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Newsletter for the international community providing views and analysis from the Bloc of Yulia Tymoshenko (BYuT)

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## IMF Grants Ukraine \$2 Billion Lifeline

2010 got off to a good start with news that the International Monetary Fund (IMF) has agreed to rework its loan agreement with Ukraine, freeing up \$2 billion from the country's central bank reserves to meet forthcoming payment obligations.



The agreement, which lowers Ukraine's minimum international reserve requirement, will enable the government to apply to the National Bank of Ukraine to allocate \$2 billion from its \$27.3 billion reserve to the government's coffers.

▲ The agreement with the IMF clears the way for the National Bank of Ukraine (above) to release \$2 billion. This will help pay gas bills to Russia.

"This important step will enable the Ukrainian authorities to use existing resources to make external payments due – including gas payments – within the framework of Ukraine's programme with the Fund. It does not involve any new disbursement by the IMF," said Max Alier, IMF Resident Representative for Ukraine.

In October 2008, the IMF agreed a \$16.4 billion stand-by facility with Ukraine, of which about \$11 billion has been disbursed. However, a \$3.8 billion tranche due in November was withheld when parliament passed legislation to hike social spending by 20 percent, with increases in the minimum wage and pensions. The populist measures, condemned by both the IMF and the government of Prime Minister Yulia Tymoshenko, were pushed through by the Party of Regions led by presidential candidate Viktor Yanukovich. The IMF and government called on President Viktor

**"This important step will enable the Ukrainian authorities to use existing resources to make external payments due."**



▲ Max Alier who is the IMF's Resident Representative for Ukraine.

Yushchenko to use his power of veto to overturn the legislation which contravened the IMF's loan conditions. The president refused with the result that it withheld its next disbursement.

The government sought temporary relief by using its Special Drawing Rights. This short term fix has enabled Ukraine to meet its payment obligations including its monthly gas bill to Russia. However, this supply of cash is nearly exhausted and additional funding was required going forward. In December, Deputy Prime Minister Hryhoriy Nemyria led a



delegation to Washington to make a case for a \$2 billion emergency payment. Dialogue with the IMF continued over the festive period which led to the breakthrough.

"This is a significant positive for Ukraine, and should enable it to get through the difficult New Year period without a repeat of the damaging gas supply disruptions which have now almost become an annual event in Ukraine. It should also help the government span the difficult period until the conclusion of presidential elections scheduled for 17 January," wrote Tim Ash, Head of Research for CEEMA, at the Royal Bank of Scotland.

"We warmly welcome this development," said Prime Minister Yulia Tymoshenko, "and we will of course do everything possible to facilitate a consensus that will enable the resumption of the programme of disbursements."

The IMF said that it will continue discussions to help Ukraine get back on the path to economic growth and protect the most vulnerable groups in society. It said that this must be achieved within the context of formulating a 2010 budget.

"Agreement with the authorities on a 2010 budget, with the assurance of broad political support, would provide the basis for renewed progress and a resumption of disbursements under the Fund-supported programme," said Mr Alier.

The positive news from the IMF came hot on the heels of the announcement that Ukraine and Russia had agreed terms on an oil transit contract. Confirmation that both parties had reached a deal – which foresees Russia paying a rise in transit fees of 30 percent in 2010 – has allayed fears of another disruption of energy supplies to EU states.

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## UEFA EURO 2012 Blooms into Life

**Last month, UEFA, the governing body for football in Europe, gave the thumbs up to Ukraine's four host cities for the UEFA EURO 2012 football tournament. This ended months of doubt whether the country's organising committee would be able to meet UEFA's host criteria. UEFA officials also unveiled the tournament logo, which will adorn advertising and merchandise across Europe and the world. The tournament is expected to be a huge fillip for Ukraine.**



Months of speculation whether Ukraine would be able to co-host the landmark soccer tournament with Poland came to an end when Donetsk, Lviv, Kharkiv and Kyiv were named as Ukraine's four host cities. However, UEFA has given itself a get-out clause saying

that the four cities are confirmed on the provision that they complete necessary preparations before 11 June 2011. In other words, they must meet fully UEFA's criteria a year ahead of kick-off.

