

Grain bans

GREATER THAN GLADIATORS

The battle for the 2000 grain crop is being played out both on the grain fields and the bureaucracy fields. But the battle-lust is much 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 "whoever 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 Kyrylenko 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 intervene in two areas – veterinarian 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 № 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

Continued p. 4

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 Ukraïny was appointed operator of Turkmeni gas supplies to Ukraine, said Tymoshenko. NaftoGaz Ukraïny will purchase the gas from Turkmenistan and sign



Oligarchs' kiss of death?

Photo: Y. Illiyenko

all 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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Insurance survey

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 3.8mn, or 29.4% of all types of insurance – 27% less than in the same period last year. A total 3.67mn policies were signed with insureds – 28% less than in Q1 1999.

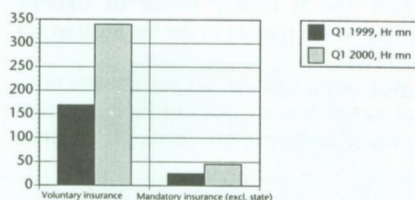
The average amount of property insurance premiums in Q1 2000 was Hr 67 com-

pared 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

Structure of insurance types by year



Source: Department of Financial Institutions and Markets under the Finance Ministry

among private persons is liability insurance. In Q1 2000, the total number of liability insurance policies was 221,300, which is 1.5% 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 insureds remained at the same level. Insurance indemnity payouts grew in all types of insurance, in particular in state insurance.

Activity on the re-insurance market in Q1 2000 compared to the same period in 1999 was characterized by the following indicators:

- a total Hr 54,030.22 were received for re-insurance policies, which is 14.9% of total receipts in all types of insurance and 2.4 times higher;
- the total share of insurance premiums paid to re-insurers, including non-resident companies, was Hr 153,811.50, which is 39% of the total receipts in all types of insurance and nearly 3 times greater than in Q1 1999.

Ukrainian insurers and foreign re-insurers maintained high levels of cooperation. The total share of insurance premiums paid outside of Ukraine was Hr 97.7mn, which is 25% of the total receipts in all types of insurance. A total Hr 273,300 were paid out to re-insurers and non-residents under life re-insurance policies.

The volumes of insurance company reserves was Hr 611.66mn, including:

- reserves of unearned premiums 589.019mn
- loss reserves 2.387mn
- life insurance reserves 20.254mn

Public Awareness

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

The above analysis attests to the growth of the insurance business in Ukraine as a result of an 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 re-insurance institutions and improvements over inadequacies within the industry in previous years. •

– Y. Brydum

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 Khrystenko announced. "Illegal siphoning of Russian transit 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 Khrystenko. Germany, France and Italy are interested in laying a new gas pipeline from Russia, Khrystenko claimed.

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

– Infobank

Insurance market dynamics, Q1 1999, 2000

Insurance types	Q1 1999		Q1 2000	
	Insurance premiums	Insurance premiums	Insurance premiums	Insurance indemnity
Actual size, '000 Hr in the corresponding year's prices				
Life insurance	4.373	3.596	1.801	1.599
State insurance	4.675	4.936	4.337	3.980
Voluntary insurance:				
•Personal (excl. life insurance)	20.600	19.988	26.305	23.965
•Property	116.439	130.939	255.586	25.795
•Liability	32.532	5.697	57.975	8.418
Total	169.571	156.624	339.867	58.179
Mandatory insurance (excl. state)	25.567	1.258	45.545	3.333
Total (all types)	204.186	166.414	391.551	67.094
Structure of insurance premiums and indemnities, %				
Life insurance	2.142	2.161	0.460	2.385
State insurance	2.290	2.966	1.108	5.933
Voluntary:				
•Personal (excl. life insurance)	10.089	12.011	6.718	35.720
•Property	57.026	78.683	65.275	38.447
•Liability	15.933	3.423	14.807	12.547
Total:	83.407	94.117	86.800	86.714
Mandatory insurance (excl. state)	12.521	0.756	11.632	4.969
Growth rates, Q1 2000 from Q1 1999, %				
Life insurance			41.195	44.491
State insurance			92.772	80.648
Voluntary insurance:				
Personal (excl. life insurance)			127.694	119.901
Property			219.503	19.701
Liability			178.211	147.767
Total:			200.428	37.146
Mandatory insurance (excl. state)			178.140	265.004

Source: Department of Financial Institutions and Markets under the Finance Ministry of Ukraine