A Velyka Vasylkivska St., 289-56-06,
http://jazz-doit.com.ua
Concerts traditionally start at 8:30 p.m.
Oct. 21 Living Blues
Oct. 22 Jazz Inside
Oct. 26 Dmitriy Garkavenko

Other live music clubs:

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 KRUZHKI 12/37 Dekabrystiv St., 562-6262.

Reviews by Yuliya Popova

Compiled by Svitlana Kolesnikova

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Medieval Berezhany lures with historical sites, red-roofed houses

NATALIA A. FEDUSCHAK

BEREZHANY, Ternopil Oblast – Berezhany, as the legend goes, was built on gold.

A thousand years ago, residents who lived on the banks of a river in a small settlement dug for gold. It was not a difficult job. The river was so abundant with the bullion that it was everywhere – on the river's bottom, in its currents, in deep crevices. To access the gold more easily, however, the villagers dug a canal toward their settlement; in time it became an arm of the river. Eventually, there was so much gold that the inhabitants covered an entire island with it. That islet became home to Berezhany's famed castle, which served as the city's protectorate for over 400 years.

Like many cities in western Ukraine, to be fully appreciated, Berezhany needs to be seen through the prism of legend and its past. As one of the poorest regions in the former Soviet Union and now independent Ukraine, its beauty and many centuries-old crumbling villages are fading, but still present. Berezhany is no exception.

Situated on the Lypa River in Ternopil Oblast, Berezhany – home to some 19,000 residents – can be experienced in a few hours. Here, sitting in the central square, dominated by the ratusha, or town hall, with its weekend markets and daily gossip, one can



watch the continuation of centuries-old village life. The bells of churches from various dominations occasionally ring, while a look up reveals balconies that have the dates of their making molded into their railings.

The day I visited was warm, with a cool breeze periodically intruding. A young woman played the flute, while pedestrians walked up and tossed a hryvnia or two into her minuscule case.

First mentioned in 1375, Berezhany was granted Magdeburg rights – a set of laws that regulated the degree of internal autonomy – in 1530.

Several years later saw the begin-

ning of the construction of Berezhany Castle, which is without doubt the village's crowning jewel. Located a 10-minute walk from the city center, construction of the castle began in 1534 by Mikolaj Sieniawski, a local governor. Situated on the legendary island full of gold, the castle by the 17th century became known as East Wawel, named in honor of the fortress in Krakow, Poland, where the king lived, because of its luxurious interior and architectural style.

Although it is a shell today, visitors can wander through the castle's flowered courtyard, which boasts a small-

scale reproduction. A modest museum reveals fragments of stunning statues carved into black and red marble that once decorated the Sieniawski Chapel, the final resting place for members of that family. Although the chapel is currently boarded up, a peek high up through a glass cupola reveals its tantalizing beauty. Its interior was designed by some of the finest European sculptors of the time, including Johann Pfister, Henry Gorst and Herman Gutte. Many of the chapel's works are today housed in museums in Lviv and Krakow.

While the castle is Berezhany's jewel, its ratusha is the city's heart. The second floor houses the village's museum.

Ironically, the floor housing the museum was once home to the city's gymnasium, an educational institution. Two of Ukraine's leading writers attended school there – Markian Shashkevych and Bohdan Lepky. The room where Shashkevych sat is a memorial to this important writer. Although his life was short – he lived from 1811 to 1843 – he was critical to the development of Ukrainian culture and literature. He organized nationally conscious youth to work for national and cultural revival in western Ukrainian lands. He and a group of likeminded individuals were responsible for the publication of "The Mermaid of the Dniester," the first collection of Ukrainian literature to appear in western Ukraine.

Other items in the museum also beckon, including cups used by the German and Turkish armies, which occupied Berezhany in both world wars.

Across the street from the town hall is the church of the Holy Trinity. The icon of the Holy Lady of Rome is housed here. It was presented by one of the popes to Berezhany at the beginning of the 17th century and is considered miraculous. The church also houses a fragment of relics apparently belonging to John the Baptist, brought in 1673.

Berezhany has other churches remembering the many nationalities that once graced this town, including Polish and Armenian, although the Jewish quarter no longer remains, much of it destroyed during World War II.

