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11:03:50

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

UNITED STATES OF AMERICA)
)
) CRIMINAL ACTION
v.) NO. 00-0284 (MJJ)
)
PAVEL IVANOVICH LAZARENKO,)
)
Defendant.)

DEPOSITION UPON ORAL EXAMINATION
OF VASYL MIKHAILOVICH GUREEV
TAKEN ON BEHALF OF THE DEFENDANT

Kiev, Ukraine

October 30, 2003

Before:

OLEG ROSTISLAVOVICH UKRAINETZ, Investigator

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24

25

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1

Appearances:

2

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Counsel for the Defendant

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10 ALSO PRESENT:

11 Pavel Ivanovich Lazarenko,
Defendant (Telephonically)

12

Oksana Teykova (Telephonically)

13 Interpreter

14 Bryan Earl, FBI Agent

15 Helen S. Marina, Defendant's Interpreter

16 Andriy Fedorenko, Deposition Interpreter

17 David Ross, Videographer

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I N D E X

DEPONENT PAGE

Vasyl Mikhailovich Gureev
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By Mr. Horowitz 9
By Mr. Axelrod 59

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1 V. M. GUREEV
2 Deposition upon oral examination of VASYL
3 MIKHAILOVICH GUREEV, taken on behalf of the Defendant,
4 before Frances P. Zahn, RPR-RMR, a Notary Public for
5 the Commonwealth of Virginia at large, taken pursuant
6 to notice, commencing at 11:00 a.m. on October 30,
7 2003, at One Laboratoryn Street in Kiev, Ukraine; and
8 this in accordance with the Federal Rules of Civil
9 Procedure.

10

11 THE VIDEOGRAPHER: Good morning. This is 11:04:22
12 the beginning of tape one volume one in the deposition 11:04:23
13 of Vasyl Mikhailovich Gureev. This is being held in 11:04:26
14 Kiev, Ukraine. This is being taken on October 30, 11:04:33
15 2003 at 3 minutes past 11 a.m. as indicated on the 11:04:37
16 video screen. This deposition is being taken in the 11:04:42
17 matter of United States of America versus Pavel 11:04:46
18 Ivanovich Lazarenko. The case number is CR 00-0284 11:04:48
19 (MJJ) being heard before the United States District 11:04:54
20 Court for the Northern District of California. 11:04:57
21 The court reporter is Frances Zahn of Zahn, 11:04:59

22 Hall & Zahn. The interpreter is Andriy Fedorenko. 11:05:02
23 The videographer is David Ross of European Video 11:05:05
24 Limited. Would all of counsel introduce themselves, 11:05:09
25 please. 11:05:11

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1 V. M. GUREEV 11:05:11

2 MS. BOERSCH: Martha Boersch for the United 11:05:12
3 States. 11:05:13

4 MR. AXELROD: Peter Axelrod for the United 11:05:14
5 States. 11:05:15

6 MR. HOROWITZ: Daniel Horowitz for 11:05:16
7 Mr. Lazarenko. 11:05:17

8 INVESTIGATOR UKRAINETES: (Introduction of 11:05:49
9 those present and explanation of rights and procedures 11:05:50
10 in Ukrainian language.) 11:05:55

11 THE INTERPRETER: He asked me to translate 11:08:23
12 just a piece of this text. 11:08:24

13 In accordance with Article 121 of Criminal 11:08:25
14 Procedural Code of Ukraine I explain to interpreters, 11:08:30
15 to witness, and all persons present during the 11:08:32
16 deposition that data of pretrial investigation can be 11:08:35
17 pronounced only after agreement of investigating 11:08:41
18 person or prosecutor, and in the size that they think 11:08:46
19 is possible. 11:08:54

20 MS. BOERSCH: Can we hold for just a 11:08:56
21 second. The connection to San Francisco was 11:08:57

22 disconnected, so I think we need to wait, Dan, don't 11:09:01

23 we, until they call back. 11:09:03

24 MR. AXELROD: Let's make sure they are on 11:09:05

25 the line. 11:09:06

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1 V. M. GUREEV 11:09:06

2 THE INTERPRETER: Taken into account the 11:09:18

3 above mentioned, I would like to warn the 11:09:18

4 interpreters, the witness, and all the persons present 11:09:21

5 during the deposition about the obligation not -- not 11:09:24

6 to pronounce without any agreement of investigating 11:09:31

7 officer or prosecutor of all data of pretrial 11:09:35

8 investigation. Persons guilty in pronouncing of this 11:09:39

9 data, of pretrial investigation data are subject to 11:09:45

10 criminal responsibility according to Article 387 of 11:09:51

11 the Criminal Code of Ukraine. 11:09:58

12 MR. HOROWITZ: Good morning. 11:10:06

13 Sir, in 1995, what was your role in 11:10:08

14 government in Ukraine? 11:10:11

15 Oh, I apologize. With this witness I 11:10:20

16 didn't think that I should do it, but -- sir, 11:10:22

17 obviously you are free to talk to the defense and we 11:10:25

18 appreciate your coming here today. Please continue. 11:10:29

19 INVESTIGATOR UKRAINETS: (Continued 11:13:12

20 explaining rights in Ukrainian language.) 11:13:13

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25

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1 V. M. GUREEV

2 VASYL MIKHAILOVICH GUREEV was deposed on
3 behalf of the Defendant, as follows:

4 EXAMINATION

5

6 INVESTIGATOR UKRAINETES: Your full name, 11:18:55
7 please. 11:18:56

8 THE INTERPRETER: The answer was: Gureev 11:18:57
9 Vasyl Mykolayovich. 11:18:59

10 The second question was: Date of birth. 11:19:03

11 1952, April 22. 11:19:05

12 BY INVESTIGATOR UKRAINETES: 11:19:05

13 Q. Place of birth? 11:19:08

14 A. Rostov Oblast, Bellokalitvintsy District, 11:19:11
15 and Litvinovka Village. 11:19:17

16 Q. And what country are you citizen of? 11:19:24

17 A. I'm citizen of Ukraine. 11:19:27

18 Q. Nationality? 11:19:28

19 A. Russian. 11:19:30

20 Q. What is your education? 11:19:33

21 A. Higher education. 11:19:35

22 Q. What is your position at present time and 11:19:38

23 where do you work now? 11:19:41

24 A. I am a Member of Parliament. 11:19:43

25 Q. What is your address? Where do you live 11:19:48

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1 V. M. GUREEV - DIRECT 11:19:48
2 now? 11:19:50
3 A. Kiev. Zubachenko Street 2, apartment 42, 11:19:51
4 city of Kiev. 11:20:05
5 Q. And the question is, can you answer in 11:20:18
6 short, do you know Mr. Lazarenko, Pavel Ivanovich. If 11:20:20
7 you know him, what are your relationships with him? 11:20:25
8 A. I worked in the government when Lazarenko 11:20:33
9 Pavel Ivanovich was Prime Minister. And my 11:20:36
10 relationship with him is normal relationship as to all 11:20:48
11 previous Prime Ministers that I dealt with in the 11:20:51
12 government. 11:20:55
13 Q. Can you please tell us what do you know 11:21:04
14 about criminal case which is conducted in the United 11:21:06
15 States, the USA against Mr. Lazarenko? 11:21:13
16 A. All I know is the things from the press, 11:21:18
17 from mass media. I know that criminal case is opened, 11:21:21
18 and there is investigation which is being conducted 11:21:29
19 now. That's all I know. 11:21:33
20 INVESTIGATOR UKRAINETS: Mr. Horowitz, if 11:21:40
21 you have any questions for the witness, you are 11:21:41

22 welcome. Please ask your questions. 11:21:43
23 MR. HOROWITZ: Thank you. 11:21:46
24 11:04:00
25 11:21:49

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1 V. M. GUREEV - DIRECT 11:21:49

2 DIRECT EXAMINATION 11:21:49

3 BY MR. HOROWITZ: 11:21:49

4 Q. What position in government did you hold in 11:21:49

5 December 1995? 11:21:51

6 THE INTERPRETER: December did you say? 11:22:04

7 MR. HOROWITZ: (Nodded head) 11:22:06

8 A. So you can see it in my biography, I can 11:22:36

9 say that during the previous government when 11:22:44

10 Mr. Marchuk was Prime Minister, I was a Minister of 11:22:46

11 Economy of Ukraine. And later when Mr. Lazarenko was 11:22:51

12 assigned to be Prime Minister, I also stayed to be a 11:22:54

13 Minister of Economy. Later I worked as a Minister of 11:23:05

14 Machine Building of Ukraine and Military Industrial 11:23:05

15 Complex of Ukraine. But you can see exact date in my 11:23:07

16 biography. I think I was a Minister of Economy. 11:23:14

17 MR. HOROWITZ: I just showed the witness 11:23:20

18 that I have actually a photograph of him. I have his 11:23:22

19 biography, his background. 11:23:27

20 BY MR. HOROWITZ: 11:23:35

21 Q. Now, do you recall when you first met 11:23:35

- 22 Mr. Lazarenko? 11:23:37
- 23 A. The matter is that Mr. Lazarenko was the 11:23:51
- 24 head of oblast administration of Dnipropetrovsk 11:23:55
- 25 Oblast. It was before he became a Prime Minister, and 11:23:58

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1 V. M. GUREEV - DIRECT 11:23:58

2 naturally according to the kind of my activity, I had 11:24:15

3 this opportunity to meet very often with heads of 11:24:21

4 Oblast administrations. The same as with everybody 11:24:24

5 else, I also could meet Mr. Lazarenko. 11:24:32

6 Q. What were your duties as Minister of 11:24:37

7 Economics? 11:24:40

8 A. The duties of the Minister of Economy -- of 11:24:55

9 Economics are laid in provisions on Ministry of 11:25:01

10 Economics and Minister of Economics. If I recall the 11:25:04

11 period of that time, it was hard. It was complex 11:25:09

12 period of economics for our country with very high 11:25:20

13 level of inflation, and we concentrate basically all 11:25:23

14 our attention in the Ministry of Economics on 11:25:34

15 stabilization of microeconomical situation. 11:25:36

16 There was a period of work, of cooperation 11:25:45

17 with International Monetary Fund according to standby 11:25:47

18 program. We executed missions which were -- which we 11:25:54

19 had to execute as far as first tranches are concerned. 11:26:05

20 That means financial support. And so on, et cetera. 11:26:12

21 So this work -- this were the principal basic 11:26:20

22 functions of the Minister of Economics, excluding some 11:26:25

23 other duties. 11:26:28

24 Q. When Mr. Lazarenko was Prime Minister, did 11:26:30

25 he work with you in fighting inflation? 11:26:33

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1 V. M. GUREEV - DIRECT 11:26:33

2 MS. BOERSCH: Objection. Vague. 11:26:43

3 THE INTERPRETER: He explained the 11:26:51

4 protocol. 11:26:52

5 MR. HOROWITZ: I understand. Thank you. 11:26:54

6 A. It was -- it was state program, government 11:26:57

7 state program, and it was executed independently on 11:27:03

8 who could be the Minister of Economics or Prime 11:27:11

9 Minister. 11:27:15

10 BY MR. HOROWITZ: 11:27:15

11 Q. What was the -- in your opinion -- let me 11:27:16

12 withdraw that. You succeeded, didn't you, in getting 11:27:19

13 inflation under control? 11:27:23

14 MS. BOERSCH: Same objection. 11:27:34

15 MR. HOROWITZ: I'm sorry. What was that 11:27:36

16 objection? 11:27:37

17 MS. BOERSCH: Same objection. 11:27:39

18 MR. HOROWITZ: What was it? 11:27:40

19 MS. BOERSCH: Vague. 11:27:42

20 BY MR. HOROWITZ: 11:27:42

21 Q. Go ahead. 11:27:43

22 A. I cannot say that it was my success. This 11:28:28
23 was the success of all previous governments. Now, of 11:28:30
24 course, I can say this fact that we managed -- we 11:28:33
25 succeeded to fight successfully against inflation and 11:28:36

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1 V. M. GUREEV - DIRECT 11:28:36
2 to stabilize microeconomic situation in Ukraine. So 11:28:41
3 we succeeded to provide strong currency for Ukraine. 11:28:45
4 It is named hryvnias, and now we can say it is one of 11:28:49
5 the most stable currencies, if we compare to other 11:28:54
6 countries of ex-USSR. And the reform, this money 11:28:58
7 reform, was conducted during the time when 11:29:04
8 Mr. Lazarenko was the Prime Minister. 11:29:07
9 Q. What do you believe were the most important 11:29:09
10 factors in bringing inflation under control? 11:29:12
11 MS. BOERSCH: Objection. Vague. Calls for 11:29:23
12 improper opinion and speculation. 11:29:24
13 A. So in microeconomics, there are many 11:29:40
14 factors, many moments that we can name now. And this 11:29:44
15 is not possible to definite one factor. 11:29:47
16 Q. One second. 11:29:52
17 A. So taking into account that my orientation 11:29:54
18 is mostly the real sector of economics. 11:29:57
19 Q. Let me just -- 11:30:01
20 A. My point of view is that this is stable 11:30:06
21 bank system, upgrading of industrial potential level 11:30:09

22 of the country, the same upgrading of export 11:30:19
23 potential, reduction of dependence on import. And 11:30:25
24 many, many other factors, the factors that we worked 11:30:34
25 on. 11:30:37

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1 V. M. GUREEV - DIRECT 11:30:37