Delighted with the news, Prime Minister Yulia Tymoshenko said, "Today Ukraine won, the people of Ukraine won. I have no doubt that nobody will stop us on this wonderful course -- the development of Ukraine."

The new logo represents a growing plant, the leaves of which are in the national colours of the co-hosts and the bloom a football. The logo symbolises the growth and development of both countries and is accompanied by the tagline, "Creating history together."

"I think that the vivid colours of the logo are a perfect fit with the image that Poland and Ukraine want to give the world," said Michel Platini, UEFA President.

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## Yulia Hits the Silver Screen

This Thursday in Tel Aviv there will be an exclusive screening of a new biographical documentary on the life of Yulia Tymoshenko. Simply called 'Yulia,' the film was produced by Coppola Productions and directed by the Croatian father and son film makers Jakov and Dominik Sedlar.



▲ Introducing the biographical film portrait 'Yulia' to an appreciative audience in London: (left to right) Producer Antonio Coppola; Director Jakov Sedlar; co-Director Dominik Sedlar; interpreter.

Last month the premier screening took place in New York. A couple of nights later the venue was a 200-seater cinema inside London's famous May Fair hotel. Guests at the screening included figures from the entertainment world, media, western business leaders linked to Ukraine, and a broad cross-section from the Ukrainian community living in London. The resounding response from those attending was "two thumbs up."

The film was the brainchild of Antonio Coppola and Jakov Sedlar who are partnering to do a series of documenta-

ries on political leaders in the eastern bloc and former Soviet Union. The film charts the life of Ms Tymoshenko and includes commentary from key domestic and international politicians as well as interviews with close family members. It reveals a side to Ms Tymoshenko rarely captured and explores the small and momentous events that helped shape her life, and those people who have inspired her.

"Through the film I want to bring this extraordinary lady to the attention of people in the west. She is a role model for women everywhere and has carved out a unique place in Ukraine's history and unfolding political landscape. Throughout her remarkable life she has striven to overcome many setbacks," said director Jakov Sedlar. "I hope the film gives viewers an insight into the real Yulia, her passion for the people and the European vision she has for her country."

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▲ Ana Rucner, the renowned Croatia cellist, opened the screening playing Ukraine's national anthem and rounded it off with a rock version of Vivaldi's Four Seasons.

The London screening opened with the Ukrainian national anthem played by Ana Rucner, the renowned Croatian cello player. Introducing the film were director Jakov and Dominik Sedlar and producer Antonio Coppola. They welcomed the guests of honour to the screening: Eugenia and Sean Carr. The premier's daughter and her husband (the lead singer of the Death Valley Screamer's rock band) had flown in especially for the screening. Eugenia Carr was interviewed for the film and contributed advice for which the director and producer thanked her.



"I am delighted to be here and that this film brings to peoples' attention my mother's passion for the people of Ukraine and her vision for the future," said Eugenia Carr.

"The timing for the film is right given presidential elections in Ukraine," said Antonio Coppola.

One of the most memorable scenes in the film is where Ms Tymoshenko recalls a visit, not long after she entered politics, to an unheated shack in which she found an old woman bundled up against the cold. The woman apologised for living for so long. "The words stung my heart," said Ms Tymoshenko and have haunted her since.

The one-hour English language biography will be shown in 7 cities in all: New York, London, Paris, Toronto, Lisbon, Tel Aviv and Berlin. There are plans to edit the film for Ukrainian television and for it to be marketed to TV networks.



▲ Directors Dominik Sedlar (left) and Jakov Sedlar with guest of honour Eugenia Carr.

