

## UKRAINE

# Breakthroughs Needed

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With only a few weeks to go before the New Year, we still do not have a clear idea of how things will develop in 2012. The ruling group's legitimacy is fading, exports are sliding, and the energy bill is likely to rise even further. Given this backdrop, 2012 economic outcomes could go either way. Now everything depends upon whether the ruling party's decisions are adequate.

As of this writing, there is still no positive news on gas negotiations. After some delay, the Ukrainian side drafted the 2012 budget with a gas price at the \$416 per 1000 m<sup>3</sup> in 2012. For their part, the Russians have made it clear that there is no such thing as a free lunch. The Kremlin is pushing Ukraine to both surrender the gas pipeline and to drop the EU FTA (for the sake of a Customs Union) -- but such steps>>>