The village's most unique home can be found on 11 Valova St. Called the Chaikovsky Villa it was built by Andriy Chaikovskyy, a public activist. In the early 20th century, the villa was the center of cultural and educational life.

For those inclined to get a glimpse of life of the nobility, three kilometers outside of Berezhany is the Potocki palace, located in Rayivsky Park. Several generations of the Potocki family ruled over the area that today is western Ukraine; the palace was built in 1760 and is an important example of the Classical style.

Staff writer Natalia A. Feduschak can be reached at feduschak@kyivpost.com.

History professor Snyder coming to Kyiv to present 'Bloodlands'

NATALIA A. FEDUSCHAK
FEDUSCHAK@KYIVPOST.COM

When history professor Timothy Snyder grouped together the areas from central Poland to western Russia in his book "Bloodlands: Europe Between

Hitler and Stalin," he was trying to explain why this region became the center of Nazi and Soviet policies of mass killings.

In an interview with the Kyiv Post, the professor said he noticed in writing the book that more people were

deliberately killed in Ukraine than in any other part of the world between 1933 and 1945. While he asserts there is nothing Ukrainians could have done differently in either of the two world wars to win their independence, how the country's past is approached is important.

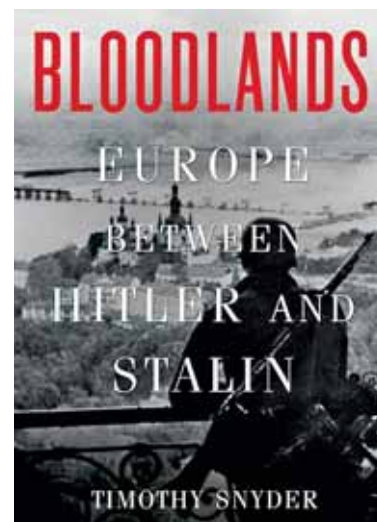
Snyder is in Kyiv Oct. 21-22 to introduce the Ukrainian-language version of his book, which has already been translated into 20 languages since its publication last year.

"Ukraine has this ongoing internal dispute about the significance of the [1930s] famine, of the significance of the war. Poland, on the other hand, is inside the European Union and its concerns are more like, how do we get the Europeans to alter the European narrative of history so that it can accept certain things [mass murders] that happened in the east that were different, or indeed worse," said Snyder, a professor at Yale University.

Snyder explored the catastrophic results of Soviet and Nazi policies from 1933 to 1945 in his internationally acclaimed work. Spanning from central Poland to western Russia, he argues that 14 million civilians were deliberately murdered on this vast territory, which he labels the bloodlands, because of the policies undertaken by Hitler and Stalin.

Snyder said that even though the region of the bloodlands has changed significantly in the last 70 years, the influence of the past on the region's current political environment can be easily traced.

"The legitimating ideology of Belarus, for example, of the Lukashenko regime,



has a lot to do with the suffering of Belarus during the Second World War. And because we don't know anything, or most people don't know anything about that, the regime is all the more difficult to understand, or all the more inscrutable," Snyder said.

Although there has been a great deal of division in the region since the 1989 collapse of Communism, one of the things the bloodlands nations have in common is an overwhelming preoccupation with history.

Snyder has provided a framework for how to think about the bloodlands in the face of what are often parallel, diverse and competitive national stories on the territory. For him, however, the bloodlands were more a question than an answer.

"Once you know that so many millions of people were killed here and not elsewhere, then you want to try to

explain why," Snyder said. "Of course the answer for why does not have just to do with the people who were there, it has to do with the desire for these territories by not one, but two competing empires. So the bloodlands can't just be about the people who lived there and died there. The bloodlands became the bloodlands because of Soviet policy and because of German policy and because of the encounter of Soviet and German policy."

The question of collaboration with the Nazis in World War II still looms large in Ukraine, which is finally coming into its own as a subject of academic study. However, one can't begin to understand what happened in Ukraine in the 1930s and 1940s causally without understanding the policies of Moscow and Berlin.

"Any account of any major tragedy in Ukraine that doesn't begin with the policies is not going to have the causation right," Snyder said. "You can't explain the famine by the desire of Ukrainians to starve other Ukrainians, you can't explain the (Great) Terror by the desire of Ukrainians to shoot other Ukrainians, and you can't explain the Holocaust by the desire of Ukrainians to kill Jews. The first two are Soviet policies, the last one is a German policy."