2 Q. I just wanted to correct one thing. You 11:30:38

3 translated micro economics but he had to have said 11:30:40

4 macro. 11:30:44

5 THE INTERPRETER: Yes, yes. Macro. Macro. 11:30:45

6 MS. BOERSCH: I agree with that. 11:30:48

7 BY MR. HOROWITZ: 11:30:49

8 Q. What role did the gas debt have in the 11:30:49

9 inflation of 1995? 11:30:54

10 MS. BOERSCH: Objection. Vague. Lack of 11:31:03

11 foundation. 11:31:04

12 Q. '95, yes. 11:31:11

13 A. The debt itself didn't play any role. 11:31:15

14 The mechanism of price creation, which was 11:31:31

15 executed by Russian Federation government had 11:31:36

16 influence on this. At that period and before, when 11:31:40

17 Russian Federation started to upgrade the prices for 11:31:51

18 gas -- 11:31:54

19 Q. Increase? 11:31:57

20 A. Increased prices. And as a result, we had 11:31:57

21 situation like we are importing -- we were importing 11:32:05

22 the inflation through energy bearers -- carriers. So 11:32:08

23 it was like that. The price of gas -- so we can say 11:32:18

24 that the most important factor of inflation was import 11:32:36

25 of this inflation from Russian Federation through 11:32:40

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1 V. M. GUREEV - DIRECT 11:32:40
2 energy carriers. If the prices for gas were 11:32:43
3 increasing, also the prices for electric energy was 11:32:47
4 increasing. 11:32:52
5 Q. Okay. Now during the time period that you 11:32:53
6 were the Minister of Economics and you worked with 11:32:56
7 Mr. Lazarenko as Prime Minister, did you work well 11:32:59
8 together? 11:33:04
9 MS. BOERSCH: Same objections. 11:33:22
10 A. In our government -- and this concerns not 11:33:28
11 only Ministry of Economics, we didn't have any 11:33:30
12 misdefinitions as far as economical course of our 11:33:37
13 country is concerned. We all understood very well the 11:33:43
14 missions that we had to execute, to fulfill, but it 11:33:52
15 was taking our country away from a crisis. And 11:33:56
16 everyone on its place tried to make his best to 11:34:07
17 fulfill this mission. 11:34:12
18 Q. Now, this is something -- 11:34:14
19 MS. BOERSCH: Excuse me, Dan, just one 11:34:16
20 second. Could I -- I think the witness said 11:34:17
21 ragnoglasia, and the translation wasn't -- I don't 11:34:20

22 think was accurate, Leusya. Did you? 11:34:23
23 Difference of opinion, right? 11:34:29
24 MS. MARINA: Difference of opinion. 11:34:31
25 MS. BOERSCH: Okay. I don't know what the 11:34:31

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1 V. M. GUREEV - DIRECT 11:34:31

2 translation was, but I think it should have been 11:34:35

3 there was no difference of opinion. 11:34:35

4 THE INTERPRETER: I said misdefinition. 11:34:35

5 MR. HOROWITZ: So misdefinition we agree 11:34:37

6 means disagreement, difference of opinion. 11:34:39

7 MS. BOERSCH: Difference of opinion. 11:34:39

8 MR. HOROWITZ: We agree. 11:34:41

9 BY MR. HOROWITZ: 11:34:41

10 Q. Americans might not understand this so let 11:34:42

11 me clarify a point. 11:34:46

12 At that time in your government were the 11:34:54

13 people in charge of economic policy well educated in 11:34:57

14 the functions of market economies? 11:35:00

15 MS. BOERSCH: Same objections. 11:35:17

16 A. If we speak about Minister of Economics, we 11:35:25

17 cooperated with foreign experts, leading experts, 11:35:31

18 including representatives of International Monetary 11:35:38

19 Fund, European Bank and World Bank of Reconstruction 11:35:42

20 and Development. And I don't think that you have any 11:35:48

21 doubts in competence of those representatives. All 11:35:56

22 programs were collaborated, were discussed, they 11:36:02
23 passed through expertise of International Monetary 11:36:08
24 Fund. I mean macroeconomic. 11:36:14
25 Besides, there were experts from other 11:36:19

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1 V. M. GUREEV - DIRECT 11:36:19
2 states like Germany, for instance. And let's say the 11:36:22
3 results that we have for today can witness that we 11:36:30
4 moved in the right direction. 11:36:36
5 Q. Now, what was the position of the 11:36:40
6 International Monetary Fund in 1995 with respect to 11:36:42
7 restructuring of the Ukraine gas market. 11:36:46
8 MS. BOERSCH: Objection. Hearsay. Lack of 11:37:05
9 foundation. 11:37:06
10 A. You can see all these issues -- you can see 11:37:12
11 all these issues in programs of the time and all 11:37:18
12 criterias of the efficiency. But now I remember 11:37:22
13 exactly that one of the most important questions 11:37:32
14 was -- one of the most important points was not to let 11:37:35
15 the gas -- not to meet any current debts for payment 11:37:40
16 with respect to gas, because this current debt could 11:37:52
17 increase -- could -- year after year could become a 11:38:07
18 state debt. A state debt for Russia and for RAO 11:38:11
19 Gasprom. 11:38:19
20 MS. BOERSCH: And I'm objecting to the 11:38:21
21 previous question as vague. 11:38:22

22 BY MR. HOROWITZ: 11:38:24

23 Q. And did you participate in any discussions 11:38:25

24 with the Cabinet of Ministers with respect to 11:38:30

25 restructuring the gas market along the lines that you 11:38:34

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1 V. M. GUREEV - DIRECT 11:38:34
2 just said? 11:38:38
3 MS. BOERSCH: Objection. Vague as to time. 11:38:39
4 A. Yes. We discussed these issues during the 11:39:00
5 meetings of Cabinet of Ministers. And if we speak 11:39:03
6 about restructuring of gas debt, so in this case we 11:39:11
7 can say that it was not Ministry of Economics who 11:39:21
8 played a major role in discussion of these issues, but 11:39:25
9 Derzhcom Naftagas, which is state oil and gas. And I 11:39:38
10 can say the most essential -- the most important 11:39:42
11 thing, that we never agreed with these questions. We 11:39:45
12 never agreed on recognizing this debt as state debt. 11:39:56
13 This is a duty of -- of economic subjects of 11:40:04
14 enterprises who produced this debt for gas. And this 11:40:14
15 is not right to say, to compare the debts of these 11:40:34
16 enterprises to state debt, because, according to law 11:40:41
17 on enterprises. 11:40:46
18 Q. I have a document that we are numbering 11:40:49
19 D5070. 11:40:52
20 MR. HOROWITZ: This is -- this is a copy of 11:40:54
21 1033, counsel. 11:40:59

22 MS. BOERSCH: What did you mark it as? 11:41:04

23 MR. HOROWITZ: 5070. There may be numbers 11:41:08

24 in between that we skipped. But this is reliable. 11:41:11

25 MS. BOERSCH: Okay. But I think it's also 11:41:16

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1 V. M. GUREEV - DIRECT 11:41:16
2 been previously marked by you with another exhibit 11:41:18
3 number. 11:41:21
4 MR. HOROWITZ: I'm certain it has. If you 11:41:22
5 know what it is, let's put it on the record. 11:41:23
6 Otherwise, we'll deal with it later. 11:41:25
7 MS. BOERSCH: I have no idea. 11:41:27
8 (Copy of Decree 1033 was marked 11:41:27
9 Defendant's Exhibit No. 5070.) 11:41:28
10 MR. HOROWITZ: May I show this to the 11:41:29
11 witness? 11:41:31
12 A. Yes. 11:44:17
13 BY MR. HOROWITZ: 11:44:17
14 Q. Do you recognize this document? 11:44:17
15 A. I can recollect it, but I can see that 11:44:24
16 there is no my signature here. 11:44:28
17 Q. Can you explain as best you can what this 11:44:37
18 document is and why you signed it? 11:44:37
19 MS. BOERSCH: Objection. Lack of 11:44:46
20 foundation. And unclear. I thought the witness said 11:44:47
21 he did not sign it, but maybe I misheard. 11:44:50

22 MR. HOROWITZ: Oh, he did not sign it. I 11:44:58

23 withdraw the question. 11:45:00

24 BY MR. HOROWITZ: 11:45:00

25 Q. Can you tell us -- I'm sorry. What -- 11:45:00

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1 V. M. GUREEV - DIRECT 11:45:02

2 Let me withdraw the question. I apologize. 11:45:02

3 Can you tell us, please, what this 11:45:06

4 document -- okay. The misunderstanding was I heard 11:45:08

5 the translator say that you signed it. And that's 11:45:19

6 what -- but the translator did not say that, so I 11:45:23

7 apologize. 11:45:27

8 A. You should understand the functions of the 11:45:47

9 Minister of Economics is not providing of gas to 11:45:48

10 consumers. I can repeat again what are functions of 11:45:51

11 the Minister of Economics. So there most probably is 11:45:58

12 that this document was prepared by Derzhcom Naftagas. 11:46:08

13 But what could be a mission of minister in this case, 11:46:18

14 just to make a balance. This is what we do every 11:46:21

15 year. How much spending on population and defense and 11:46:24

16 industry. So in the whole of the country. Anyway, we 11:46:33

17 can do it. So probably this document could not be 11:46:36

18 agreed with us. 11:46:39

19 Q. In fact, this was signed by Mr. Marchuk and 11:46:42

20 Mr. Pustovoytenko. I recognize that. Correct? 11:46:44

21 A. Yes. Naturally. You can see it here. 11:46:53

- 22 Q. Now, in the discussions in December of 1995 11:46:56
- 23 regarding restructuring of the gas market, do you 11:47:00
- 24 remember who participated in that discussion at the 11:47:04
- 25 Cabinet of Ministers? 11:47:06

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1 V. M. GUREEV - DIRECT 11:47:06

2 MS. BOERSCH: And objection. I'm not sure 11:47:20

3 the witness said he was there for any of those. 11:47:21

4 A. The issue of restructuring and debt -- 11:47:34

5 debts was decided -- was regarded on the level of 11:47:39

6 intergovernment -- on intergovernmental level. So 11:47:49

7 there were representatives of Russian Federation on 11:47:54

8 one side and representatives of Ukraine on another 11:47:57

9 side. 11:48:02

10 As far as I remember, these issues were 11:48:09

11 discussed in working order. On Russian side, it was, 11:48:13

12 as far as I remember, RAO Gasprom, and representatives 11:48:17

13 of Derzhcom Naftagas Ukraine. They prepared all these 11:48:27

14 issues, which should be transferred to 11:48:36

15 intergovernmental commission. It is possible that 11:48:41

16 representatives of Minister of Economics, chiefs of 11:48:55

17 departments of the Minister of Economics could took 11:49:01

18 part in the discussions, but not as major 11:49:04

19 participants, not as basic participants, but just 11:49:08

20 usual participants. And at the end, it was all 11:49:11

21 discussed on high level, on the level of all 11:49:25

22 ministers, as from both countries, from both sides. 11:49:27

23 Q. Were you present during some of the 11:49:36

24 discussions involving all ministers at the high level? 11:49:37

25 A. Well, yes. Not only once. I took part in 11:49:59

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1 V. M. GUREEV - DIRECT 11:49:59
2 this work of intergovernmental commission as Minister 11:50:02
3 of Economics, as Minister of Machine Building, as 11:50:07
4 Ministry of Industry policy. 11:50:10
5 Q. Do you remember any meetings in 1995, 11:50:13
6 December, regarding this topic? 11:50:17
7 A. I don't remember about December '95. I 11:50:33
8 think there are protocols, and you can check those 11:50:37
9 protocols. 11:50:40
10 Q. Do you recall discussing the restructuring 11:50:42
11 of the natural gas market before this document was 11:50:44
12 signed with Mr. Marchuk? 11:50:49
13 A. My discussions with Mr. Marchuk? 11:51:08
14 Q. Yes. 11:51:12
15 A. I don't remember that. If I had some 11:51:13
16 influence on this, there would be my signature here. 11:51:21
17 Q. In more general terms, do you recall what 11:51:25
18 Mr. Marchuk's position was on the issue of 11:51:27
19 restructuring the gas market in 1995? 11:51:31
20 MS. BOERSCH: Objection. Hearsay, lack of 11:51:43
21 foundation, calls for speculation. 11:51:44

- 22 A. I can't understand. What do you mean, 11:51:52
- 23 restructuring of debts? 11:51:53
- 24 Q. Yes. 11:51:55
- 25 A. Or reforming of gas market? 11:51:55

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1 V. M. GUREEV - DIRECT 11:51:55

2 Q. Both issues. But we can start with one. 11:51:58

3 Let's start with the reforming of the gas market. 11:52:00

4 MS. BOERSCH: Objection. Vague. 11:52:08

5 A. The issue of gas market reforming is more 11:52:19

6 connected to reforming of industry of the country in 11:52:23

7 whole, you know. Reduction of consumption, the 11:52:29

8 providing of energy saving technologies, the issues of 11:52:42

9 price policy. We had -- we have always discussed 11:52:48

10 these questions. We have always tried to forward 11:53:02

11 these questions. The aim was to reduce the gas debt. 11:53:05

12 And until now these questions are an agenda. 11:53:11

13 And as for debts, our position was not to 11:53:19

14 recognize the debts as state debts, but to consider 11:53:23

15 this debt as debts of economic representatives, 11:53:34

16 enterprises, but not state debt. 11:53:39

17 There is a -- privatization in the country 11:53:48

18 now, and many enterprises bought enterprises even off 11:53:54

19 Russian businessmen. If this is Russian capital, and 11:53:57

20 enterprises have debts for gas, so what Ukraine has to 11:54:15

21 do with this? 11:54:15

1 V. M. GUREEV - DIRECT 11:54:27

2 Q. Now, what do you recall about 11:54:31

3 Mr. Lazarenko's role in the reform of the gas market 11:54:32

4 around 1995, December. 11:54:38

5 A. I remember that in the beginning of the 11:55:35

6 year, of that year, we discussed all these issues. We 11:55:38

7 discussed issues of balance. We discussed issues of 11:55:42

8 results, of treaty signing between RAO Gasprom and 11:55:45

9 Derzhcom Naftagas. We discussed issues of own gas 11:55:51

10 producing in Ukraine, and I remember even now the 11:55:59

11 number of 18 million cubic meters. We discussed how 11:56:02

12 to increase the production of own Ukrainian gas. 11:56:07

13 Q. Now, during the times that you had 11:56:14

14 discussions with Mr. Lazarenko, did you and him 11:56:15

15 exchange ideas on a basis of mutual respect? 11:56:19

16 MS. BOERSCH: Objection. Vague. Calls for 11:56:36

17 improper opinion. Speculation. 11:56:38

18 A. I can say that we didn't discuss with 11:56:52

19 Mr. Lazarenko these issues directly. This was not the 11:56:54

20 function of the Minister of Economics to discuss those 11:56:58

21 questions, providing the gas for consumers. But we 11:57:01

22 discussed -- we discussed issues of balance, you know. 11:57:14

23 We discussed how much gas is needed, is needed for the 11:57:19

24 country. 11:57:19

25 And not only -- it was not only about gas. 11:57:25

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1 V. M. GUREEV - DIRECT 11:57:25

