

May 21-27, 2001

БІЗНЕС ЕКОНОМІСТ

KYIV

Vol. 8 #16 (381)

Premier X

## THE FLIRTING GAME

Talks last week between President Leonid Kuchma and Verkhovna Rada faction leaders failed to produce a compromise on a candidate for the premier's post left by Viktor Yushchenko. The sole accomplishment thus far has been a reduction in the number of candidates.

Democratic Union faction leader Oleksandr Volkov said that four people were discussed during the recent talks: Ukrainian Union of Entrepreneurs president Anatoliy Kinakh, Trudova Ukraina party leader Serhiy Tyhypko, State Tax Administration head Mykola Azarov, and Verkhovna Rada deputy speaker Viktor Medvedchuk. Volkov submitted Medvedchuk's name on behalf of his faction just before consultations started.

So far, there have been two main features

in Kuchma's talks with VR representatives. First of all, the coalition of anti-presidential factions – Batkivshchyna, lead by Oleksandr Turchynov; Rukh-K, lead by Yuriy Kostenko; Rukh-U, by Ghennadiy Udovenko; and Reformy-Kongres, by Viktor Pynzenyk – previously refused to participate in the negotiations for a new premier. As Turchynov explained, those who ousted Yushchenko must decide on his successor on their own. At the same time, however, some opposition members did in fact visit Kuchma's office. While Pynzenyk did not 'disgrace' himself by appearing in person, he did send his deputy Volodymyr Filenko. Basically, Yushchenko was proposed for the premiership and Yulia Tymoshenko, as deputy vice premier. This was definitely

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## L'Affaire Gongadze

### More questions than answers

KYIV. On May 15, almost eight months to the day since journalist Georgiy Gongadze disappeared, Interior Minister General Yuriy Smirnov officially announced that one of the most sensational cases of recent years has been resolved. The minister's explanations, however, were so far-fetched and inconsistent with another statement coming from the same ministry that few people consider them to be very convincing.

Smirnov announced that Gongadze's murder was not politically motivated, but that the journalist's death was actually an accident committed by two 'hooligans' who

were themselves later killed accidentally by the criminal group with whom they were associated. Someone nicknamed Tsyklop was apparently the leader of this group. Smirnov also announced that the law-enforcement agencies found the two corpses of Gongadze's killers and, in the process of exhuming their bodies, also found a sketch showing the place of Gongadze's burial in the Tarashcha region of Kyiv oblast.

Smirnov insisted that Gongadze's murder was not premeditated but happened "spontaneously". According to the official announcement, law enforcement agencies have also found those who murdered the two killers, and these people are now in prison.

On the following day, however, Smirnov's First Deputy Mykola Dzhyha announced a somewhat different account of Gongadze's murder. Speaking at an Interpol regional conference in Tbilisi, Dzhyha said that two drug addicts tried to rob Gongadze, who was murdered while resisting.

Thus, Smirnov talked about two thugs and their criminal boss, and his deputy – about drug addicts. In other words, two somewhat different versions of Gongadze's murder within two days. Not only is this not terribly convincing, it seems that the law-enforcement agencies were in such a hurry that they failed to coordinate their stories.

In actual fact, it could be that the urgency was prompted by President Leonid Kuchma who announced May 14 that the Gongadze case had been

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Smirnov: "unconvincing"

Photo: V. Falin



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## THIS WEEK IN BRIEF

## RUSSIAN QUOTAS NOT AT FAULT

KYIV. The export quotas on Ukrainian pipes entering Russia were not behind a 10% decline in output among domestic manufacturers, UkrTrubProm, the industry association, reported. In April 147,000 t of pipes were made, down 15,000 t from March due to technical problems at some plants. (UNIAN, May 16)

## WB MISSION ROLLS UP

KYIV. A World Bank delegation arrived in Kyiv to discuss a system loan worth US \$750mn over three years and, in particular, a first tranche worth US \$250mn. WB Director for Belarus and Ukraine Luca Barbone will visit May 19-22. (BBC, May 16)

## ALUMINUM EXPANDING

KHARKIV. Costs to build an aluminum plant in Pershotravnevy near Kharkiv are now estimated at US \$250mn, Kharkiv Administrator Kushnariov reported. Ukrainian and Russian strategic investors have already met President Kuchma to discuss key issues like power supply from the Kharkiv №5 TES. Building a plant with a min. 100,000 t capacity was a condition for acquiring a 30% stake in the Mykolaiv Alumina Plant. (UNIAN, May 16)

## LOTS OF RUSSIANS AT FORUM

KYIV. Exports of Ukrainian-made finished goods, including machinery and farm equipment, have risen significantly, said First Vice Premier Yekhanurov at the opening of Partners in the 21st Century, an international economic forum that included many Russians from both the private and public sectors. Trade has been increasing steadily, reaching US \$7.359bn in Q1, a 6.4% growth over 2000. (UNIAN, May 16)

## GERMANS TEACH BANKING

KYIV. A Ukrainian-German teaching bank sponsored by the German government-funded Transform Program was launched to increase the practical aspects of the current system of preparing banking and finance specialists. The bank will operate under the Kyiv Higher Institute of Banking at the Rynok Center. (Staff, May 15)