At the same time, there is the moral question.

"What I would say is that insofar as you identify yourself with a given organization or group, then you have to take responsibility, associate yourself with everything it did," he said.

Staff writer Natalia A. Feduschak can be reached at feduschak@kyivpost.com.

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Workers dismantle The First Grill Restaurant of Meat and Justice in Lviv as a result of a war with the city authorities. (Courtesy)

In a war with Lviv authorities, one restaurant down



KATYA GORCHINSKAYA

Take a good look at this photo. This ruin used to be a successful restaurant in a historic part in the wonderful city of Lviv. There are two reasons it was pulled down, as far as I can see: The city mayor wanted to show who's the boss, and/or someone wanting to take over the business.

I'm not impartial here – this is a story of my friends and my beloved restaurant industry (I used to own a bar). But it once again demonstrates how the system can crush even the most creative, the most adventurous businesses – the kind it should cherish and support.

The restaurant used to be called The First Grill Restaurant of Meat and Justice, and was designed after the Lviv executioner's former residence.

I hated the concept, but love the owners, a trio of young and ambitious businessmen, all in their early 30s, who in 2007 started a highly successful and creative chain of restaurants called !Fest. Their startup operation was Kryivka, a not-so-secret bar just off the central Ploshcha Rynok designed as a hidden bunker of the UPA, the Ukrainian Insurgent Army.

The First Grill Restaurant was in fact their 12th establishment, opened last summer in the yard of the former Bernardine monastery that dates back to the 17th century. To open it, the owners had spent \$300,000 on a 100-square-meter site, which had been for sale for some time. The site was not cheap, and the work that would turn it into a functioning business was both

complicated and delicate. It was an architectural challenge because the site is on the national heritage list. It was expensive to upgrade for all of those reasons.

!Fest rented more space from the city for a summer terrace, drafted a concept that the city approved and then invested close to \$200,000 into building a full-scale restaurant, complete with a cool play area for children, an automated open fire grill that they invented themselves, and a number of attractions for the young and old to make a show out of every visit.

The restaurant had problems before it even opened: Representatives of the nationalist Svoboda party, which has a majority in the city council, tried to stop construction a number of times, citing lack of permits required to build on a historic site. Eventually the argument seemed to be settled.

Yet saying a restaurant has no permits in Ukraine is like saying the sky is blue. The regulations in this business are intentionally designed and preserved to make sure it's just about impossible to get all the paperwork right. And to get close to getting it right takes roughly two years.

!Fest makes good use of existing laws, though. Their lawyer is one of the few I know in this industry who actually uses the provision of declarative principle of running a business. This means that if you apply for a permit of a sort and your documents are accepted by the relevant authority, you can consider yourself having the permit from that moment on.

Yet none of it helped the restaurant. The restaurant's opening was accompanied by pickets, the owners were accused of damaging the historic site, and the mayor promised that the restaurant would be gone, one of the partners of !Fest said.

This was not the first restaurant to get in trouble: At one point they discovered that the city sold a land plot underneath one of their creations, a cafe in an old tram car, to someone who had nothing to do with their business.

As all these troubles were happening to the grill restaurant, someone approached the owners and offered to buy the troublesome business. The catch was that they offered a fraction of the cost that had been invested into the business. The owners declined and were sued by the mayor, and, of course, lost a number of cases. "Imagine what it's like going to court against the government," one of the partners said. I can't.

On Nov. 6, the court's decision was executed and everything was pulled down that used to be the outside part of the restaurant on the rented territory. Only the kitchen – which was built in the privately owned part of the site – remained.

The mayor's office said the restaurant was built illegally, as it had a permanent structure. But !Fest dismissed the claims as nonsensical. "The roof was made out of plastic sheets, and the support structure was designed so that it did not even touch the ancient walls," says Yuriy Nazaruk, the creative director of !Fest.

The company came out with a statement accusing the Lviv mayor of a raider attack on their business and promised to sue him all the way up to the European courts, as well as start a massive information campaign about the reality of doing business in Lviv.

In the meantime, the partners are expecting a visitor offering them a token price for what was once their flourishing business.