2 It was also about metal, ore, oil. I can say that 11:57:27

3 there are many, many issues, a lot of issues, and all 11:57:51

4 those issues were discussed with respect and, as he 11:57:55

5 says, deserving level for these issues. 11:58:00

6 Q. During the -- thank you. 11:58:05

7 INVESTIGATOR UKRAINETES: So we have a new 11:58:34

8 representative joining us right now. This is Mr. 11:58:36

9 Chebotariov, Maxim. And he was -- so he will be 11:58:39

10 responsible for translation for the government side. 11:58:43

11 MR. HOROWITZ: Thank you. 11:58:49

12 INVESTIGATOR UKRAINETES: And also to 11:58:50

13 explain, his rights and obligations are the same. 11:58:52

14 BY MR. HOROWITZ: 11:58:52

15 Q. During this period when Mr. Lazarenko was 11:58:55

16 Prime Minister and you were Minister of Economics, how 11:58:58

17 many hours per day and how many days a week did you 11:59:01

18 personally work? 11:59:04

19 Him. 11:59:26

20 A. So what do you mean? I don't understand 11:59:29

21 the question. 11:59:31

22 Q. I mean, how hard did you work? How many 11:59:32

23 hours and how many days a week did you work? 11:59:34

24 MS. BOERSCH: The problem is that the 11:59:46

25 translator thinks the question is how many hours a day 11:59:47

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1 V. M. GUREEV - DIRECT 11:59:47

2 did you and Mr. Lazarenko work together. 11:59:50

3 MR. HOROWITZ: Right. I'm understanding 11:59:53

4 that too. Let me withdraw the question. 11:59:54

5 BY MR. HOROWITZ: 11:59:57

6 Q. How many hours per day did you personally 11:59:58

7 work, and how many days a week did you work like that? 12:00:00

8 MS. BOERSCH: Objection. Vague as to time. 12:00:10

9 A. So you want to know the schedule of my 12:00:23

10 working day? 12:00:25

11 BY MR. HOROWITZ: 12:00:25

12 Q. Yes. 12:00:25

13 A. How much I worked, and how much time? 12:00:27

14 Q. Yes. 12:00:29

15 A. You know, for the Minister, as much as I'm 12:00:33

16 needed, as much I worked. It was a very complex time, 12:00:37

17 and naturally I had to work a lot. Really a long 12:00:44

18 time, from the morning until the late night. But this 12:00:49

19 doesn't mean that we were sitting with the Prime 12:00:59

20 Minister and discussing gas questions, and so on. 12:01:02

21 Q. No, we know that. 12:01:05

22 A. I had a Minister working, and I was a 12:01:07
23 Minister. So I conducted meetings on different 12:01:09
24 issues, various issues. And very often I didn't know 12:01:14
25 what issues were discussed, but I was working -- on 12:01:26

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1 V. M. GUREEV - DIRECT 12:01:26
2 what issues the Prime Minister was working on. He 12:01:31
3 could call me on the phone and I could go to him 12:01:34
4 without knowledge of what is it going to be. 12:01:37
5 If you want to hear my point of view on 12:01:46
6 characteristics of Pavel Ivanovich, on his ability to 12:01:49
7 work? 12:01:53
8 Q. Yes, please. 12:01:54
9 A. He worked a lot. Very much. And he 12:01:55
10 oriented other people to work very much, and self -- 12:02:04
11 self sacrificing. At that time it was normal. It was 12:02:10
12 usual practice. 12:02:18
13 Q. Do you know -- 12:02:29
14 MR. HOROWITZ: Do we want to take a break? 12:02:35
15 Or do you want to know how long I'm going to go? 12:02:37
16 A. As long as you need. So I can make break 12:02:44
17 now. 12:02:47
18 MR. HOROWITZ: Okay. Let's take one. How 12:02:48
19 many minutes? Five or ten minutes. Okay? Is that 12:02:50
20 all right? 12:02:57
21 INVESTIGATOR UKRAINETS: So we have five 12:02:59

22 minutes break.

12:03:00

23 THE VIDEOGRAPHER: Going off the record at 12:03:03

24 1 minute past 12 p.m.

12:03:04

25 (Recess)

12:03:04

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1 V. M. GUREEV - DIRECT 12:16:33

2 THE VIDEOGRAPHER: We're back on the record 12:16:33

3 at 20 minutes past 12 p.m. 12:20:16

4 INVESTIGATOR UKRAINETS: So we're going to 12:20:54

5 continue our deposition of Mr. Gureev, and since both 12:20:55

6 parties have agreed to use the assistance of 12:20:59

7 Mr. Chebotariov as an interpreter, I am going to -- 12:21:05

8 INVESTIGATOR UKRAINETS: The connection is 12:21:22

9 off, but I think that we can conclude the translation. 12:21:24

10 MR. HOROWITZ: Yes. 12:21:30

11 THE INTERPRETER: Hello. Are you back? 12:21:30

12 INVESTIGATOR UKRAINETS: And since 12:21:36

13 Mr. Chebotariov is going to do -- to interpret for us, 12:21:37

14 I am going to read him the admonishment and his rights 12:21:44

15 and obligations, so I am warning Mr. Chebotariov that 12:21:48

16 any person summonsed to act as an interpreter is -- 12:21:55

17 must interpret correctly and fully and in accordance 12:22:01

18 with Article 128 of the Criminal Procedural Code of 12:22:07

19 Ukraine. An interpreter who refuses to interpret 12:22:11

20 correctly and fully or interprets not correctly and 12:22:18

21 not fully is criminally liable. 12:22:27

22 Do you understand your rights and 12:22:33
23 obligations? 12:22:34
24 THE INTERPRETER: Yes, I do. 12:22:36
25 INTERPRETER UKRAINETS: Mr. Horowitz, if 12:22:41

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1 V. M. GUREEV - DIRECT 12:22:41

2 you have any questions to the witness, please 12:22:42

3 continue. 12:22:45

4 MR. HOROWITZ: Thank you. 12:22:45

5 BY MR. HOROWITZ: 12:22:46

6 Q. What was the inflation rate in 1994? 12:22:46

7 A. The rate was very high. I think that it 12:23:10

8 even exceeded sometimes 1,000 percent. Starting from 12:23:15

9 1993 annual average rate was more than 1,000 percent, 12:23:19

10 and as for the year 1994, I think the rate was high as 12:23:25

11 well, but we have to look at respective documents. 12:23:31

12 Q. And how about 1995, what was the rate 12:23:36

13 approximately in 1995? 12:23:38

14 A. It's very hard to say. I'm afraid to give 12:23:59

15 you the wrong information. These -- the rate is 12:24:01

16 calculated monthly. It's like weather forecasts for 12:24:06

17 January, for like last days of January are very hard 12:24:19

18 to remember. But I want to say that the key factor, 12:24:23

19 the key reason for the rate of inflation being that 12:24:52

20 high, was -- were the actions of Russian traders. 12:24:57

21 Such as RAO Gasprom, for example, who were 12:25:03

22 continuously increasing prices for energy until those 12:25:08

23 prices reached the world level. 12:25:14

24 So imagine a situation when an enterprise 12:25:46

25 which was used to consume gas at the price of 12 to 12:25:50

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1 V. M. GUREEV - DIRECT 12:25:50
2 \$20 for 1,000 cubic meters was obliged to purchase 12:25:56
3 natural gas for the price of 80 -- \$80, and if we 12:26:07
4 include transportation, it could have been even \$92. 12:26:15
5 And all this naturally was included in the production 12:26:20
6 costs, and the prices -- the prices increased 12:26:26
7 respectively. And since natural gas consumption in 12:26:31
8 Ukraine was approximately 80 billion cubic meters a 12:26:41
9 year, and local natural gas capacities accounted for 12:26:47
10 18 billion of those 80 billion. So you can imagine. 12:27:00
11 Q. Now, how many enterprises or structures 12:27:06
12 distributed natural gas from Russia in Ukraine for the 12:27:09
13 year 1994? 12:27:14
14 MS. BOERSCH: Objection. Lack of 12:27:29
15 foundation, calls for speculation. 12:27:30
16 A. I cannot answer this question because it is 12:27:37
17 beyond the sphere of my responsibility. I think that 12:27:40
18 Derzhcom Naftagas is the organization that can answer 12:27:54
19 this question. And naturally RAO Gasprom of Russia. 12:27:58
20 Because the Minister of Economy did not supervise gas 12:28:06
21 deliveries and gas supply. 12:28:12

22 Q. Now, in 1996, there was the system of gas 12:28:15

23 traders, multiple gas traders that was instituted 12:28:21

24 under 1033, the document I showed you. 12:28:26

25 Let me ask you a question about that. Was 12:28:31

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1 V. M. GUREEV - DIRECT 12:28:31
2 that a change that you in your role as Minister of 12:28:51
3 Economics felt was a progressive change for Ukraine? 12:28:56
4 MS. BOERSCH: Objection. Vague, calls for 12:29:15
5 speculation and opinion. 12:29:16
6 A. This is going to be my personal view only 12:29:42
7 because if you look at this document, you will find 12:29:46
8 the responsibilities of Ministry of Economy very -- 12:29:50
9 formulated in a very precise way. The Ministry of 12:29:56
10 Economy was to -- to work with the prices and with the 12:30:02
11 balance, and that's it. It did not have anything to 12:30:09
12 do with the consumers, nor with the traders. 12:30:12
13 But in my view -- and this is, I repeat 12:30:23
14 once again, my personal view and this is not in any 12:30:26
15 event the view of the Ministry of Economy or the 12:30:35
16 Minister -- this way, this approach, or this change 12:30:38
17 was a good one because I think that a governmental -- 12:30:58
18 a government agency, or a government organization 12:31:04
19 should not -- should not have debts for natural gas, 12:31:08
20 and there must be some other organization, such as the 12:31:16
21 traders, for example, supplying natural gas to Ukraine 12:31:29

- 22 and if there is any debt, the debt should be launched, 12:31:30
- 23 should be serviced, should be paid by those 12:31:37
- 24 organizations, not by a governmental agency. 12:31:38
- 25 That is, any consumer has the right to buy 12:31:58

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1 V. M. GUREEV - DIRECT 12:31:58
2 natural gas either from the traders or from Gasprom 12:32:04
3 directly without any intervention of any governmental 12:32:09
4 agency that is directly, and any consumer has the 12:32:17
5 right to buy so much gas, as much gas as it's -- as 12:32:22
6 necessary and as much gas as it has money for. 12:32:32
7 And if a supplier, if a natural gas 12:32:49
8 supplier that is RAO Gasprom, for example, thinks that 12:32:52
9 there must be five traders on the market, and all 12:32:58
10 deliveries should be fulfilled through those traders, 12:33:01
11 then the government should not intervene into that 12:33:16
12 process, and consumers should go to the market, and 12:33:20
13 contact the traders and contact the suppliers who 12:33:27
14 are -- have most favorable and best conditions, or 12:33:31
15 best terms for them. 12:33:42
16 If the supply mechanism is transparent, and 12:33:53
17 if the prices for oil traders and suppliers are open 12:33:57
18 and visible and known to everyone, then I think that 12:34:01
19 this system is the more progressive one, and a more 12:34:21
20 positive one than the system when the centralized 12:34:26
21 government agency purchases gas, and then Ukraine or 12:34:30

22 the state has a lot of debts. On the other hand, any 12:34:35

23 trader has the right not to supply gas if it does not 12:34:44

24 receive payments for the gas. 12:34:50

25 These are market relationships between 12:34:56

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1 V. M. GUREEV - DIRECT 12:34:56
2 supplier and the consumer. 12:35:00
3 Q. Now, in 1996, was there any debt for the 12:35:03
4 purchase of gas that Ukraine as a country owed? 12:35:07
5 MS. BOERSCH: Objection. 12:35:24
6 BY MR. HOROWITZ: 12:35:24
7 Q. And what I mean is, debt incurred for gas 12:35:25
8 supplies in 1996, not things that happened earlier? 12:35:28
9 MS. BOERSCH: Objection. Lack of 12:35:33
10 foundation. 12:35:35
11 A. It's very hard for me to recollect those 12:35:59
12 figures because it was eight years ago, but I think 12:36:02
13 the Derzhnaftagas is able to provide you with this 12:36:08
14 information because it's not confidential. They were 12:36:13
15 accounting all these settlements, all these payments 12:36:21
16 and debts, and it was one of their key functions. 12:36:26
17 Q. Now, in 1994 and 1995, is it correct that 12:36:30
18 the gas debt was approximately 5, 10, 15 percent of 12:36:36
19 the entire national budget? 12:36:43
20 MS. BOERSCH: Objection. Lack of 12:36:45
21 foundation, calls for speculation, hearsay, opinion, 12:36:46