Director Jakov Sedlar is perhaps best known for his documentary 'Searching for Orson' – a film about Orson Welles, the director of 'Citizen Kane.' Mr Sedlar has made documentaries about other notable political figures, including Ariel Sharon, the former Israeli general and prime minister.

Coppola Productions is known for bringing to the screen iconic true stories that contain thought provoking films for theatrical release, such as 'The Carpet Boy' – a story of a young boy trapped in slavery and his fight to freedom. Previous documentaries include 'Casanova's Love Letters,' 'The Lost World of the Crystal Skull,' and 'Obama's Roots' which is in pre-production.

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## Who Will Europe Back in the Elections?

**Last month's European People's Party (EPP) congress in Bonn was indicative of the stance many of Europe's centrist politicians are adopting towards Ukraine's forthcoming presidential elections. Put simply, the EPP gave its endorsement to presidential candidates who support the continuation of the country's democratic path and Ukraine's integration into Europe. In making this statement the EPP looked to presidential candidates who backed the Orange Revolution five years ago. The EPP also clearly understood that Viktor Yanukovich, the front runner and Party of Regions leader, is a representative of an *ancien regime* who would take Ukraine backwards and undermine its integration into Europe.**



Of the main candidates from the former orange camp who could pursue European integration most successfully, the EPP focused its support on Prime Minister Yulia Tymoshenko. This was an outgrowth of the EPP's and European Parliament's recognition that Ms Tymoshenko is the strongest democratic candidate who alone could defeat Mr Yanukovich. A position not least made possible by years of successful lobbying and networking by Ms Tymoshenko herself and Deputy Prime Minister Hryhoriy Nemyria in Brussels and Strasbourg.



Another factor preying on the minds of policy makers is the onset of Yushchenko-fatigue, which has taken grip during the last three years. This has led to a decline in warm relations between President Viktor Yushchenko and officials in Brussels-Strasbourg. It is also commensurate with a cooling of relations between Our Ukraine and the EPP.

This fatigue has been exacerbated by President Yushchenko's calls to annul last January's gas agreement with Russia, coupled with disquiet at his repeated attempts to undermine the Tymoshenko government – the latest being his failure to veto social spending plans causing the IMF to withhold a \$3.8 billion disbursement from its \$16.4 billion bail-out loan.

## Normalising Gas Relations

The EU has repeatedly called upon Ukraine to guarantee the uninterrupted supply of gas during the winter season and to not permit a repeat of last year's gas crisis which damaged Ukraine's European image. EU support for the government's resolution of the gas crisis, coupled with a willingness to help Ukraine modernise its gas transportation system, suggest that the EU sees Ms Tymoshenko as an agent of stability in the Russia-Ukraine-EU gas relationship.

## European Integration



▲ Ms Tymoshenko's right hand man driving Ukraine's agenda in Europe, Hryhoriy Nemyria, Deputy Prime Minister.

The EU, European Parliament and EPP see that Ms Tymoshenko, among Ukraine's democratic presidential candidates, has a realistic chance of integrating Ukraine into Europe. European Parliamentary President Jerzy Buzek said, "Difficult times require strong leaders. You have all of the possibilities to take Ukraine into the EU."

Mr Nemyria explained why the EPP supported a pro-European candidate in the elections. He revealed that, "in Europe, in the EU, they support the direction of Ukraine that takes it closer to the EU and the politician that can most effectively fulfil this task." Clearly, this was another reference to Ms Tymoshenko.

EPP General Secretary Antonio López Istúriz said, "Yulia Tymoshenko not only could stand up for Ukraine's position in Europe but also to bring Ukraine closer to the European dream." Ukraine needs more work in modernising its political and socio-economic system but nevertheless, "because of her personal traits Yulia Tymoshenko can overcome these challenges."

Mr Istúriz offered to provide Ukraine with EPP experience in building a socially-orientated market economy. "And we are convinced that Ukraine will not only overcome the crisis but emerge from it stronger and be able to participate in the great family of European states and to continue to develop its economy."