Kyiv Post editor Katya Gorchinskaya can be reached at gorchinskaya@kyivpost.com

Food Critic: Red carpets, tasty cutlets

→21 it in bread crumbs, which the czar apparently loved. The cooks then decided to reveal that it wasn't veal, but the royal guest didn't seem to mind. The story goes that he rewarded them for their honesty by adding this cutlet to his family menu.

Inspired by history, we opted for another chicken masterpiece – Chicken Kiev (Hr 89), which left a soothing impression with a tender fillet soaked in butter.

My little niece ordered a large plate of meat dumplings (Hr 79), which she finished, so I bet it was also good. Mushrooms in a sour cream sauce for a starter were perhaps the only savory disappointment of the night. It left a greasy and acidic aftertaste.

Unwilling to stay nostalgic all night long, I opted for a rocket salad with salmon (Hr 114), which was delightful. Grilled tiger shrimps (Hr 138) also looked enticing in the modern part of the menu, but I already whetted my



appetite with chicken cutlets. Quite pleased by the mains, we were disappointed by desserts. Half of the items on the menu were unavailable – another Soviet hiccup from 20 years ago.

But the service was good as opposed to what it was like in the Soviet eateries – infamous for rudeness and arrogance.

Spotykatch fit well with my stepfather's (who is an American) idea of Soviet cuisine. It reminded him of the '70s when he visited a number of restaurants designed mainly for foreigners in Moscow. They were pretty good, he said; designed for propaganda purposes, those restaurants had extensive menus and delicious food. His only problem, which still rings true for us today, was with the waiters – polite, but not particularly friendly and social, as an American would expect them to be.

Those thoughts, however, were quickly drowned by a live music concert. From 8 p.m. on Thursdays through Saturdays, two bands play double bass, accordion, guitar and violin and sing Russian and Ukrainian folk songs, as well as Soviet-era hits.

Kyiv Post staff writer Kateryna Panova can be reached at panova@kyivpost.com.

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A world poker champion hails from Kyiv suburbs

BY MARIYA MANZHOS

MANZHOS@KYIVPOST.COM

Two decades ago, Eugene Katchalov was a typical Ukrainian boy, romping around his home in the suburban Kyiv city of Vinogrador. He never dreamed that he would end up moving to America and become a millionaire. His work routine is not a 9-to-5 desk job; his whole year is filled with trips to places like New Zealand and the Bahamas to play poker. Without a steady paycheck, Katchalov sometimes finds himself poor and at other times, flush with millions. After seven years of playing cards as a hobby, the world-class poker professional committed to the game full-time.

He didn't start out as one of the best. As a child living in a two-room apartment with his mother in Kyiv, he didn't even take much interest in cards, besides playing the Ukrainian card games durak and Seka with the boys for coins.

Yet, the aptitude for card playing must have been in the boy's genes, since Alex Katchalov, Eugene's father, was a skilled card and board player in town, making more than engineers, he says.

"My dad played in Hydropark and often took me to watch their games," recalls Katchalov, 29, who returned to Kyiv for the Russian Poker Series tournament in September.

Rejecting life under the Communist regime, Eugene's father left Ukraine when the opportunity presented itself. In 1989 Alex Katchalov emigrated to New York as a Jewish refugee and in a few years the family joined him on the other continent.

On the day of Ukraine's independence, 10-year-old Eugene and his mother gathered their modest belongings and boarded the plane to New



Eugene Katchalov (L) plays at the World Series of Poker Championship in January in the Bahamas.

York City. "We were leaving in the middle of the night. The tanks were all over the city and we weren't sure if the plane would take off," recalls Katchalov.

In several hours Katchalov was marveling at the graffiti decorated walls of Brooklyn. Having arrived with only \$50 in their pocket, the Katchalovs started from scratch: mother Liza worked as a seamstress and Eugene started in a Russian-Jewish school, while the father worked at a car dealership and occasionally delivered pizzas. Eugene struggled to fit in:

"As the youngest kid in school from a non-religious family, I was often mocked and abused by my peers. Russian immigrants were looked down upon, which made me ashamed of my heritage."

But the Katchalovs persevered resili-

ently. His mother went to college and got into the fashion industry, eventually working for American designer Michael Cors. And, Katchalov junior also went to college which, unexpectedly led him to poker.