22 vague, and compound. 12:36:52

23 A. This figure has to be calculated, so we 12:37:21

24 have to look at the budget and look at the debt and 12:37:23

25 then calculate the ratio. But, again, the budget is a 12:37:29

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1 V. M. GUREEV - DIRECT 12:37:29
2 state budget and the debt is not a state debt. It's a 12:37:48
3 debt of some entrepreneurial entities, enterprises, or 12:37:53
4 companies, which do not belong to the state now. So I 12:38:01
5 do not think that this -- that we have enough -- we 12:38:11
6 have the rights to compare these two figures because 12:38:19
7 it's not always good. It's not always correct to 12:38:22
8 compare them. 12:38:25
9 Q. My information is that President Kuchma and 12:38:27
10 Prime Minister Marchuk all signed a decree in 1995 by 12:38:30
11 which the national budget assumed approximately \$1.4 12:38:35
12 billion in debt for 1994 for gas, and assumed that on 12:38:42
13 behalf of Ukraine, so it became debt of Ukraine as a 12:38:49
14 country. Is that anything that you recall at this 12:38:52
15 time? 12:39:18
16 MS. BOERSCH: Objection. Leading, asked 12:39:19
17 and answered. 12:39:21
18 A. Oh, I think that it's better to ask the 12:39:28
19 Minister of Finance or the person who was acting as a 12:39:32
20 Minister of Finance at that time. 12:39:36
21 BY MR. HOROWITZ: 12:39:36

- 22 Q. Do you recall a Cabinet of Ministers 12:39:38
- 23 meeting in December of 1995 at the time that this 12:39:41
- 24 resolution 1033 was passed where Mr. Lazarenko spoke 12:39:46
- 25 about the resolution? 12:39:53

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1 V. M. GUREEV - DIRECT 12:39:53

2 A. So there were actually many meetings 12:41:18

3 concerning this issue. And the meetings were held 12:41:22

4 when Mr. Marchuk was the Prime Minister, Mr. Lazarenko 12:41:30

5 was the Prime Minister, Mr. Pustovoytenko, as well 12:41:35

6 also, there were many meetings and they were held 12:41:40

7 regularly until the situation with current payments 12:41:46

8 for natural gas with natural gas payments stabilized. 12:41:50

9 And I actually remember that several meetings were 12:41:57

10 related to this specific issue, but I think that 12:42:04

11 the -- the lead agency for this issue was Derzhcom 12:42:11

12 Naftagas again. 12:42:17

13 Q. During any of these meetings that you ever 12:42:21

14 attended, did Mr. Lazarenko favor one particular gas 12:42:23

15 trader over another? 12:42:29

16 MS. BOERSCH: Objection. Vague, lack of 12:42:57

17 foundation. 12:42:59

18 A. All the meetings of the Cabinet of 12:43:10

19 Ministers of Ukraine and the presidium are recorded, 12:43:22

20 and there is a written record for all those meetings. 12:43:22

21 The minister and the ministry base their work on the 12:43:30

22 documents approved, adopted by the Cabinet of 12:43:36

23 Ministers of Ukraine. And the documents, the document 12:43:42

24 you just showed me reads that -- there are no traders 12:43:49

25 specified in this document. And this is a, the so- 12:43:59

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1 V. M. GUREEV - DIRECT 12:43:59
2 called final document for a meeting of the Cabinet of 12:44:07
3 Ministers of Ukraine. 12:44:11
4 Q. How about privately? Did you ever see 12:44:14
5 any -- any of the ministers of your government, 12:44:17
6 Mr. Lazarenko or any of them, try to favor one private 12:44:22
7 gas trader over another? 12:44:27
8 MS. BOERSCH: Objection. Vague, lack of 12:44:32
9 foundation. 12:44:33
10 A. I haven't ever noticed that because it was 12:45:14
11 beyond the scope of my responsibilities of my 12:45:22
12 functions. Natural gas supply was beyond the scope of 12:45:25
13 my functions, and apart from that, there were no talks 12:45:28
14 concerning this issue in my presence. 12:45:34
15 Q. I have another document that has our 12:45:40
16 markings on it, C004168 through 4171. And I have 12:45:42
17 marked it with exhibit tab 5071. 12:45:52
18 MR. HOROWITZ: Does counsel have it? 12:45:56
19 MS. BOERSCH: Yes. 5071. 12:45:57
20 MR. HOROWITZ: Yes. 12:46:00
21 (Document, Bates C004168 through 12:46:00

22 4171 was marked Defendant's Exhibit 12:46:00

23 No. 5071.) 12:46:20

24 BY MR. HOROWITZ: 12:46:20

25 Q. And can I show you this, please? 12:46:20

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1 V. M. GUREEV - DIRECT 12:46:20

2 A. What shall I read? The first one or the 12:47:15

3 second, or -- 12:47:17

4 Q. On the first part, does that have your 12:47:19

5 signature at the bottom there, the first part? 12:47:20

6 A. This document concerns prices, and it's -- 12:54:00

7 and this related to the resolution 1043 you mentioned. 12:54:07

8 So if you look at resolution 1043 you will see that in 12:55:03

9 the fourth paragraph of the resolution there is an 12:55:34

10 assignment for the Minister of Economy to create a 12:55:36

11 tariff methodology for natural gas, and the document, 12:55:40

12 the latter document, the last document you show is 12:55:45

13 concerning the tariff methodology, and the tariffs and 12:55:50

14 payments for natural gas transportation for other 12:55:55

15 processes, rent payments to budget, et cetera. But I 12:55:59

16 cannot see -- there is no -- my signature ist -- no my 12:56:06

17 signature on that document, and the situation is that 12:56:12

18 there are several deputies, and each deputy is 12:56:17

19 supervising its own area of activity. So this 12:56:23

20 document could have been signed by one of the 12:56:27

21 deputies. I have to -- I'll have to look at the 12:56:30

22 original. But, in general, I support and I agree with 12:56:34

23 this document. I think it was the right way. 12:56:40

24 I want to emphasize, once again, that this 12:57:01

25 document concerns, in the first place, the order, the 12:57:03

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1 V. M. GUREEV - DIRECT 12:57:03
2 mechanism of pricing for natural gas, not the 12:57:08
3 mechanism of distribution, or it does not concern 12:57:13
4 appointing traders for the distribution. We do not 12:57:20
5 speak of the traders here. We only speak of central 12:57:35
6 authorities of central bodies of the executive power 12:57:41
7 and their functions with respect to the implementation 12:57:45
8 of this procedure. 12:57:48
9 Since natural gas was to be purchased using 12:57:59
10 hard currencies and dollars, the document speaks about 12:58:03
11 currency exchange rates, et cetera. 12:58:09
12 Q. Okay. The reason I showed you this is 12:58:12
13 that, for our public who is going to be listening I'd 12:58:14
14 like them to understand what the role was of the 12:58:18
15 Minister of Economics in putting into effect this 12:58:22
16 entire plan under 1033. So my question is this: What 12:58:27
17 factors did you have to consider in coming to the 12:58:53
18 conclusions in this document? What interests did you 12:58:57
19 have to balance? 12:59:01
20 A. Government interests, in the first place. 12:59:35
21 And if there is a consumption balance for natural gas 12:59:43

- 22 in the country, we know the exact prices, purchasing 12:59:50
- 23 prices, what was the price for purchasing natural gas 13:00:04
- 24 abroad, and volumes of natural gas being purchased. 13:00:08
- 25 How much gas is extracted in Ukraine, our local 13:00:23

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1 V. M. GUREEV - DIRECT 13:00:23
2 natural gas. 13:00:32
3 And the key factor which we have to take 13:00:52
4 into account is that the pricing mechanism should -- 13:00:57
5 so any situation when the price of natural gas for 13:01:10
6 consumers exceeds its real price, its cost should be 13:01:15
7 avoided and should be ruled out. And this is the main 13:01:21
8 criteria, the main factor when we prepare a pricing 13:01:28
9 mechanism. 13:01:32
10 Q. Now, was there consideration on your part 13:01:34
11 of the use of barter by the trading companies in order 13:01:37
12 to receive payment from the enterprises that would 13:01:43
13 consume the gas? 13:01:47
14 A. We would only consider pricing and cost 13:02:21
15 relationships because the resolution, resolution 1043 13:02:26
16 did not require -- did not require any considerations 13:02:30
17 for barter operations. There was nothing about barter 13:02:36
18 in that resolution. 13:02:39
19 Q. So -- 13:02:42
20 A. All our considerations and all the factors 13:02:58
21 we would take into account specified in this 13:02:58

22 resolution, and this is only about the pricing 13:02:58
23 mechanism, about pricing methodology. 13:03:01
24 Q. So there's nothing in the document you 13:03:07
25 prepared that tells any of the gas traders -- 13:03:12

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1 V. M. GUREEV - DIRECT 13:03:12

2 They will call back. 13:03:20

3 THE INTERPRETER (SAN FRANCISCO): Hello. 13:03:20

4 BY MR. HOROWITZ: 13:04:11

5 Q. So there is nothing in what you produced in 13:04:11

6 that document that told the gas trading company how to 13:04:13

7 handle their barter transactions with their customers; 13:04:18

8 is that correct? 13:04:21

9 MS. BOERSCH: Objection. Leading, vague. 13:04:23

10 A. This is -- if you look at the document and 13:04:53

11 you will find that the document only concerns the 13:04:59

12 order of -- or pricing, and this is as is seen from 13:05:03

13 the title of the document. And the document concerns 13:05:13

14 only government agencies, government authorities, 13:05:22

15 regulating their actions, activities. 13:05:27

16 BY MR. HOROWITZ: 13:05:27

17 Q. Did Mr. Lazarenko ever try to influence you 13:05:33

18 in terms of what you decided to do with this document? 13:05:36

19 MS. BOERSCH: Objection. Vague. 13:05:42

20 A. No. 13:06:01

21 MR. HOROWITZ: Okay. May we, Mr. 13:06:06

22 Ukrainets, take a break so I can call Mr. Lazarenko? 13:06:08

23 A. One has to understand how such a document 13:06:17

24 is prepared. There is a deputy in the Minister of 13:06:21

25 Economics and the deputy's responsible for basic -- 13:06:32

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1 V. M. GUREEV - DIRECT 13:06:32
2 for basic areas. And there is another deputy who is 13:06:37
3 responsible for pricing. And not only for natural 13:06:45
4 gas, but for other goods, other questions as well. 13:06:52
5 And he's responsible for control and policy making in 13:07:01
6 the sphere of pricing throughout the country using the 13:07:06
7 assistance or through the state inspectorate on 13:07:15
8 pricing and prices. So it is these pricing 13:07:20
9 departments or units, together with government 13:07:40
10 structures responsible for fuel and energy issues 13:07:43
11 compile or prepare such a document. 13:07:49
12 The document is not about -- not only about 13:08:02
13 fixing the price, but about the procedure which is 13:08:06
14 used for fixing of the price and about the factors 13:08:10
15 that should be considered in the -- in this procedure 13:08:22
16 so that the state -- the state cannot lose anything, 13:08:29
17 so that there could be no losses for the state, for 13:08:36
18 the government, as a result of wrong policy or wrong 13:08:40
19 procedures. 13:08:46
20 Q. I have one more question. 13:08:46
21 What was the response of the IMF and the 13:08:48

22 World Bank to Ukraine, once you put into practice 1033 13:08:51

23 the way you just explained to me. 13:08:58

24 MS. BOERSCH: Objection. Hearsay, vague, 13:09:02

25 lack of foundation, calls for speculation. 13:09:03

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1 V. M. GUREEV - DIRECT 13:09:03

2 BY MR. HOROWITZ: 13:09:29

3 Q. Let me clarify. After you carried out your 13:09:29

4 duties under 1033 and the gas trader system went into 13:09:32

5 effect and the pricing was set up, how did the World 13:09:36

6 Bank and the IMF treat Ukraine with respect to these 13:09:40

7 changes? 13:09:45

8 MS. BOERSCH: Same objections. 13:09:46

9 A. I'd like -- I suggest that we have a clear 13:10:28

10 distinction between our internal policies with respect 13:10:32

11 to gas, natural gas supply and other related issues, 13:10:37

12 and the criteria, the criteria -- the outside criteria 13:10:42

13 that is the requirements of outside entities, 13:10:49

14 organizations. So if we look at the IMF efficiency 13:10:54

15 criteria, there was a requirement not to have any 13:11:14

16 debts for natural gas. This idea and this requirement 13:11:18

17 coincided with our internal requirement, that is not 13:11:34

18 to have any indebtedness for natural gas, state 13:11:38

19 indebtedness. The ways that we used to make sure we 13:11:44

20 meet this -- these requirement is our local, our 13:11:59

21 internal concern. 13:12:09

22 MR. HOROWITZ: All right. Can we take a 13:12:15

23 10-minute break, perhaps? 13:12:17

24 INVESTIGATOR UKRAINETS: Okay. Then we'll 13:12:26

25 have a 10 minute break and then continue. 13:12:28

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1 V. M. GUREEV - DIRECT 13:12:28

