

EXHIBIT 20



The U. S. Commercial Service

Find Int'l Partners	Market Research	Trade Events	Consulting and Advocacy	Trade Resources
---------------------	-----------------	--------------	-------------------------	-----------------

[Back](#) [Commercial Guide Homepage](#)

Country: Ukraine
 Type of Document: Country Commercial Guide
 Report Title: UKRAINE COUNTRY COMMERCIAL GUIDE FY 2002
 Chapter #: 3:
 Chapter: POLITICAL ENVIRONMENT

INTERNATIONAL COPYRIGHT, U.S. & FOREIGN COMMERCIAL SERVICE AND U.S. DEPARTMENT OF STATE, 2001. ALL RIGHTS RESERVED OUTSIDE OF THE UNITED STATES.

A. Nature of Bilateral Relationship with the U.S.

A stable, independent, democratic, and market-oriented Ukraine is in the U.S. national interest. Such a Ukraine will be key to dealing with post-Cold War transnational problems like proliferation, and in shaping a more secure Europe. The United States unreservedly supports Ukraine's independence, sovereignty, and territorial integrity and is providing substantial technical assistance to help Ukraine make the changes necessary to solidify a democratic society based on rule-of-law, to reform the economy, and to integrate with the world economic system.

Starting in late 1993, the United States and Ukraine began to develop closer economic and commercial ties. The U.S. pursued a broad engagement with Ukraine across all fields and at all levels. The U.S. economic assistance program for Ukraine became after 1994 one of the largest American aid programs in the world. Funds granted through the Nunn-Lugar Cooperative Threat Reduction Program, targeted to assist the elimination of nuclear weapon systems and infrastructure in Ukraine, have also supported efforts to build an export control system and protect against proliferation.

Established in 1996, the U.S.-Ukraine Binational ("Gore-Kuchma") Commission provided a mechanism for regular review and deepening of bilateral political, economic, commercial, and military cooperation. President Bush's new administration decided in early 2001 to discontinue all bilateral commissions. However, both countries quickly confirmed their intent to continue undiminished regular working contacts and programs in the three main areas of trade, investment and economic reform; foreign policy and defense; and law enforcement. Both sides have paid special attention to improving the foreign investment climate in Ukraine, addressing specific business disputes and removing obstacles to the development of new business ventures.

B. Major Political Issues Affecting the Business Climate

The course of political reform was reasserted with the Ukrainian parliament's (Verkhovna Rada) June 28, 1996 passage of a new Constitution. The new Constitution recognizes the right to private ownership of land and property, strengthens provisions on the rule-of-law, and provides for a more independent judiciary, promising more effective legal protection for investors. It could also help facilitate the full passage of a long-delayed new Civil Code, with a Western-style commercial code.

The principles expressed in the Constitution, while laying the groundwork for market-economy reforms, have not yet been fully put into practice. Lack of legislation in many areas of economic activity, as well as the absence of a reliable system to enforce existing legislation, are obstacles to achieving an investment climate that will attract substantial foreign investment. Key questions such as land ownership, land purchase by foreigners, privatization conditions, and taxation reform remain unresolved.

Corruption and crime inhibit legitimate business activity and foreign investment in Ukraine. President Kuchma has declared the fight against organized crime one of the top priorities of his administration, but with little or no effect to date.

There is a broad understanding of these problems within Ukrainian official circles and a general consensus among reformers on the need to ensure that foreign investors are greeted with a more favorable legal and regulatory climate. The

are effectively executed is a comparable challenge.

Ukrainian-Russian economic relations will likely continue to influence the larger investment picture in Ukraine. Areas of particular strain involve energy supplies and gas transit. Concern also exists about possible Russian attempts to exert economic pressure on Ukraine in the trade area.

C. Political System, Election Schedule, Orientation of Major Political Parties

Ukraine's progress toward developing a democratic state based on the rule of law has been unsteady. Ukraine's first post-Soviet Constitution did not definitively resolve the formal division of powers among the three branches of government, but it has provided Ukrainians with a legal framework for addressing this problem. Additionally, it has codified fundamental rights of free speech, freedom of the press and assembly, and freedom of religion for all Ukrainians.

Elections to Ukraine's unicameral parliament, known as the Verkhovna Rada, will be held on March 31, 2002. The Verkhovna Rada has 450 seats and deputies are elected to four-year terms. Currently, half of the Rada's seats are elected in single-mandate districts and represent a territorial constituency. The other half are elected proportionally from political party lists. The last Rada elections were in March 1998. Leftist parties such as the Communists, Socialists, and Peasants made modest gains in those elections, but an influx of new business-oriented deputies elected in single-seat districts diluted their influence. In January 2000, a

center-right pro-presidential majority was formed, breaking the left's traditional control over the legislature. This produced, for the first time since independence, a degree of cooperation among the president, prime minister and parliament, which resulted throughout most of 2000 in an improved atmosphere for the passage of reform legislation.

~~_____ appointed and dismissed by the president, although his/her~~

and the president appoints the members of the Cabinets or Ministers. The prime minister can also be removed by a majority vote in the Verkhovna Rada. Should the prime minister be removed, the entire Cabinet of Ministers resigns. Prime Minister Viktor Yushchenko, who was named prime minister in December 1999 and formerly headed the National Bank of Ukraine, was viewed as a reformer, but he faced difficulties in fully carrying out reforms and his clashes with powerful political/ business interests as well as with leftist factions brought about his ouster following an April 2001 no-confidence vote. In May, the Rada confirmed the head of the Union of Industrialists and Entrepreneurs, Anatoliy Kinakh, as Yushchenko's successor.