On a carefree summer night, after graduating from New York University business school, Katchalov with friends were aimlessly cruising around looking to kill time. One of the friends suggested to strike up a poker game for fun, without even knowing the rules. It was Katchalov's first time playing poker.

While training to become a stock trader with no real job Katchalov started playing poker on the side at first winning consistently \$30-40 a day, he recalled, which was "better than earning nothing." Today, he has some \$7 million in a bank, according to Katchalov's

public profile on PokerStars, the company he represents.

In poker he used the skills he learned from trading, combined with a natural knack for understanding complex computational situations and people.

Alex Katchalov believes his son has a true talent: "He's got patience, logical thinking, good interpersonal and money management skills. He is in control of himself, which is crucial." Alex also might be his son's biggest fan: he keeps all of Eugene's bracelets and trophies in a safe.

And, Katchalov savours the unpredictability of the game:

"I have always liked the excitement of not knowing what's going to happen at the end of the day. When you go to work you know you will get a pay check, but with cards you are never

certain. You can win big or lose big."

The first taste of big money and a boost of confidence was in the first live tournament in Las Vegas in 2004, when Katchalov won \$45,000. But his "life-changing" win, as he calls it, was two years later in Vegas when he walked away from the tournament held in Bellagio hotel with \$2.4 million. He says, however, that he didn't selfishly indulge in his new wealth.

He bought a new apartment for his grandmother near the ocean in Brighton Beach.

"To me wealth is not more than the proof that I am excellent at what I do, it gives me confidence necessary for victory," shares Katchalov.

Playing poker and doing trading simultaneously became too time-consuming and something had to give. Eugene chose full-time poker which has opened up an extraordinary and exciting lifestyle.

"Poker tournaments take me to Vegas, Bahamas, London, New Zealand, Russia and my native Ukraine. Poker allows me to explore new places and meet interesting people," says Katchalov. Wearing a plain t-shirt, he smiles generously.

Despite the millions and a comfortable lifestyle, Katchalov seems to stay down to earth. "Poker is a very humbling sport – today you are on the top, and tomorrow – at the bottom. Luck isn't always sustained," says Katchalov.

"You can call him in the middle of the tournament, and he will be there for you," says Natasha Walman, whose family also immigrated from Kyiv. The two bonded in high school by sharing memories from childhood.

"When I show up at the tournaments, I am usually the only one from Ukraine. Now I am proud of my heritage," says Katchalov.

Kyiv Post staff writer Mariya Manzhos can be reached at manzhos@kyivpost.com

Last two grandchildren of great writer Ivan Franko live in Kyiv

BY ALYONA ZHUK

ZHUK@KYIVPOST.COM

Daryna is 84 and lives a solitary life in a six-room apartment in the center of Kyiv. Roland is 79 but continues working at a university. They are not just a brother and sister; they are the last living grandchildren of the famous writer Ivan Franko.

A political prisoner and a visionary poet, Franko left a compelling legacy: hundreds of literary works, four children and seven grandchildren. His famous surname hung over the children who carried on writing poetry and novels. His grandchildren were under less pressure and some gravitated to adjoining humanitarian disciplines.

Daryna worked as a sub-editor in a publishing house but after retirement disappeared off the public radar. She came to light when she ran afoul of Kyiv municipal authorities for being unable to pay for utilities. After her famous surname helped her to write off the debt, she went into hiding again.

The last time Daryna spoke with Roland was a while ago.

Unlike most of his siblings, he didn't tie himself to the arts.

"I never thought I need to follow Ivan Franko's way only because I belong to his family," says Franko. "My mom used to say that Franko had already written everything, so I had nothing to do with literature."

Roland comes through as a friendly grey-haired man with bright eyes. His voice is soft; his speech is slow but engaging. Remembering his years in the foreign service, he says that he never used his grandfather's fame for any purpose.

For him and his two sisters, life started in Lviv, where they lived in the writer's home, which is now a museum.

Roland was studying oil and gas in Lviv University when authorities offered them a large flat by the opera house in Kyiv in exchange for their family mansion. When they moved, Roland chose to study mining at the Kyiv Polytechnic Institute.

"Perhaps this is the only thing that links me to my grandfather," he says smiling, "Ivan Franko loved writing about miners and diggers."

After graduating in 1954, Roland got a job in the oil and gas ministry but then moved to the science institute of metallurgy and farming where he worked for more than 30 years.