2 MS. BOERSCH: We just want -- we may want 13:12:32

3 to think about lunch break. Dan, do you have any 13:12:34

4 sense of how much longer, because I will have probably 13:12:35

5 half an hour to an hour. 13:12:38

6 MR. HOROWITZ: Let me talk to Mr. Lazarenko 13:12:40

7 and then I will give you the most precise estimate 13:12:42

8 that I can. 13:12:45

9 THE VIDEOGRAPHER: This is the end of tape 13:12:57

10 one volume one in the video deposition of Mr. Vasyl 13:12:59

11 Nikolay Gureev. Going off the record at 13 minutes 13:13:03

12 past 1 p.m. 13:13:08

13 INVESTIGATOR UKRAINETES: We resume the 13:32:26

14 deposition of Mr. Gureev. Mr. Horowitz, please 13:32:27

15 continue. 13:32:30

16 THE VIDEOGRAPHER: Hold on for a second. 13:32:32

17 I'm not on the record yet. 13:32:34

18 This is the beginning of tape two volume 13:32:41

19 one in the video deposition of Mr. Gureev. We're on 13:32:43

20 the record at 1:32 p.m. 13:32:46

21 INVESTIGATOR UKRAINETES: We resume the 13:32:55

22 deposition of Mr. Gureev. Mr. Horowitz, please. 13:32:55

23 BY MR. HOROWITZ: 13:32:58

24 Q. Tell me the changes in pricing at the 13:32:59

25 wholesale level for gas from RAO Gasprom from 1994, 13:33:01

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1 V. M. GUREEV - DIRECT 13:33:01
2 1995, and 1996. 13:33:10
3 MS. BOERSCH: Objection. Vague. 13:33:25
4 A. The only thing I can -- the only thing I 13:33:31
5 can say with respect to the natural gas prices is that 13:33:41
6 the prices were constantly increasing. The prices for 13:33:47
7 natural gas purchased by Ukraine from the Russian 13:33:52
8 Federation, and they have been -- they has been 13:33:57
9 increasing until they reached the world level. 13:34:01
10 Q. Who initiated these price increases? 13:34:05
11 A. The Russian side, the Russian Federation, 13:34:21
12 and RAO Gasprom. 13:34:23
13 Q. Now, what role did the Minister of 13:34:27
14 Economics play in this process of setting of wholesale 13:34:29
15 prices of gas? Did you negotiate directly with RAO 13:34:36
16 Gasprom for Ukraine, for example? 13:34:40
17 A. There were bilateral negotiations, and the 13:35:14
18 Ukrainian government delegation was constantly raising 13:35:19
19 the issue of decreasing the wholesale prices for 13:35:25
20 natural gas at those negotiations. 13:35:30
21 Pricing policy which is being implemented 13:35:41

22 by the Minister of Economics only concerns local 13:35:46
23 domestic prices. And the document that you have 13:35:50
24 kindly provided me with, it is related to the pricing 13:36:13
25 mechanism for our local purposes, that is for domestic 13:36:20

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1 V. M. GUREEV - DIRECT 13:36:20
2 prices, and this process -- the need for developing 13:36:25
3 such a mechanism was initiated, or was due to the 13:36:31
4 increase of wholesale natural gas prices. 13:36:35
5 Q. Now, let me go back in time to the years of 13:36:40
6 a large amount of inflation, 1994, 1995, before it got 13:36:44
7 under control in 1996. 13:36:50
8 Before I ask you specific questions, let me 13:37:11
9 ask you some general questions to lay a foundation for 13:37:15
10 what we're talking about because the people in our 13:37:17
11 jury who will watch this tape may not know these 13:37:20
12 things. 13:37:24
13 What is barter? 13:37:41
14 MR. BOERSCH: Objection. Lack of 13:37:45
15 foundation, vague. 13:37:46
16 A. If you want my personal opinion -- 13:38:00
17 Q. Of course. 13:38:04
18 A. Because I cannot give you any economics or 13:38:05
19 economics definition; so in my view, this is just an 13:38:10
20 exchange of goods, operation of exchanging goods. 13:38:15
21 Q. Exchanging one -- 13:38:22

- 22 A. Commodities. 13:38:23
- 23 Q. It's the exchanging of one product for 13:38:25
- 24 another product without the use of money in between; 13:38:27
- 25 is that correct? 13:38:30

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1 V. M. GUREEV - DIRECT 13:38:30

2 MS. BOERSCH: Objection. Leading, lack of 13:38:31

3 foundation, asked and answered. 13:38:39

4 MR. HOROWITZ: It was preliminary. 13:38:41

5 A. Each product has its value, its cost. So 13:38:44

6 if we exchange our pens, we understand -- we 13:38:53

7 understand very good what the price of our pens is. 13:39:01

8 Therefore, when we say exchange of goods or 13:39:13

9 commodities, we always imply some cost considerations 13:39:19

10 or cost -- so my understanding is that if your pen is 13:39:24

11 \$1.20, and mine is \$1, when we exchange our pens, I 13:39:45

12 owe you 20, 20 cents. 13:39:52

13 But I must add that the government and the 13:40:07

14 Minister of Economics always tried to exclude, to 13:40:14

15 avoid any barter operations between subjects of 13:40:18

16 entrepreneurial activities between entities and 13:40:23

17 organizations in Ukraine. 13:40:28

18 And if you look at the resolutions approved 13:40:45

19 by the government in that period, in the period you 13:40:49

20 mentioned, and in other periods, you will see that 13:40:54

21 those resolutions were primarily aimed at cutting 13:41:00

22 down, at avoiding barter operations in our economy. 13:41:07

23 And judging from the document, from this document that 13:41:17

24 you gave me, it's clearly seen that relationships 13:41:21

25 between economical -- economic entities should be 13:41:38

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1 V. M. GUREEV - DIRECT 13:41:38
2 based on money and on money exchange or money payment 13:41:43
3 for commodities not on goods or commodities exchange 13:41:50
4 only. Not on barter operations. 13:41:55
5 So we have a fixed price for the gas, the 13:42:04
6 gas obtained in Ukraine, and a fixed price for the gas 13:42:08
7 being imported from other countries, transportation 13:42:13
8 cost, that is cost of delivery of natural gas to the 13:42:20
9 customers, and not a word about barter operations. 13:42:23
10 Q. Exactly. Now, can you explain, again for 13:42:33
11 this audience who may not understand these things, why 13:42:36
12 barter is not a good long-term solution for the 13:42:39
13 Ukraine economy? 13:42:44
14 A. Well, it was not a good way. And it was 13:43:21
15 not a good way because barter is relationships between 13:43:26
16 two parties; and the government, the state, is 13:43:33
17 excluded, it does not participate in this. 13:43:36
18 Q. So there is no way -- the transactions are 13:43:44
19 haphazard. They don't have any order to them. Is 13:43:48
20 that what you're saying? There's no central mechanism 13:43:51
21 of money to value what is sold and what is purchased. 13:43:55

22 Is that -- 13:43:59

23 MS. BOERSCH: Objection. Leading, 13:44:00

24 compound, vague. 13:44:01

25 MR. HOROWITZ: I'll withdraw that. I'll 13:44:10

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1 V. M. GUREEV - DIRECT 13:44:10
2 withdraw that. 13:44:10
3 BY MR. HOROWITZ: 13:44:10
4 Q. Is one of the values of money the fact that 13:44:10
5 you can set a standard price for a good, and the money 13:44:10
6 is always the same; whereas, if you're bartering, you 13:44:10
7 don't know what the pricing mechanism really is? 13:44:14
8 MS. BOERSCH: Same objection. 13:44:18
9 MR. HOROWITZ: I'll withdraw it. 13:44:19
10 BY MR. HOROWITZ: 13:44:19
11 Q. What I'm trying to say, what is the 13:44:20
12 advantage of money in the purchase of gas as compared 13:44:23
13 to barter items? 13:44:25
14 A. I will put it this way. Any supplier 13:44:52
15 selling gas, supplying natural gas, must receive 13:44:58
16 money, must obtain money from customers, either hard 13:45:04
17 currency or local currency. And if a gas owner 13:45:10
18 supplies natural gas and does not receive any payment 13:45:27
19 for it, and the debts for consumed natural gas on the 13:45:30
20 consumer side increase, then a certain agreement, a 13:45:45
21 certain agreement is prepared by the supplier and by 13:46:04

22 the consumer; and the state is left out of this 13:46:10
23 agreement, is not taking any part in it. 13:46:17
24 And the debtor, the consumer, having no 13:46:36
25 other ways to pay for natural gas, offers -- offers 13:46:38

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1 V. M. GUREEV - DIRECT 13:46:38
2 a -- so there is a proposition from the consumer side 13:46:48
3 to pay for the gas in some other form, to pay with 13:46:52
4 some -- with the commodities, not with money. 13:46:58
5 But, on the other hand, if the supplier -- 13:47:19
6 if the supplier had stated from the very beginning 13:47:22
7 that the natural gas, consumed natural gas must be 13:47:25
8 paid for with money, or even paid in advance, so there 13:47:32
9 would have been no arrangements of this sort, there 13:47:39
10 would have been no room for barter operations and 13:47:43
11 barter agreements. 13:47:46
12 That is why, if you remember when we were 13:48:01
13 speaking about indebtedness, I said that my opinion 13:48:04
14 was that the state should have no debts. The debts 13:48:07
15 should be carried -- the burden of debts should be 13:48:12
16 carried by consumers, by those who consumed the gas. 13:48:15
17 This is the policy of relationship between 13:48:28
18 the owner of natural gas and the consumer. It is 13:48:33
19 not -- it does not concern relationships between 13:48:40
20 governments, between states. 13:48:44
21 Q. Now, in 1994, 1995, and 1996, was there a 13:48:47

- 22 shortage of hard currency in this country combined 13:48:51
- 23 with a high inflation rate for the hryvnias? 13:48:58
- 24 MS. BOERSCH: Objection. Vague and 13:49:05
- 25 compound. Calls for speculation. 13:49:06

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1 V. M. GUREEV - DIRECT 13:49:06

2 A. As far as I remember, we had the 13:49:37

3 negative -- we had the deficit for trade balance in 13:49:41

4 that period. 13:49:46

5 It's possible that some enterprises, some 13:50:04

6 companies at that time did not have enough -- enough 13:50:07

7 hard currency to pay for natural gas, but if you -- if 13:50:10

8 you don't have enough money for natural gas, just 13:50:15

9 don't purchase it. This is the effect. And the 13:50:19

10 reason is that if you don't have enough money, don't 13:50:29

11 buy it. 13:50:33

12 Q. Now, that -- that's -- tell me if I am 13:50:34

13 wrong -- that's a statement of a true capitalist 13:50:40

14 market economy philosophy that you just made. Is that 13:50:44

15 correct? 13:50:48

16 MS. BOERSCH: Objection. Leading and 13:50:49

17 vague. 13:50:50

18 A. I wouldn't -- I'd rather not go into 13:51:31

19 discussing different systems, and different names and 13:51:35

20 definitions. I only -- I'm only saying that we have 13:51:41

21 money, and we have products. Each product has its 13:51:47

- 22 value, its cost, and if you don't have enough money, 13:51:50
- 23 just don't buy this or that product. This is purely 13:51:54
- 24 relationships between economic entities, between 13:52:13
- 25 companies and organizations involved into economic 13:52:17

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1 V. M. GUREEV - DIRECT 13:52:17

2 activity. It's not about states. It's not about 13:52:22

3 relationships between states. 13:52:26

4 BY MR. HOROWITZ: 13:52:26

5 Q. Did the use of barter during those years 13:52:31

6 before the currency was stabilized the way it is 13:52:34

7 now -- let me withdraw that. 13:52:38

8 Did the use of barter allow certain 13:52:44

9 companies to stay in business during this period of 13:52:46

10 transformation before the economy stabilized? 13:52:50

11 MS. BOERSCH: Objection. Vague, lack of 13:53:15

12 foundation, calls for opinion, speculation. 13:53:16

13 A. We can put it this way: Not paying for 13:53:49

14 consumed natural gas or -- not paying for consumed 13:53:53

15 natural gas, an enterprise received -- we can state it 13:54:00

16 this way, that the enterprise which was not paying for 13:54:11

17 the gas received a commodity, received a credit alone 13:54:14

18 for the volume of consumed natural gas. And the loan 13:54:22

19 was the gas without payments, so the party who 13:54:38

20 supplied the gas was giving the loan; and the party, 13:54:42

21 the consumer who received natural gas, was actually 13:54:48

- 22 borrowing a certain amount of money from the supplier. 13:54:52
- 23 And -- and this -- this procedure, this practice 13:55:01
- 24 helped many enterprises survive in short term 13:55:09
- 25 prospective, as it helps me survive today, but 13:55:13

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1 V. M. GUREEV - DIRECT 13:55:13
2 tomorrow I will have to find other ways. 13:55:18
3 BY MR. HOROWITZ: 13:55:18
4 Q. So it's just a short term solution, it's 13:55:23
5 not a long-term solution for a healthy economy? 13:55:26
6 MS. BOERSCH: Objection. Vague, leading, 13:55:42
7 calls for opinion. 13:55:44
8 A. But the debt of the enterprise was fixed, 13:55:49
9 was recorded. It did not disappear, and it had to be 13:55:52
10 repaid in any event. 13:55:59
11 BY MR. HOROWITZ: 13:55:59
12 Q. Either by cash or by products which the gas 13:56:02
13 trading company would then have to sell by themselves 13:56:05
14 to get cash. Is that right? 13:56:09
15 MS. BOERSCH: Objection. Leading. 13:56:13
16 A. It all depended on the agreements that 13:56:30
17 existed between enterprises. So they would define -- 13:56:33
18 they would determine the way of settling the debts, 13:56:38
19 about the payments, settlements for natural gas. 13:56:48
20 Because in some cases, gas, natural gas owner would 13:57:01
21 supply gas as under an agreement to produce some 13:57:07

22 goods, some commodities, so the consumer would agree 13:57:14

23 to produce something for the gas owner using its gas. 13:57:20

24 So it can be an option. 13:57:29

25 Q. Was that a legal option in 1994, 1995, 13:57:31

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1 V. M. GUREEV - DIRECT 13:57:31
2 1996, and 1997? 13:57:35
3 MS. BOERSCH: Objection. Calls for 13:57:38
4 improper conclusion, speculation, and compound. 13:57:40
5 BY MR. HOROWITZ: 13:57:40
6 Q. What I'm asking is -- let me withdraw that 13:57:54
7 and start over. 13:57:56
8 What I'm asking is, was the use of barter 13:57:57
9 one of the accepted forms of economic relations in the 13:58:00
10 years 1994 through 1997? 13:58:05
11 MS. BOERSCH: Same objections. 13:58:28
12 A. Barter operations were in place in that 13:58:47
13 period, but they were not regulated. They were not 13:58:51
14 based on any government documents, so there were no 13:58:57
15 government documents regulating or stipulating or 13:59:02
16 determining any basis for such operations, and there 13:59:07
17 was -- there were no laws providing for such 13:59:11
18 operations. 13:59:16
19 Q. No laws preventing it, no laws defining it, 13:59:17
20 it was just a form of commerce? Or was it -- is that 13:59:21
21 what you're saying? 13:59:24