Ukraine's presidency remains the pre-eminent post in the Ukrainian government and economic and legal reform is primarily dependent on the president's support. The president is the commander-in-chief of the armed forces and may veto legislation. The Verkhovna Rada can override presidential vetoes by a two-thirds vote. Under the new Constitution, Ukrainians hold presidential elections every five years. President Leonid Kuchma was elected to a second term in November 1999. Soon thereafter, he named Yushchenko to be his new prime minister. The results of the ensuing government were the best in ten years of Ukrainian independence with respect both to economic indicators and to adoption of reform measures. However, the scandal that erupted in late 2000 around the murder of independent journalist Heorhiy Gongadze, and the revelation of tapes that seemed to indicate the president's possible complicity, fractured the pro-presidential parliamentary majority. Nevertheless, progress on reform has continued under the new Kinakh government.

Political parties are not very well developed in Ukraine. Most are organized around an individual or the business interests of a small group rather than a common ideology. There are over 100 registered political parties, although most are very small, without a significant political base. The largest continues to be the communist party, which pursues a largely unreformed communist agenda, including a voluntary union with Russia and Belarus, more state involvement in the economy, and large social protection programs. In the 1998 parliamentary elections, the communists won almost 25 percent of the national vote. Also on the left are the radical Progressive Socialist Party, the Peasant party, and the moderate Socialist Party. The left as a rule is generally opposed to President Kuchma. The center is dominated by "oligarch"-controlled, pro-presidential parties, including the Social Democratic Party of Ukraine (United), Regions of Ukraine, Labor Ukraine, and Democratic Union. Other pro-presidential groups in the center include the Greens, Solidarity, the National Democratic Party (NDP), and the Agrarians. Regions of Ukraine, Labor Ukraine, the Agrarians and NDP are moving towards a possible electoral alliance. On the right are a number of moderate nationalist parties including the two main branches of Rukh, the

Reforms and Order Party, and the Congress of Ukrainian Nationalists. Another group consisting of non-leftist opponents of President Kuchma has united into the National Salvation Forum electoral bloc. The largest party in this bloc is the Fatherland Party. Currently in the parliament there are 14 different "factions," most of which contain members from more than one political party. The largest include the Communists, Labor Ukraine, and the Social Democratic Party of

CCG Customer Satisfaction Survey

U.S. Department of Commerce
International Trade Administration
The Commercial Service

The U.S. Department of Commerce would appreciate input from U.S. businesses that have used this CCG report in conducting export market research. Please review the privacy statement / disclaimers at the bottom of this Web site. Please take a few moments to complete the attached survey and fax it to 202/482-0973, mail it to QAS, Rm. 2002, U.S. Department of Commerce, Washington, D.C. 20230, or Email: Internet [Robert.Opfer@mail.doc.gov].

* * * About Our Service * * *

1. Country covered by report: _____

Industry/title: _____

Commerce domestic office that assisted you (if applicable):

2. How did you find out about the CCG service?

- Direct mail
- Recommended by another firm
- Recommended by Commerce staff
- Trade/state/private newsletter
- Department of Commerce newsletter
- Other (specify): _____

3. Please indicate the extent to which your objectives were satisfied:

- 1-Very satisfied
- 2-Satisfied
- 3-Neither satisfied nor dissatisfied
- 4-Dissatisfied
- 5-Very dissatisfied
- 6-Not applicable

- Overall objectives
- Accuracy of information
- Completeness of information

- Clarity of information
- Relevance of information
- Follow-up by Commerce representative

4. In your opinion, did using the CCG service facilitate any of the following?

- Decided to enter or increase presence in market
- Developed an export marketing plan
- Added to knowledge of country/industry
- Corroborated market data from other sources
- Decided to bypass or reduce presence in market
- Other (specify): _____

5. How likely would you be to use the CCG service again?

- Definitely would
- Probably would
- Unsure
- Probably would not
- Definitely would not

6. Comments:

*** * * About Your Firm * * ***

1. Number of employees: 1-99 100-249 250-499
 500-999 1,000+

2. Location (abbreviation of your state only): _____

3. Business activity (check one):

- Manufacturing
- Service
- Agent, broker, manufacturer's representative
- Export management or trading company
- Other (specify): _____

4. Value of export shipments over the past 12 months:

- Less than \$10K
- \$11K-\$100K
- \$101K-\$500K
- \$501K-\$999K
- \$1M-\$5M
- More than \$5M

May we call you about your experience with the CCG service?

Contact name: _____

Phone: _____

Fax number: _____

Email: _____

Thank you--we value your input!

This report is authorized by law (15 U.S.C. 1512 et seq., 15 U.S.C. 171 et seq.). While you are not required to respond, your cooperation is needed to make the results of this evaluation comprehensive, accurate, and timely. Public reporting burden for this collection of information is estimated to average ten minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Reports Clearance Officer, International Trade Administration, Rm. 4001, U.S. Dept. of Commerce, Washington, D.C. 20230, and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Paperwork Reduction Project (0625-0217), Washington, D.C. 20503.

FORM ITA 4130P-I (rev. 5/95)
OMB. No. 0625-0217; Expires 05/31/02

Country Commercial Guides can be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at (800) 553-NTIS. U.S. exporters seeking general export information and assistance or country-specific commercial information should consult with their nearest U.S. Export Assistance Center or the U.S. Department of Commerce's Trade Information Center at (800) USA-TRADE, or go to one of the following web sites: www.usatrade.gov or www.tradeinfo.doc.gov.

Privacy Statement | Site Map
BuyUSA | International Trade Administration | U.S. Department of Commerce