Commenting on these statements, Mr Nemyria said that they showed the, "strong support of the most influential and effective leaders of European countries."

The upshot is that the EU, European Parliament and EPP see the presidential elections as a means to reinvigorate Ukraine's relationship with Europe. Ms Tymoshenko's pragmatic foreign policy towards Russia and ideological orientation towards Europe are preferable in Brussels and Strasbourg's eyes to the current Russophobia and Russophilia displayed by Mr Yushchenko and Mr Yanukovich respectively.



## Challenging Relations

Nevertheless, Ukraine's relations with the EU remain challenging.

The EU and European Parliament are critical of the under-performance of Ukraine during the last five years, which itself is an indictment of the Yushchenko era and a flawed constitution that pits executive branches of power against each other.

Mr Buzek said, "In the last five years there has been little progress in key areas. I say this with great disillusionment and sadness. We hoped for greater progress in bringing Ukraine closer to the basis upon which the European Union is built. Without this closeness of values it is difficult at all to talk about any kind of close cooperation."

Mr Buzek went on to say that it was important to have elite unity on strategic questions such as European integration – a clear reference to the political in-fighting that has dominated the Yushchenko era.

Many European officials blame Mr Yushchenko for five years of instability in Ukraine's domestic affairs, not to mention a bruising gas crisis with Russia that inconvenienced hundreds of thousands of EU households.

In an address to Mr Yushchenko at the recent EU-Ukraine summit, European Commission President José Manuel Barroso said, "I will speak honestly with you, Mr President. It often seems to us that commitments on reform are only partly implemented and words are not always accompanied by action.

Reforms are the only way to establish stability, closer ties with the EU." Indeed, Mr Yushchenko seems to have forgotten his 2004 election slogan of "Not words but deeds."

## EU Membership Prospect

At the same time, by not offering Ukraine a membership prospect the EU has little leverage over Kyiv. This is a truism that appears lost on some policy makers in Brussels.

Critics point out that the EU and European Parliament call for deep seated reforms in Ukraine, application of the rule of law, a successful struggle against corruption, free elections and a continued commitment to democratisation. In return Ukraine has received relatively small but

**In refusing to offer membership, the EU is ignoring the historic experience of post-communist Europe.**

nevertheless welcome inducements such as a Free Trade Zone and visa-free travel – but no membership prospect.

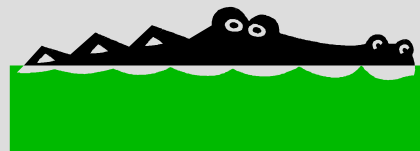
Some academics argue that in refusing to offer membership, the EU is ignoring the historic experience of post-communist Europe. Eastern Europe's slow reformers – Romania, Bulgaria, Slovakia, Croatia and other countries – did not commit strongly to reforms, the rule of law and reducing corruption until *after* the EU offered the prospect of future membership. The EU is negotiating membership relationships with Turkey and the Western Balkans but keeps ruling out any membership option for Ukraine. Arguably, real progress in the reforms that the

**Quote of the Week**

### **Crocodile Shoes**

***"The EU will be forced to work with Yanukovych if he is elected but this does not mean they will be thrilled at the prospect of working with somebody who, when he was prime minister, visited Brussels in crocodile skin shoes."***

Western expert on Ukraine at the International Symposium 'Ukraine 2010-2020,' held recently at the Hyatt Hotel.



EU seek in Ukraine will only come about after two criteria are met.

Firstly, the EU finally offers Ukraine future membership and thereby gives it the same kind of stimulus that it gave to Eastern European slow reformers. This stimulus would also discipline Ukraine's elites to end their in-fighting. Secondly, the election of a pro-European President in Ukraine. Europe's leaders associate this with Ms Tymoshenko – not with Mr Yanukovich whom she is likely to face in the second round of the elections on 7 February 2010.

Ukraine's future European choice is simultaneously in the hands of Brussels and Ukrainian voters.



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