22 MS. BOERSCH: Objection. Vague, leading, 13:59:26
23 compound. 13:59:27
24 BY MR. HOROWITZ: 13:59:27
25 Q. I'll withdraw it. 13:59:27

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1 V. M. GUREEV - DIRECT 13:59:28

2 Are you saying that it was one of the forms 13:59:28

3 of commerce that was accepted in the society, or not? 13:59:30

4 MS. BOERSCH: Same objection. 13:59:35

5 A. I would say, once again, that we must see a 13:59:56

6 clear distinction between relations, between society 14:00:01

7 and state, and on the other hand, the relations, 14:00:07

8 between commercial entities, between enterprises and 14:00:13

9 companies. 14:00:18

10 Q. Okay. 14:00:19

11 A. Because, initially, the agreements for 14:00:30

12 natural gas supply would state that natural gas must 14:00:34

13 be supplied, and certain amount of money must be paid 14:00:41

14 for the supply of natural gas. So if we look at any 14:00:44

15 of the contracts, any tenure agreement concluded 14:01:35

16 between a supplier and an enterprise purchasing 14:01:41

17 natural gas we would see most likely that the subject 14:01:46

18 of the contract is that the supplier supplies a 14:01:50

19 certain volume of natural gas, and the buyer pays for 14:01:54

20 natural -- for the natural gas certain amount of 14:02:01

21 money. 14:02:06

22 But, at the same time, there could have 14:02:08
23 been agreements where the buyer -- where the buyer was 14:02:10
24 obliged to pay with products, with an equivalent 14:02:18
25 amount of products. So the supplier supplies natural 14:02:25

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1 V. M. GUREEV - DIRECT 14:02:25

2 gas, and the buyer pays for the gas with some 14:02:29

3 products. But the money equivalent was always clearly 14:02:34

4 defined. So the products, the amount of products 14:02:40

5 would equal the amount of gas and money equivalent. 14:02:44

6 Q. Let me summarize then what we have covered 14:02:52

7 today so far. 14:02:54

8 MS. BOERSCH: I'm going to object. If you 14:02:57

9 want to ask a question, ask a question. But I don't 14:02:58

10 know why you need to summarize. 14:03:01

11 BY MR. HOROWITZ: 14:03:01

12 Q. Now, we're talking about in 1994 and 1995, 14:03:03

13 there was a lot of inflation and a lot of gas debts in 14:03:07

14 Ukraine; is that correct? 14:03:12

15 MS. BOERSCH: Objection. Leading. 14:03:16

16 A. It all -- it was all true. It was all 14:03:41

17 correct. 14:03:46

18 BY MR. HOROWITZ: 14:03:46

19 Q. And also at this time, RAO Gasprom was 14:03:46

20 raising the prices of gas at the wholesale level? 14:03:50

21 MS. BOERSCH: Objection. Leading, 14:03:55

22 argumentative, calls for speculation, and opinion. 14:03:57

23 A. Yes. 14:04:09

24 BY MR. HOROWITZ: 14:04:09

25 Q. Then you talked about resolution 1033 and 14:04:09

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1 V. M. GUREEV - DIRECT 14:04:09
2 how that was discussed with the various ministries and 14:04:13
3 the various participants? 14:04:17
4 MS. BOERSCH: Same objections. 14:04:20
5 A. Yes. 14:04:36
6 BY MR. HOROWITZ: 14:04:36
7 Q. I have a question about 1033 in that 14:04:36
8 context. 14:04:38
9 I'll withdraw the last question and start 14:05:03
10 again. 14:05:05
11 I have a question about resolution 1033 in 14:05:05
12 the context of your previous answers about the 14:05:08
13 inflation, the debts for gas -- 14:05:11
14 A. You are constantly referring to the 14:05:47
15 resolution 1033, but the first paragraph of the 14:05:48
16 resolution reads that they have to approve another 14:05:52
17 document, the order of supply of natural gas for 1996, 14:05:58
18 and it says that this document is an annex to this 14:06:05
19 one, but there is no annex, and it would be good to 14:06:10
20 have a chance to look at that document and that annex. 14:06:19
21 Q. Okay. We're a little bit short of 14:06:29

22 documents right here, but we will try to get that to 14:06:29

23 you. 14:06:31

24 A. So it was 8 or 7 years ago, but I think 14:06:50

25 that the -- all responsible persons and all procedures 14:06:54

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1 V. M. GUREEV - DIRECT 14:06:54

2 and all agencies must have been -- must have been 14:07:02

3 specified in that annex, in that document, because 14:07:07

4 we've been speaking about traders, and I do not 14:07:19

5 remember if there were any traders in that document, 14:07:22

6 in that order of supply. 14:07:25

7 Q. Let me make something very clear. I 14:07:28

8 appreciate what you are telling us from your own 14:07:31

9 memory. No one person can tell us the whole story, so 14:07:33

10 I really just want to know what you know because 14:07:50

11 that's -- that's something you can tell us and no one 14:07:54

12 else can. But that does bring a thought to my mind 14:07:57

13 that I would like to ask you your opinion on this. 14:08:14

14 Is a decision of this magnitude the kind of 14:08:26

15 decision that could be made just by Mr. Marchuk and 14:08:30

16 Mr. Pustovoytenko, or would Mr. Kuchma have had to be 14:08:34

17 in support of it also? 14:08:40

18 MS. BOERSCH: Objection. Vague, leading, 14:08:42

19 calls for speculation. 14:08:44

20 A. Oh, I think that this decision is beyond 14:09:25

21 the authority of the Prime Minister, of the President. 14:09:28

22 The decision of such magnitude must only be made by 14:09:35
23 the Cabinet of Ministers of Ukraine, and the process 14:09:39
24 should be initiated by the ministry which is 14:09:43
25 responsible for this or that area. So the ministry 14:09:46

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1 V. M. GUREEV - DIRECT 14:09:46
2 should -- should suggest or should submit -- submit 14:09:51
3 this information to the Cabinet of Ministers of 14:10:01
4 Ukraine, and the Cabinet of Ministers should discuss 14:10:03
5 it and make a decision. 14:10:07
6 And now I would like to clarify something. 14:10:15
14:10:15
7 So if we speak about the order or the procedure of 14:10:26
8 natural gas supply for Ukrainian economics and 14:10:31
9 population for a definite year, that is in this case 14:10:36
10 for 1996, I think it is the authority of the Cabinet 14:10:48
11 of Ministers of Ukraine. 14:10:58
12 If we speak about the price level for 14:11:08
13 natural gas -- for natural gas purchased from other 14:11:11
14 countries, from Russia, it is the authority of RAO 14:11:16
15 Gasprom. And if RAO Gasprom chooses suppliers, 14:11:21
16 natural gas suppliers, that is the entities that will 14:11:40
17 supply natural gas to Ukrainian enterprises, or as you 14:11:44
18 call them traders, this decision is within the 14:11:50
19 authorities of RAO Gasprom, the trader, and the 14:12:00
20 enterprise consuming natural gas, because the trader 14:12:04

- 21 purchases natural gas from RAO Gasprom under certain 14:12:11
22 agreements and basing on certain terms and conditions
23 under their contracts, under their agreements, and
24 supplies the gas to the enterprise also within the
25 framework of existing agreements and contracts with

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1 V. M. GUREEV - CROSS

2 that enterprise.

3 That's why neither the President nor the
4 Prime Minister, they have nothing to do with this
5 process. They have no influence, have no authority in
6 this case. These are the relations between these
7 commercial entities.

8 MR. HOROWITZ: At this point, I'm thinking
9 that I'm going to stop, but I need to talk to Mr.
10 Lazarenko, so if can take a short break so I can get
11 on the phone with him.

12 INVESTIGATOR UKRAINETS: Okay. We will
13 have a five-minute break.

14 THE VIDEOGRAPHER: Going off the record at
15 13 minutes past 2 p.m. 14:25:03

16 (Recess) 14:25:03

17 THE VIDEOGRAPHER: Back on the record at 14:25:18
18 2:26 p.m. 14:25:19

19 INVESTIGATOR UKRAINETS: We resume the 14:25:28
20 deposition of Mr. Gureev. Mr. Horowitz, do you have 14:25:28
21 any more questions? 14:25:31

22 MR. HOROWITZ: We do not. We turn the 14:25:33

23 floor over to the prosecution. 14:25:35

24 INVESTIGATOR UKRAINETS: Mrs. Boersch, do 14:25:42

25 you have questions to the witness? 14:25:44

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1 V. M. GUREEV - CROSS 14:25:44

2 MS. BOERSCH: Yes. A few. Thank you. 14:25:46

3 14:25:46

4 CROSS-EXAMINATION 14:25:46

5 BY MS. BOERSCH: 14:25:55

6 Q. First, I wanted to see if you could tell us 14:25:55

7 when you first began to work for the government, what 14:25:56

8 year you began your governmental service. 14:25:59

9 A. Which position do you mean? 14:26:13

10 Q. Well, let's start with when you first began 14:26:14

11 to work for the government in any position? 14:26:16

12 A. I'd start with the position of Deputy 14:26:30

13 Minister. 1993, it seems to me. I'm not quite ready 14:26:32

14 to answer this question. We should look at the 14:26:54

15 documents so I was -- I became a Deputy Minister, and 14:26:57

16 Minister of Economics was Mr. Penzenyk at that time, 14:27:03

17 and he was Vice Prime Minister responsible for 14:27:10

18 economics at the same time. 14:27:16

19 Q. And what was your position or work before 14:27:18

20 you were appointed as a Deputy Minister of Economics 14:27:22

21 in 1993? 14:27:26

22 A. I had worked for 15 years at a plant, at a 14:27:41
23 factory, Kiev production unity, or just enterprise. 14:27:50
24 My last years, last 7 or 8 years at that production 14:28:10
25 association, I was a Deputy General Director, Deputy 14:28:15

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- 1 V. M. GUREEV - CROSS 14:28:15
- 2 General Director on economics and commercial issues. 14:28:24
- 3 And after -- after the plant, after I left 14:28:42
- 4 that factory, I worked at the First Deputy of Economic 14:28:46
- 5 Department on Ministry of Machinery and Military -- 14:28:54
- 6 military complex. 14:29:04
- 7 MS. MARINA: Military industrial complex. 14:29:14
- 8 A. Military industrial complex. 14:29:16
- 9 Q. What year was that, approximately? 14:29:19
- 10 What year was that, approximately? 14:29:22
- 11 A. 1991 or 1992. This is approximately. And 14:29:33
- 12 if you need exact dates, I can provide you. 14:29:42
- 13 Q. And in 1993, then you worked as a deputy 14:29:48
- 14 Minister of Economics. How long did you hold that 14:29:51
- 15 position? 14:29:54
- 16 A. A couple of years. 14:30:08
- 17 Q. And after that, what position did you hold? 14:30:12
- 18 A. I was Deputy Minister, then became Minister 14:30:23
- 19 of Economics. 14:30:28
- 20 Q. And what year were you the Minister of 14:30:30
- 21 Economics? Approximately? 14:30:40

- 22 A. '94, '95. Rather, '95. 14:30:49
- 23 Q. And how long were you the Minister of 14:30:53
- 24 Economics? 14:30:56
- 25 A. Two years, or two years and a half. 14:31:02

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- 1 V. M. GUREEV - CROSS 14:31:02
- 2 Q. And after that, what position did you hold? 14:31:05
- 3 A. I was appointed Minister of Machine 14:31:16
- 4 Building and Military Industrial Complex. 14:31:20
- 5 Q. Okay. 14:31:24
- 6 You mentioned in your direct testimony -- 14:31:35
- 7 well, you were asked some questions about the World 14:31:38
- 8 Bank, and you made a reference to tranches from the 14:31:42
- 9 World Bank. 14:31:47
- 10 Could you explain what a tranche is? 14:31:48
- 11 A. It was a loan. It was a loan used to 14:32:50
- 12 stabilize the economy of Ukraine. There was a 14:32:50
- 13 stabilization program, and this loan was intended for 14:32:50
- 14 that program. 14:32:50
- 15 Q. So the loan, was it a loan of hard 14:32:50
- 16 currency? 14:32:50
- 17 A. It was a hard currency loan used to support 14:32:59
- 18 economical reforms in the country. It did not have 14:33:03
- 19 anything to do with natural gas. 14:33:11
- 20 Q. Approximately how much was the loan? 14:33:15
- 21 A. There were several tranches, and the 14:33:34

22 money -- the money had been -- financing took several 14:33:40
23 years, and we still cooperate with International 14:33:49
24 Monetary Fund. So there were several tranches for 14:33:54
25 separate stages, for certain stages of reform in the 14:34:10

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1 V. M. GUREEV - CROSS 14:34:10
2 economy. Total amount of that loan was approximately 14:34:17
3 \$2 billion. 14:34:27
4 And today, we consider -- we consider 14:34:35
5 repayment of that loan in advance, that is, before the 14:34:40
6 deadline. 14:34:46
7 Q. You also mentioned in your direct testimony 14:34:49
8 that the economic situation in Ukraine when you were 14:34:52
9 the Minister of Economics was very bad. Is that 14:34:56
10 correct? 14:35:01
11 THE INTERPRETER: Do you want me to remove 14:35:39
12 my jacket? 14:35:41
13 Hello. Are you back? Can you hear us? 14:35:58
14 THE INTERPRETER (SAN FRANCISCO): We can 14:36:05
15 hear you. 14:36:05
16 A. I only said that economical -- economic 14:36:14
17 situation was hard, was difficult at that time. 14:36:18
18 BY MS. BOERSCH: 14:36:18
19 Q. And can you explain what you mean by that? 14:36:23
20 A. First of all, a new independent country, 14:36:34
21 state emerged. And some cooperation links were lost. 14:36:40

22 I mean the links that existed in the Soviet times. We 14:36:56

23 had -- we had no local currency. We had no banking 14:37:06

24 system at that time. And everything must be built, 14:37:15

25 must be formed from scratch. 14:37:28

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2 We had to -- we had to create our own Army 14:37:53