When the Soviet Union fell apart, 60-year-old Franko got an invitation to become a science adviser in the Ukrainian embassy in the U.K.

"Someone from the Foreign Ministry recommended him to me," remembers Serhiy Komisarenko, who was the ambassador in London at that time. "I didn't really need a consultant, but there was a position, which Franko fit well. He was also responsible for contacting Ukrainian diaspora, and for them Roland's family name meant a lot."

Learning English on the job, Roland moved to London and got involved with an Antarctic station Faraday, which British authorities had to sell.

"When countries already represented in the Antarctic agreed to reduce the number of stations owned by one country to five, Great Britain sent out the letters to the Embassies about selling its sixth station," remembers Franko.

Despite skepticism and little state



Writer Ivan Franko's grandson Roland

funding regarding such purchase, Franko responded to the letter and invited the British Foreign Office to visit Ukraine. After that visit, the Faraday complex was renamed after Professor Volodymyr Vernadsky and transferred to Ukraine in 1996, allegedly free of charge.

"Franko was responsible for negotiations with the British Antarctic Office," remembers the former ambassador, adding that "Franko is a great and very nice person."

Franko warms us remembering about the Antarctic negotiations: "I was mailed a photograph of the team, the English flag and our flag and a note saying 'To the godfather.'"

He's less excited talking about his sister.

"We live separately for more than 30 years now," he says with a deep sigh, "she calls sometimes, but..."

When it comes to politics, he doesn't show support for any parties, stressing that presidents should pay more attention to the cultural and educational aspects of policy. He regrets hearing "only Russian language" on television.

"It was Ivan Franko, who said that the country's economy won't develop unless there is national growth," says Roland. "I expect Ukraine to follow the right path, as almost everything has been done for that."

Kyiv Post staff writer Alyona Zhuk can be reached at zhuk@kyivpost.com.



A maxi chiffon skirt by Bekh label presented at Ukrainian Fashion Week in March. (Courtesy)



Alexandre McQueen's ready-to-wear dress glamorizes sexual fetish trend. (AFP)



A snake top with a pencil skirt from Chloe demonstrates collage style. (style.com)

The 1960s look back in vogue

→21 if used incorrectly. Prada, Missoni and Chloe have all offered a reptilian look, putting snake prints on coats, blazers and even chiffon dresses.

Glamorous fetish is another tricky style, which one should use sparingly. High bondage boots and tight leather and chiffon tops and skirts brim with naughty black gloss. Add a whip to that and you will only be allowed to clubs on Halloween night.

Mostly inspired by Alexander McQueen works, fetish garments swept the market with the speed of lighting. While some scold this allusion to porn, others, including Lady Gaga and Kate Moss, willingly embrace it.

Another toasty trend of the season is

collage, which means you can mix a yellow-green striped sweater with a tartan skirt. This look of course is for advanced fashionistas, who can match colors and patterns with their eyes closed. And don't forget to wear an ultra-glamorous pair of boots with very high legs.

And no matter how tough it may sound for Ukrainian women, spiky heels are a crime against fashion this season. Wedges and wide heels rule the scene today.

Even though men's fashion seems to live its own life, it is somewhat influenced by women's trends this autumn and winter. German designer Karl Lagerfeld, wearing the most classical suit himself, is at the same time the biggest fur lobbyist amongst

male designers. Last year, he suggested that Chanel men should wear fur suits of natural colors, turning his models into yetis on the catwalk. This year his eponymous label is rather conservative and has black coats with fur collars. As to the 60's, jackets and coats became double-breasted once again. Suede desert boots of mild green or brown shades will complete the look.

Tricky is the word of this season. Get a weird fur coat, make the best collage look or kick off an Audrey Hepburn with your own 60's dress. The time of playing it safe is over, now is the time to make a fashion statement.

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



Alexander McQueen calls on men to experiment with fur and colors. (style.com)



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Traditional bandura plays more than folk melodies

BY OKSANA FARYNA
FARYNA@KYIVPOST.COM

Gone are the days when a traditional Ukrainian instrument, *bandura*, was associated with blind minstrels. In the hands of 25-year-old Georgiy Matviyiv this bulky string lute can sound like a double bass, a guitar, a harp, a percussion instrument and even a vinyl disk played by a deejay.

