Grain bans

GREATER THAN GLADIATORS

The battle for the 2000 grain crop is being fought out in field and in the marketplace. But the battle lost must be greater than the gladiator fights in ancient Rome or probably even more than the Euro-2000 Championship football matches in June. The reason for the importance of the harvest is best described in that 'whoevers has information, has power in the world' might be the slogan for developed societies, but Ukraine is still guided by the 1,000-year-old slogan 'whoever has grain, runs the country.'

The Army Assembles

This season, the government promised that the state would not interfere in the agriculture market. "The state will not supply producers with resources and will not take anything from them," Agrarian Policy Minister Ivan Krylyenko told the Farmers Union, "The functions of the government and the ministry will be to define the rules of the market game." According to DINAU Feb. 24, government bodies will only interfere in two areas - veterinary supervision of animals and controlling the expediency of plowed land use [see EE Vol. 7, #26 (338)].

"In spring everyone is saying, invest and you'll profit," Ukrainian Grain Association executive director Volodymyr Klymenko said, "And in the autumn, the Cabinet issues a resolution which says the state debt has to be settled first and only then the debt owed to investors." Early in the battle, the government tried to throw its opponent off guard with its resolution No. 50 of June 17 on new approaches for supplying ag producers with inputs and equipment, which stated, "Central and local executive authorities are prohibited from interfering in the process of determining producers' settlements procedure for received inputs and equipment."

A week before the harvest got underway in Crimea, Ukraine's president once more reassured entrepreneurs of the government's stated intentions by issuing a decree June 6, 2000 which stated, "The executive bodies cannot interfere in entrepreneurial activity and cannot unlawfully ban the sale of ag commodities, except in cases envisaged by and included in Ukrainian legislation." Moreover, the decree instructed, "Measures be taken to ensure, as of June 2000, the sale of ag commodities and food for state and regional needs, the sale of these commodities and food from the State Reserve and state and regional resources only on a competitive basis at commodity exchanges and auctions."

But UkrAgroPromBirzha

Gas debt deal

A midsummer night's dream

KYIV. Vice Premier for Fuel and Energy Yulia Tymoshenko reached an agreement July 25 with Turkmenistan's President Saparmurat Niyazov on repaying Ukraine's 1993-94 US $211mn natural gas debt. Considering the deficit of gas in Ukraine, it was also agreed that Turkmenistan will supply 20bn cu m of gas up to December.

Tymoshenko was indeed in Ashkhabad to resume gas export negotiations with the gas-rich former soviet republic and to hammer out a draft 5-year oil and gas cooperation program between the two countries. According to the signed protocol, a third of the debt will be paid in cash by 2002, and the rest is to be paid in commodities and investments into Turkmenistan's oil and gas sector, announced the Ukrainian government. Once the debt is repaid, Ukraine can start buying gas from Turkmenistan again. Naftogaz Ukrainy was appointed operator of Turkmeni gas supplies to Ukraine, said Tymoshenko. Naftogaz Ukrainy will purchase the gas from Turkmenistan and sign agreements for the transportation through Russia, Uzbekistan and Kazakhstan.

However, President Kuchma prohibited the Ukrainian government delegation from signing any documents in

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Oligarchs' kiss of death? Photo: Y. Bilyenko

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Growing less risky

Insurance is one of the most lucrative sectors in global business. Funds accrued from insurance are the main source of investment in the domestic economies of virtually any country. Thus, the growth of the insurance industry in Ukraine bodes well for the country's investment climate.

Great Leap Forward

The domestic insurance market is continually gaining in strength. Indeed, insurance is the one sector in the economy that has shown stable sales growth over the past several years. Q1 2000 was no exception with insurance premium volumes nearly doubling compared to the same period in 1999.

According to the Single State Registry of Insurers and Re-insurers, 269 insurance companies are operating on the domestic market. Dynamics between insurance premiums proceeds and indemnity payouts for different types of insurance show clear trends.

More Volunteers

A total increase in insurance premiums was observed in nearly all types of insurance except for life and state insurance. The most active growth is in property and liability insurance where rates are 219.5% and 178.2% respectively.

In Q1 2000, property insurance policies totaled 3.8m, or 29.4% of all types of insurance—27% less than in the same period last year. A total 3.67m policies were signed with insurers—28% less than in Q1 1999.

The average amount of property insurance premiums in Q1 2000 was HR 67 compared to HR 22.40 in the same period last year. Demand for voluntary insurance is higher than for mandatory insurance. Also, growth rates in insurance are stable regardless of inflation rates.

The most popular type of insurance among private persons is liability insurance. In Q1 2000, the total number of liability insurance policies was 221,300, which is 15% of the total number of all types of insurance and 88% higher than in the same period last year.

A declining trend was observed in insurance indemnity payouts in all types of insurance except for with liability and personal insurance. The structure of insurance premiums saw an increase in property insurance of 8% and a decline in all other types of insurance. Only the structure of insurance receipts from individual insurers remained at the same level. Insurance indemnity payouts grew in all types of insurance, in particular in state insurance.

Insurance market dynamics, Q1 1999, 2000

<table>
<thead>
<tr>
<th>Insurance types</th>
<th>Q1 1999</th>
<th>Q1 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life insurance</td>
<td>4.373</td>
<td>5.000</td>
</tr>
<tr>
<td>State insurance</td>
<td>4.675</td>
<td>5.000</td>
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<tr>
<td>Voluntary insurance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal (excl. life insurance)</td>
<td>20.600</td>
<td>23.000</td>
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<tr>
<td>Property</td>
<td>116.439</td>
<td>116.439</td>
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<tr>
<td>Liability</td>
<td>32.532</td>
<td>34.100</td>
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<tr>
<td>Total</td>
<td>169.571</td>
<td>156.624</td>
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<tr>
<td>Mandatory insurance (excl. state)</td>
<td>25.567</td>
<td>25.567</td>
</tr>
<tr>
<td>Total (all types)</td>
<td>204.186</td>
<td>166.414</td>
</tr>
</tbody>
</table>

Public Awareness

Revenues from insurance activity were HR 238.79m. Total expenditures of insurers were HR 131.892m, including expenses for insurance claims settlement cases and miscellaneous expenses valued at HR 64.846m. Insurers' bottom-line profits were HR 113.251m, which sum includes HR 108.458m generated from insurance activity alone. Finally, the volume of paid statutory funds as of Apr. 1, 2000 was HR 373.306m.

The above analysis attests to the growth of the insurance business in Ukraine as a result of increased public awareness and maturation of the insurance industry, trust in insurance companies, development of different types of insurance, strengthening of ties with leading global reinsurance institutions and improvements over inadequacies within the industry in previous years.

—V. Brydun

Tangible leverage

MOSCOW. The statement by Poland’s Economy Minister Janosz Steinhoff that Poland will not allow a pipeline bypassing Ukraine to be built through Poland “does not interfere with Russia’s plans to build a safe system for pumping gas to Europe,” Russian Vice Prime Minister Vladimir Kryksenko announced. "Illegal siphoning of Russian gas by Ukraine is a big concern for European consumers of gas Russian, as well as for Russian suppliers themselves. That gives us tangible leverage for talks with the Poles," said Kryksenko. Germany, France and Italy are interested in laying a new gas pipeline from Russia, Kryksenko claimed.

Steinhoff made his statement July 21 during talks in Warsaw with Ukraine’s Fuel and Energy Minister Serhiy Yermolow. "We don’t want to damage Ukrainian interests by having a new gas pipeline via Poland," said the Polish Minister.

—Infobank