3 military forces, our own banking system, our economy. 14:37:58

4 And we had to establish our own State Planning 14:38:02

5 Committee, because previously there was a planning 14:38:12

6 committee for the USSR as a whole. And we had to 14:38:12

7 define our economic policy, et cetera. 14:38:18

8 So we had to create everything from 14:38:24

9 scratch, using our own resources. And if we had to 14:38:26

10 buy something, we had to buy that using either hard 14:38:43

11 currency or local currency, or rubles, and everything 14:38:49

12 that's -- that was happening at that time was natural. 14:39:06

13 All the factors that were at play at that time were 14:39:09

14 natural because this was a naturally standard 14:39:15

15 transition process which every -- every state, every 14:39:20

16 country undergoes in such situations. 14:39:27

17 Q. Now, you also mentioned in your direct 14:39:33

18 testimony that the increase in gas prices that were 14:39:36

19 charged by the Russian Federation had an impact on the 14:39:40

20 economy of Ukraine. Is that right? 14:39:44

21 A. Yes. It's correct. And even today some 14:40:21

22 Russian enterprises enjoy lower prices for natural gas 14:40:25
23 than similar enterprises in Ukraine. Such as, for 14:40:32
24 example, this is the situation in the chemical 14:40:36
25 industry, for example. Russian chemical enterprises 14:40:40

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1 V. M. GUREEV - CROSS 14:40:40

2 purchase natural gas lower prices than similar 14:40:44

3 enterprises in Ukraine. And it means that production 14:40:48

4 cost is higher here because -- despite -- despite the 14:40:57

5 fact that those enterprises, Russian and Ukrainian, 14:41:13

6 can produce the same, the same product, same goods, 14:41:18

7 and export them. And this all means competition. It 14:41:21

8 means competition on the market, market situation and 14:41:28

9 market conditions. 14:41:32

10 Q. And this increase in gas prices was a 14:41:35

11 concern for the government of Ukraine at that time; 14:41:37

12 correct? 14:41:39

13 A. Yes. Because we had to increase -- to 14:42:14

14 increase prices for gas, for natural gas for 14:42:18

15 individuals, for the population, to increase 14:42:23

16 electricity tariffs, and to increase heating tariffs. 14:42:28

17 So some people -- some people were not able to pay 14:42:35

18 higher tariffs, and it was very serious. It was a 14:42:40

19 concern for us. 14:42:45

20 The population people were not able to pay 14:43:03

21 for natural gas purchased by the world price because 14:43:07

22 the income, average income was not comparable. It 14:43:12

23 was -- it was much less. It was lower than the 14:43:17

24 tariffs of the world level. 14:43:23

25 Q. So the gas situation in Ukraine at that 14:43:25

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- 1 V. M. GUREEV - CROSS 14:43:25
- 2 time had an impact on the ability of the population to 14:43:28
- 3 heat their homes, for example? 14:43:31
- 4 A. Yes. And the government -- the government 14:44:07
- 5 has taken certain measures in order to protect the 14:44:10
- 6 population, and so-called social protection package 14:44:15
- 7 was discussed and established, and salaries -- 14:44:21
- 8 salaries have been increased. And this is why there 14:44:27
- 9 was a need for the Ministry of Economy, and this 14:44:49
- 10 assignment is stipulated here. There was a need for 14:44:53
- 11 the Ministry to determine or to prepare a certain 14:44:58
- 12 methodology or certain procedure for establishing 14:45:02
- 13 natural gas prices for different categories of 14:45:08
- 14 consumers. 14:45:12
- 15 Q. So that the method of supplying gas, for 14:45:16
- 16 instance, for the population, or for social 14:45:18
- 17 organizations was different than the methods used to 14:45:23
- 18 supply gas to commercial enterprises. Is that 14:45:28
- 19 correct? 14:45:31
- 20 A. Yes. Certainly. 14:45:51
- 21 Q. Now, you also mentioned that at this time 14:45:54

22 it was the policy of the government of Ukraine to 14:45:56

23 avoid incurring any state debts for the supply of gas 14:46:00

24 to Ukraine; is that correct? 14:46:05

25 A. So my idea was a bit different. I only 14:48:44

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1 V. M. GUREEV - CROSS 14:48:44
2 said that we had to consider two categories of debts. 14:48:48
3 There were debts for natural gas incurred by -- by 14:48:55
4 organizations and agencies belonging to the state, to 14:49:01
5 the government, and that is covered by the state 14:49:06
6 budget, such as schools or kindergartens and child 14:49:10
7 care institutions, all educational facilities, 14:49:18
8 institutions of any sort. They consume natural gas, 14:49:21
9 and the debts incurred by them should be -- they had 14:49:25
10 to be repaid by the state. 14:49:33
11 And the second category of debts was the 14:49:37
12 debts incurred by commercial entities. That is 14:49:43
13 enterprises, privatized enterprises, probably, of any 14:49:46
14 sort. They could be enterprises owned by foreign 14:49:54
15 partners or by foreign companies or individuals, 14:50:01
16 enterprises privatized by local businessmen, et 14:50:05
17 cetera. 14:50:09
18 The debts incurred by such enterprises and 14:50:10
19 companies have nothing to do with the state, so the 14:50:13
20 state did not have to care about those debts. That 14:50:18
21 was the policy. And the enterprises had to pay, to 14:50:25

22 repay their debts directly to the supplier, or to the 14:50:33

23 entities, the companies they purchased natural gas 14:50:39

24 from. 14:50:49

25 And this is -- this situation remains 14:50:49

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1 V. M. GUREEV - CROSS 14:50:49
2 unchanged, so we still consider two categories of 14:50:49
3 debts. One is for the budget, the state budget. And 14:50:55
4 one is for commercial entities, independent commercial 14:50:58
5 entities, who deal with the suppliers, with the 14:51:02
6 traders. 14:51:05
7 Q. So the idea was that these independent 14:51:06
8 commercial enterprises, their debts for gas should be 14:51:09
9 paid by them and not by the state; correct? 14:51:13
10 A. Yes. Sure. 14:51:33
11 Q. I want to show you now a document that the 14:51:42
12 government -- the United States has previously marked 14:51:44
13 as government exhibit 856, and ask if you recognize 14:51:46
14 that document, if you have seen it before. 14:51:50
15 A. I haven't seen this document, because at 14:54:12
16 that time, Mr. Minchenko was the minister, and I think 14:54:16
17 that I didn't work at the ministry at that time at 14:54:21
18 all. 14:54:25
19 Q. If you could look in the upper right-hand 14:54:27
20 corner of the document there is a date of December 31, 14:54:29
21 1996. 14:54:32

22 A. So I was misled by the signature because I 14:54:57
23 saw Mr. Minchenko's signature and he was Minister of 14:55:00
24 Economics at one time, and here he was acting as a 14:55:07
25 State Minister of Ukraine, which was roughly equal to 14:55:11

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1 V. M. GUREEV - CROSS 14:55:11
2 the position of the Vice Prime Minister, and this 14:55:15
3 position was -- was not used after that. It was 14:55:23
4 cancelled. So sorry for that. 14:55:27
5 I haven't seen this document because all 14:55:36
6 documents -- all documents -- if I saw a document, I 14:55:39
7 would put my -- put my visa, or put my approval on it, 14:55:46
8 or write something on it, some comments. 14:55:53
9 Q. So on the date of that document, December 14:55:56
10 31, '96 were you the Minister of Economics at that 14:55:59
11 time? 14:56:03
12 A. Yes, but I did not -- I did not take any 14:56:18
13 part in the supply of sugar, of oil, or other goods. 14:56:24
14 Q. And you say you have never seen this 14:56:32
15 document before? 14:56:34
16 A. No. 14:56:41
17 Q. Did you -- were you aware -- even if you 14:56:42
18 didn't see the document, were you aware that this 14:56:45
19 guarantee of the government of Ukraine existed? 14:56:48
20 MR. HOROWITZ: Objection. No foundation, 14:56:51
21 leading, facts not in evidence. 14:56:53

- 22 A. The guarantee is to be issued by the 14:57:07
23 Cabinet of Ministers of Ukraine. 14:57:10
24 Q. Were you aware -- 14:57:13
25 MR. HOROWITZ: Not responsive. Motion to 14:57:16

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1 V. M. GUREEV - CROSS 14:57:16
2 strike. 14:57:19
3 BY MS. BOERSCH: 14:57:19
4 Q. Were you aware that this guarantee by the 14:57:20
5 Cabinet of Ministers had been issued? 14:57:21
6 MR. HOROWITZ: Same objection. Asked and 14:57:25
7 answered. 14:57:26
8 A. The thing is that Minister of Economics is 14:57:38
9 not aware of all the issues covered and discussed by 14:57:43
10 the Cabinet of Ministers of Ukraine. It is not 14:57:49
11 necessarily aware of all of them. 14:57:52
12 So the -- it says that the government of 14:58:14
13 Ukraine issues this guarantee for RAO Gasprom, using 14:58:18
14 goods and commodities in exchange for natural gas, and 14:58:29
15 there is the volume of natural gas to be supplied, and 14:58:33
16 a list of goods. 14:58:39
17 MR. HOROWITZ: Motion to strike. 14:58:42
18 Nonresponsive. And the same objections. 14:58:43
19 A. So, as far as I understand, if the Ministry 14:59:05
20 of Economics had taken any part in this process, there 14:59:09
21 would have been a document, a different document 14:59:13

22 with -- with respective signatures from the Ministry 14:59:20
23 of Economics, and, as I can see, this document only 14:59:28
24 concerns the state reserve, and -- this document was 14:59:33
25 not processed by our ministry. 14:59:42

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1 V. M. GUREEV - CROSS 14:59:42

2 BY MS. BOERSCH: 14:59:46

3 Q. And you did not play any role in the 14:59:46

4 negotiation of this document, I take it, then? 14:59:49

5 MR. HOROWITZ: Objection. Same objection 14:59:52

6 again. No foundation, asked and answered. 14:59:53

7 A. Well, since there is no my signature on 15:00:07

8 this document, no, I did not take any part in 15:00:11

9 preparation process. 15:00:15

10 BY MS. BOERSCH: 15:00:15

11 Q. Would a guarantee of 200 million U.S. 15:00:17

12 dollars -- rather, a value of 200 million U.S. 15:00:22

13 dollars -- would that have been a significant amount 15:00:25

14 of the Ukrainian budget at that time, December 31, 15:00:28

15 1996? 15:00:31

16 MR. HOROWITZ: Objection. Vague, 15:00:32

17 ambiguous, assumes facts not in evidence, 15:00:33

18 argumentative. 15:00:38

19 A. So it was not our function to resolve such 15:02:06

20 issues, to resolve the issue of indebtedness for 15:02:12

21 natural gas, because the Minister of Economics did not 15:02:18

22 have to determine who owed for natural gas, and 15:02:23
23 determine the debts to assess the situation because it 15:02:30
24 was beyond the scope of its functions. And if you 15:02:34
25 look at the regulations. And the provisions 15:02:39

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1 V. M. GUREEV - CROSS 15:02:39
2 determining the activities of the ministry, there is 15:02:46
3 no -- there is no function, no provision stipulating 15:02:50
4 that the ministry has to deal with such issues. 15:02:55
5 There were other agencies, other government 15:03:00
6 organizations, central bodies of the executive power. 15:03:11
7 And there was specifically Derzhcom Naftagas, which is 15:03:11
8 State Committee on Oil and Gas, which had to take care 15:03:12
9 of such issues and problems. And since there is no -- 15:03:19
10 there are no indications on this document of our 15:03:26
11 ministry participation, it means that the process 15:03:30
12 was -- the issue was being resolved by that committee 15:03:33
13 and the supplier without our participation. 15:03:40
14 Probably, it is likely that this document 15:03:48
15 was discussed at some meetings in the Cabinet of 15:03:52
16 Ministers of Ukraine later, but we didn't know 15:03:59
17 anything about that. 15:04:02
18 BY MS. BOERSCH: 15:04:04
19 Q. And my -- 15:04:04
20 A. Moreover, it was happening seven years ago, 15:05:00
21 and to discuss such documents properly, I would like 15:05:05

- 22 to see -- to see the inscriptions, to see the 15:05:14
- 23 approvals of other participants on them, because I 15:05:19
- 24 cannot see anything on this document, and I cannot 15:05:23
- 25 find any signatures on the previous documents. So if 15:05:28

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1 V. M. GUREEV - CROSS 15:05:28
2 I had anything to do with this or that document, there 15:05:36
3 must have been my signature or my reaction, my 15:05:41
4 approval, or my comments on that document. I see 15:05:46
5 none. And I cannot quite understand the purpose of 15:05:51
6 such discussion. 15:05:56
7 Q. Well, let me -- I understand that you 15:05:58
8 didn't play any role in this and don't -- and don't 15:06:01
9 recall whether or not you ever were aware of this 15:06:07
10 document; but my question is simply, based on your 15:06:09
11 experience at the time as the Minister of Economics, 15:06:12
12 was the sum of \$200 million a large sum at the time 15:06:15
13 for the government of Ukraine? 15:06:21
14 MR. HOROWITZ: Vague, ambiguous, calls for 15:06:23
15 speculation. 15:06:25
16 A. Even -- even one -- one ruble is 15:06:55
17 significant for the state budget because it's state 15:07:00
18 budget. 15:07:04
19 Q. All right. Now, with respect to the 15:07:10
20 restructuring of the gas market in Ukraine, you have 15:07:13
21 testified that the Ministry of Economics had nothing 15:07:17