He's one of the few musicians in Ukraine on a mission to break from the bandura's epic history, which was preempted by kobza, a favorite instrument of Ukrainian Cossacks and blind musicians, or kobzari. Lyrical and heroic, their songs painted great historical moments and the hard life of the peasantry, similar to the poems by Ukraine's greatest bard Taras Shevchenko, who is now also known as the Great Kobzar.

Shevchenko's barely noticeable portrait at the bottom of Matviyiv's instrument is perhaps the only link between the bandura's rich legacy and its jazzy present. Dressed in plain jeans and a T-shirt instead of traditional *vyshyvanka* during his concerts, Matviyiv does have some folk songs in his repertoire but even they sound differently, sometimes like Spanish flamenco.

"Only recently people began to understand that with bandura it is possible to play a variety of genres," says Matviyiv sitting in a cafe in downtown

Kyiv. The young musician from Odesa claims that he invented 16 new ways of playing bandura and can play new age style, jazz and blues. Television talent shows helped him to popularize his skills.

Matviyiv's competitor, Yaroslav Dzhus, also got his head start during a TV casting. The 23-year-old Kyivan impressed the jury on the same talent show by playing Beatles, Metallica and Queen on his bandura. Dzhus has also made a cover on Lady Gaga's song "Paparazzi," which quickly became popular on YouTube. He didn't win the show but signed up for another one, this time as the producer of the bandura sextet Shpylyasti Kobzari.

While this sextet gives folk songs a rocky twist, Matviyiv, who is half Georgian and half Russian, has no deep relationship with Ukrainian national traditions.

"When I started playing the bandura no one in my family knew this instrument exists. They did not know what this word even meant," said Matviyiv. "My family wanted me to become a banker and sent me to a math class at school."

Ironically, his parents' calculated decision led their son to music anyways. Matviyiv's teachers decided to reward the best students in mathematics with a bandura class, since they believed that people talented in math could be talented in music as well.

Matviyiv, who was 12 at the time, was one of those allowed to attend the unusual class.

It was fate, recalls Matviyiv now. He went on to attend a music school, then college and finally entered Odessa State Music Academy. Soon, he learned that tapping the body of the instrument makes it sound like percussions; and striking and rubbing the strings with his palm edge conjures a sensation of a DJ spinning a vinyl. He was so thrilled to discover all these new elements of play that he is going to write a thesis on this topic, Matviyiv said. After winning several musical contests including the 2009 All-Ukrainian Bandura Art, he says there are still plenty of musicians who outperform him in academic techniques.

Among his heroes, Matviyiv names Dmytro Hubyak, a recognized 29-old bandurist from Terebovlya, Ternopil Oblast, who plays classics by Vivaldi, Bah and Beethoven and jazz by Duke Ellington and Ennio Morricone, apart from composing his own music for the bandura.

As jazz critic Oleksiy Kogan summed it up: "When a young man goes on stage with a bandura he prolongs the life of this instrument."

To hear Matviyiv's music, look for his two CDs "On the Edge" and "Exit" at umka.com.ua.

Kyiv Post staff writer Oksana Faryna can be reached at faryna@kyivpost.com.



Georgiy Matviyiv gives a performance in a master class on Oct. 5. (Courtesy)

All you need is love from The Beatles and the EBA



Natalya Popovych from PRP (L) and Maryna Sonina of Raiffeisen Bank Aval.



Ljubomir Mudric from AstapovLawyers



Guests enjoy refreshments at SkyBar.

→ The European Business Association hosted a talent party devoted to the Beatles on Oct. 13 in SkyBar. Full of '60s spirit, the event drew many association members and guests. As the crowd indulged in refreshments, a group of performers impersonated the great four with the popular covers. (Courtesy, Yaroslav Debelyi)



Martin Raiser, World Bank's director for Ukraine, Belarus and Moldova.



Spring/Summer 2012



2

Five top Ukrainian designers opened the 29th Ukrainian Fashion Week on Oct. 13 in Mystetsky Arsenal. Silky, flowing dresses of pastel colors seemed to dominate designers' imagination.

1, 3 – Liliya Poustovit headlined the opening presenting casual, relaxed dresses to the fashion-refined audience. The 45-year old blond couturier shed a tear after the show saying that her collection reminded her of her mother when she was young.