## TITAN SET TO MAKE TITANIUM

KYIV. The Cabinet has approved the establishment of a FIG called Titan, around the state AT Titan, Premier's Spokesperson Zarudna reported. Titan, which includes Forum, a bank; the Mining and Chemicals Institute; the Sumy Mineral Fertilizer Research Institute; Velda Ltd.; and a smelting research facility will implement the 2010 non-ferrous metal industry program, operate for a period of five years, and manufacture titanium dioxide. (UNIAN, May 16)

## CANADA A POLICY PRIORITY

KYIV. President Kuchma called for strengthening the "special partnership with Canada" to be a foreign relations priority at a meeting with Ambassador to Canada Yuriy Shcherbak. The president said that economic cooperation between the countries was improving, with trade turnover in 2000 double 1999 results and Canada has acknowledged Ukraine's steel industry as working under market conditions. (UNIAN, May 15)

## Insurance industry

## Picking up steam

Ukraine was one of the world leaders in 2000 for the growth in insurance premiums which reached 1.5% of GDP. By the end of the year there were 20 more insurance companies, bringing the number up to 283.

Despite the positive trends in the Ukrainian insurance market, it is still plagued with a number of problems. For example, the area of industrial risk – and particularly, agriculture and electricity-related risks – is poorly developed. This is due, first of all, to a general mistrust of insurance companies, and poor media coverage of insurance companies paying compensation.

Moreover, insurance companies which deal with property insurance have trouble paying compensation in the event of large-scale losses, like in big industrial accidents and catastrophes. Thus, only about 5% of actual risks in industrial production are actually insured in Ukraine, whereas in the US the figure is 95%. In general, about 10% of risks in Ukraine are insured and this comprises only 0.5% of the total volume of the European insurance services.

A review of the revenue dynamics of insurance payments in 2000 in Ukraine [see table] shows that the greatest volume of insurance services growth, compared to 1999, was in mandatory state insurance at 300%, while the smallest growth was in voluntary liability insurance - 108.3%, and life insurance - 118.4%. Taking 2000 inflation into account, it is obvious that the Ukrainian insurance market is underdeveloped. The structure of insurance premiums and insurance claim payouts has also changed [table].

At the beginning of 2001, the Cabinet approved the Ukrainian Insurance Market Development Program for 2001-2004 which proposes to increase the size of insurance company statutory funds to EURO 500,000 starting June 1, 2001, and, starting Jan. 1, 2003, to EURO 1mn. Insurance companies providing life insurance services have to raise their statutory funds to EURO 750,000 by Feb. 1, 2002. Moreover, payments to statutory funds must be made only in cash, including foreign currency.

The Cabinet has now submitted its draft law on amendments to the Law on Insurance to the VR and only time will tell whether it will be passed. According to Oleksandr Filoniuk, head of the League of Uk-



rainian Insurance Organizations, which was founded in 1992 to develop insurance market, about fifty Ukrainian insurance companies have statutory funds of at least EURO 500,000, and this number should grow to 100-150 in the near future, while half of the companies operating on the market are being reorganized. According to the Finance Ministry, the program will facilitate a growth in the number of insurance companies, and reduce the number of financially weak and insolvent companies.

Insurance companies which accumulate huge financial resources assist in developing various areas of business, in addition to ensuring stable production. From this point of view, there is a basis for the Finance Ministry's activities. Inflation, however, has a negative impact on the accumulation of reserve funds, thus making it good sense to pay into statutory funds with cash, including foreign currency.

In 2000, the statutory funds of Ukrainian insurance companies totaled Hr 531mn, which was 61.8% more than in 1999. Insurance reserves to protect future payments were:

• Technical reserves	Hr 799mn
• Loss reserves	Hr 18mn
• Life insurance reserves	Hr 20mn
• Total insurance reserves	Hr 819mn

The further development of the Ukrainian insurance industry will depend much on the changes to existing insurance legislation. For example, to develop the insurance industry in general, the number of insurance services will have to be increased, the introduction of long-term forms of insurance must be stimulated, conditions must be created to facilitate the development of re-insuring risks which is presently handled by foreign insurance companies in Ukraine, and it might be necessary to fix insurance payouts in foreign currency as in Russia. •

— E. Brydun

Type of insurance	2000 Hr, mn	Premiums 1999 Hr, mn	growth %	2000 Hr, mn	Payouts 1999 Hr, mn	growth %
Voluntary personal insurance	154.0	96.0	160.4	117.0	118.0	99.2
Including life insurance	9.0	7.6	118.4	9.0	7.0	128.6
Voluntary property insurance	1405.0	717.0	196.0	182.0	191.0	95.3
Voluntary liability insurance	195.0	180.0	108.3	27.0	26.0	103.8
Non-state mandatory insurance	218.0	154.0	141.6	24.0	9.0	266.7
State mandatory insurance	51.0	17.0	300.0	48.0	17.0	282.4
Total	2023.0	1164.0	173.8	398.0	361.0	110.2