Viktoria Gres, known to work with many celebrities and politicians, was influenced by the flirtatious Italian holiday town of Portofino. Gres bet on luxury casual styles in her next season's choice of wardrobe.

4, 6 – Flamboyant Alexey Zalevskiy, 37, dressed his models in yellow and gray and covered their heads with glistening masks made of foil. Some of his models look like elves from the Lord of the Rings.

5 – Elena Bunenina stayed loyal to strict geometrical forms in her collection, whereas Anisimov presented simple airy dresses. 2 – Scandalous celebrity Paris Hilton in a sexy yellow dress was the highlight of Andre Tan's collection.

– Yuliya Raskevich
– Photos by Kostyantyn Chernichkin



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6

ArcelorMittal Kryvyi Rih, a unit of ArcelorMittal Group, the largest metal and mining company in the world, is looking for



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- Work with design companies on pending issues in engineering (jobs which were not envisaged by the design, mistakes in design, materials replacement etc.);
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- Minimum two years of relevant experience, preferably with grants/ subcontracts and financial management for USAID and other donor funded projects.
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Please submit resume and cover letter to office@fair.org.ua by **October 30, 2011**, with the position in the subject line. No telephone inquiries, please. Shortlisted candidates will be contacted.

HYUNDAI corporation

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Hyundai Corporation Kiev Office is seeking for person for the position of

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QUALIFICATION REQUIREMENTS

- Excellent skills in English, particularly in writing
- The proactive, self-motivated and customer-oriented work attitude
- High skills of communication and analysis
- Computer literate (MS Office)
- University degree or post-graduate degree
- 27-35 years old

Qualified candidates should submit their CV and cover letter written in English by e-mail to: **dloiko@hyundaicorp.com** and **sarang172@gmail.com** not later than **October 31st**.

Canadian International Development Agency Agence canadienne de développement international

The Embassy of Canada is seeking proposals in order to hire a

PART-TIME GENDER EQUALITY CONSULTANT

TO SUPPORT THE IMPLEMENTATION OF CANADIAN INTERNATIONAL DEVELOPMENT AGENCY (CIDA) PROGRAMMING IN UKRAINE.

Consultancy services to be provided:

- Research, analysis and technical advisory on gender equality issues in Ukraine and their relevancy to CIDA programming.
- Information collection to assist with assessments of CIDA programming in Ukraine.
- Advisory and coaching support to CIDA programming stakeholders in Ukraine with regard to the promotion of gender equality and the implementation of CIDA's Gender Equality Action Plan.

The position will be based in Kyiv for a period of up to 28 months.

Qualifications:

Minimum qualifications include a university degree in a relevant field, 5 years of experience in technical cooperation with a specialization in gender equality, fluency in Ukrainian and Russian, and excellent command of English, both spoken and written.

How to apply:

Only qualified individuals should submit a proposal. The full Request for Proposals (RFP) can be requested via the following email address: **kyiv-da@international.gc.ca**

The application period for the RFP will end at 13:00 on Friday, 11 November 2011.

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In addition to Ukrainian (mother-tongue level), you have very good knowledge of one of the two official languages of the Council of Europe (English, French) and ability to draft legal texts therein clearly and precisely.

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Nationalistic fervor

➔ The right-wing Svoboda party gathered 10,000 people for their annual march in downtown Kyiv on Oct. 14 to mark the day of the foundation of the Ukrainian Insurgent Army.
 3 - They started with speeches at the Taras Shevchenko monument in the Shevchenko Park. Party leaders spoke out in favor of reinstating the Hero of Ukraine title to Stepan Bandera, the post- World War II leader of the Organization of Ukrainian Nationalists-Ukrainian Insurgent Army (OUN-UPA). President Viktor Yanukovich stripped Bandera of his title.
 1, 2 - Under police watch, demonstrators went to St. Michael's Square chanting "Bandera is our hero." 4 - In a sea of red and black UPA flags, some carried former Prime Minister Yulia Tymoshenko's white flags and chanted "Free Yulia." No fights broke out during the rally. 5 - Some demonstrators, however, burned the flag of the pro-presidential Regions' party in front of the St. Sophia's Cathedral. *Photos by Andrew Kravchenko*



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