22 to do specifically with the restructuring of the gas 15:07:20

23 market as opposed to the gas debt. Is that right? 15:07:23

24 A. Correct. 15:07:52

25 Q. And I believe you also testified that there 15:07:52

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1 V. M. GUREEV - CROSS 15:07:52
2 was another part of the Cabinet of Ministers that was, 15:07:54
3 in fact, in charge of that area of the Ukrainian 15:07:58
4 government; is that correct? 15:08:05
5 A. That part of -- 15:08:27
6 Q. The government. That part of the Ukrainian 15:08:30
7 government. 15:08:32
8 Let me restate it. 15:08:42
9 I believe you testified earlier that there 15:08:46
10 was another part of the Cabinet of Ministers that 15:08:48
11 dealt with questions about the restructuring of the 15:08:52
12 gas market? 15:08:56
13 A. I can read it. We have this resolution 15:09:12
14 1033, and all functions are clearly defined here. So 15:09:21
15 I will read you the functions of the Ministry of 15:09:31
16 Economics and the functions of other agencies. 15:09:36
17 Q. Well, we can -- I can -- I understand that 15:09:39
18 that document sets out specifically what the Ministry 15:09:42
19 of Economics is responsible for. My question is, do 15:09:46
20 you know what part of the Cabinet of Ministers at that 15:09:49
21 time dealt with questions of restructuring the fuel 15:09:52

22 and the natural gas distribution market. 15:09:55

23 A. You mean whose responsibility was this 15:10:23

24 supervision or this restructuring? 15:10:28

25 Q. Correct. 15:10:31

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1 V. M. GUREEV - CROSS 15:10:31

2 A. First of all, the State Committee on Oil 15:10:37

3 and Gas -- 15:10:40

4 Q. Yes. 15:10:41

5 A. And the committee has its own head at that 15:10:44

6 time. If we go higher, the Vice Prime Minister on the 15:10:55

7 issues related to the oil and fuel, fuel and energy 15:11:01

8 complex. As for the Ministry of Economics, it reports 15:11:07

9 to another Vice Prime Minister who is responsible for 15:11:19

10 economics. 15:11:28

11 So, as you can see now, there are two 15:11:36

12 different lines within the Cabinet of Ministers. One 15:11:39

13 is for policy making for natural gas supply, and other 15:11:43

14 issues related to natural gas, and the second line is 15:11:50

15 about economics. And this is our line. 15:11:56

16 Looking at this document, I understand -- 15:12:07

17 my understanding is that the State Minister is the 15:12:11

18 same as the Vice Prime Minister. I wouldn't tackle 15:12:13

19 the issue of the quantity -- the quantity of the 15:12:27

20 personnel because we had to downsize the quantity and 15:12:33

21 the structure of management for government agencies. 15:12:45

- 22 At some point there were five or six Vice Prime 15:12:50
- 23 Ministers in the past, and only four of them are left. 15:12:55
- 24 And since there were too many functions, another 15:13:07
- 25 position appeared, the position of State Minister, and 15:13:13

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1 V. M. GUREEV - CROSS 15:13:13
2 the functions were similar to those of the Vice Prime 15:13:23
3 Minister. 15:13:30
4 And Mr. Minchenko before that -- prior to 15:13:34
5 that, Mr. Minchenko was the head of the Ukrainian 15:13:38
6 resources, and he signed -- he signed this letter 15:13:43
7 because the letter concerned the resources, oil and 15:13:56
8 sugar, and other -- other products. And I think that 15:14:00
9 he was at that time also responsible for fuel, for the 15:14:13
10 fuel area of economics. 15:14:13
11 Q. Let me show you another document that the 15:14:17
12 government has marked as government exhibit 855 and 15:14:19
13 ask if you have seen that before? 15:14:23
14 A. Well -- so this is a proxy for that 15:14:55
15 document. 15:15:01
16 Q. And the proxy is signed by who? 15:15:03
17 A. And this means that Mr. Minchenko has -- 15:15:07
18 had the authority to sign the document, sign the 15:15:11
19 guarantee. 15:15:15
20 Q. And who gave him that authority? 15:15:16
21 A. Well, as I can see, the proxy -- the proxy 15:15:31

22 to sign on behalf of the government of Ukraine the 15:15:35

23 guarantee for RAO Gasprom for natural gas supplied in 15:15:40

24 1997 is signed by Mr. Lazarenko. 15:15:46

25 Q. Now, do you know what position 15:15:49

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1 V. M. GUREEV - CROSS 15:15:49

2 Mr. Lazarenko occupied before he was the Prime 15:15:50

3 Minister? 15:15:54

4 A. He was the head of Dnipropetrovsk oblast 15:16:13

5 administration first. Then head of presidential 15:16:16

6 administration. And then the First Vice Prime 15:16:22

7 Minister. 15:16:22

8 Q. And when he was First Vice Prime Minister, 15:16:26

9 he was the First Vice Prime Minister in charge of the 15:16:29

10 fuel and energy complex; isn't that correct? 15:16:32

11 MR. HOROWITZ: Objection. Assumes facts 15:16:35

12 not in evidence that that's -- misstates his 15:16:37

13 testimony. 15:16:42

14 A. I cannot say this. It was not me who -- 15:16:51

15 who was responsible for preparation of the job 15:17:02

16 description for his position, and I was reporting to 15:17:05

17 all of them, to all Vice Prime Ministers. 15:17:09

18 Q. Now, which Vice Prime Minister did you 15:17:13

19 report to at the time? 15:17:15

20 A. The Vice Prime Minister responsible for 15:17:28

21 economics. 15:17:31

- 22 Q. Who is that person? 15:17:32
- 23 A. When I became the Minister of Economics, 15:17:50
- 24 Mr. Roman Shpek was my supervisor, was the first Vice 15:17:52
- 25 Prime Minister responsible for economics. Before 15:18:00

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1 V. M. GUREEV - CROSS 15:18:00
2 that, he was the Minister of Economics, and when he 15:18:02
3 became the Vice Prime Minister, I became the Minister 15:18:09
4 of Economics. 15:18:14
5 Q. I want to show you another document the 15:18:16
6 government has previously marked -- 15:18:18
7 MS. BOERSCH: And I don't know if Dan has a 15:18:22
8 copy of this. 15:18:23
9 Q. But previously marked as government exhibit 15:18:24
10 1027. And ask if you have ever seen that document 15:18:27
11 before? 15:19:01
12 A. No. I haven't ever seen this document 15:19:22
13 before. 15:19:25
14 Q. Are you familiar with any of the companies 15:19:28
15 that are listed on that document? And we'll start 15:19:29
16 first with United Energy Systems of Ukraine. 15:19:32
17 MR. HOROWITZ: Objection. This question 15:19:36
18 assumes facts not in evidence, the contents of the 15:19:37
19 document and its admissibility. I have no objection 15:19:40
20 to asking about the companies by name alone. 15:19:42
21 A. Yes. I know the name. 15:19:54

22 BY MS. BOERSCH: 15:19:54

23 Q. Did you know whether or not Mr. Lazarenko 15:19:57

24 had any financial interest in that company? 15:19:59

25 MR. HOROWITZ: Objection. Outside the 15:20:03

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1 V. M. GUREEV - CROSS 15:20:03

2 scope. Irrelevant. 15:20:04

3 A. You know, I hear -- I hear much more these 15:20:22

4 days about those interests from the mass media, from 15:20:27

5 the press. From today's or yesterday's issues. I 15:20:32

6 cannot say, I cannot state that Mr. Lazarenko had any 15:20:48

7 relations with these companies. 15:20:54

8 Q. So at the time you were unaware of any 15:20:56

9 relationship Mr. Lazarenko may have had with UESU, 15:20:58

10 with United Energy Systems of Ukraine; is that right? 15:21:02

11 MR. HOROWITZ: Vague, ambiguous, assumes 15:21:05

12 facts not in evidence. 15:21:09

13 A. No. I was not aware of them. 15:21:21

14 BY MS. BOERSCH: 15:21:21

15 Q. And at the -- 15:21:23

16 A. We learned -- we learned more later from 15:21:28

17 the press. 15:21:32

18 Q. And at the time -- and by that I mean -- by 15:21:35

19 the time, I mean the time between 1995 and 1997 when 15:21:39

20 you were working for the Ministry of Economy -- did 15:21:43

21 you have any knowledge of the transfer of funds by 15:21:47

- 22 UESU to Mr. Lazarenko? 15:21:51
- 23 MR. HOROWITZ: Objection. Assumes facts 15:21:54
- 24 not in evidence that that ever happened. 15:21:55
- 25 Argumentative. Sorry. Vague and ambiguous. 15:21:58

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1 V. M. GUREEV - CROSS 15:21:58

2 Sorry, Max. 15:22:01

3 A. No. And I do not know anything about this, 15:22:23

4 even today. How could I know about that? 15:22:27

5 BY MS. BOERSCH: 15:22:27

6 Q. Have you ever heard of a company called 15:22:34

7 United Energy International Limited? 15:22:35

8 A. From the press, from the mass media. 15:22:48

9 Q. And at the time when you were working for 15:22:51

10 the Ministry of Economy, were you at all familiar with 15:22:53

11 that company? 15:22:56

12 MR. HOROWITZ: Objection. Asked and 15:22:57

13 answered. 15:22:58

14 A. No. 15:23:03

15 BY MS. BOERSCH: 15:23:03

16 Q. And I take it then that at the time you had 15:23:04

17 no knowledge whether or not Mr. Lazarenko had any 15:23:06

18 financial interest in United Energy International? 15:23:10

19 MR. HOROWITZ: Objection. Not a proper 15:23:14

20 question, what counsel believes. Therefore, not a 15:23:15

21 question. Vague, ambiguous. 15:23:17

22 A. No. I didn't know anything about that. 15:23:33

23 BY MS. BOERSCH: 15:23:35

24 Q. Were you familiar with, at the time you 15:23:36

25 were working at the Ministry of Economy, with a 15:23:38

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1 V. M. GUREEV - CROSS 15:23:38
2 company called Somolli Enterprises? 15:23:41
3 A. No. And I'm not familiar with this company 15:23:54
4 today. 15:23:58
5 Q. And so I take it that at the time you 15:23:58
6 worked for the Ministry of Economy you had no 15:24:00
7 knowledge whether or not Mr. Lazarenko had any 15:24:13
8 financial interest in the company Somolli Enterprises? 15:24:13
9 MR. HOROWITZ: Assumes facts not in 15:24:13
10 evidence, argumentative, no foundation. 15:24:13
11 A. No. Naturally, I didn't know anything. 15:24:29
12 BY MS. BOERSCH: 15:24:33
13 Q. If you could look, there's a document that 15:24:43
14 Mr. Horowitz showed you. I think they have marked it 15:24:45
15 as 5071. 15:24:49
16 A. I see the document. 15:25:11
17 Q. And my question is, this document, as I 15:25:15
18 understand it, discusses the fee for the 15:25:17
19 transportation of natural gas. 15:25:20
20 MR. HOROWITZ: Objection. Argumentative. 15:25:24
21 BY MS. BOERSCH: 15:25:24

22 Q. Is that correct? 15:25:26
23 MR. HOROWITZ: Argumentative as to what 15:25:26
24 counsel's understanding is. It's not a proper 15:25:27
25 question. Therefore, vague and ambiguous. 15:25:30

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1 V. M. GUREEV - CROSS 15:25:30

2 A. Yes. Yes, correct. For consumers. 15:25:40

3 BY MS. BOERSCH: 15:25:40

4 Q. And when you say it's the fee for the 15:25:44

5 transportation of natural gas to the consumers, do you 15:25:47

6 mean the fee for the transportation of Russian natural 15:25:50

7 gas through the Ukrainian pipeline to the consumers? 15:25:53

8 MR. HOROWITZ: Same objection. And we're 15:25:57

9 compounding the vagueness because transportation is 15:25:58

10 different from cost, and there is confusion there. 15:26:01

11 A. No. 15:26:21

12 BY MS. BOERSCH: 15:26:21

13 Q. What -- 15:26:22

14 A. So we have a certain cost for natural gas 15:26:34

15 determined by the Russian Federation, which is 80 -- 15:26:37

16 \$80 at the border. This is an annual document, a 15:26:43

17 document that would be prepared annually, not only 15:26:55

18 that year. It was prepared before I became minister, 15:26:59

19 during my stay, and after me. This is an internal 15:27:13

20 document of our state. 15:27:17

21 So if one consumer is 10 kilometers -- 10 15:27:24

22 kilometers from the pipeline, and another consumer is 15:27:30

23 like 1,000 kilometers from the pipeline, and they 15:27:40

24 manufacture -- they produce the same thing, the same 15:27:49

25 product -- for example, this pen -- so the first -- 15:27:55

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1 V. M. GUREEV - CROSS 15:27:55

2 the first consumer has to pay \$1 for transportation of 15:28:09

3 natural gas, and the second one has to pay \$20 for 15:28:13

4 transportation of the gas. And there are 5 or 6,000 15:28:17

5 such enterprises in the country. So this document 15:28:29

6 that is the procedure of pricing establishes the same 15:28:39

7 methodology for all consumers, or in other words, the 15:28:49

8 same price. 15:28:54

9 Q. So that -- 15:28:56

10 A. Irrespective of their locations, that is 15:29:11

11 the price is fixed at the level, say, \$12 to create a 15:29:15

12 level playing field for all players, so that no one of 15:29:19

13 them can be excluded, or could be -- not to create 15:29:24

14 favorable conditions, favorable situation for certain 15:29:32

15 consumers and unfavorable for others. 15:29:36

16 And the gas, local gas is approximately 18 15:29:49

17 billion cubic meters per year. We cannot sell it by 15:29:54

18 \$18, for example, because in that case, some consumers 15:30:11

19 would have to buy natural gas for \$80 per 1,000 cubic 15:30:18

20 meters, and the rest would enjoy lower tariffs, and 15:30:26

21 it's not just. It's not in line with our state 15:30:31

22 policies. 15:30:34

23 So the state has established definite, or 15:30:45

24 certain rent for the use of the resources, of mineral 15:30:50

25 resources. And the rent, the fee is -- is specified 15:30:55

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1 V. M. GUREEV - CROSS 15:30:55
2 here in this document. That is, the amount of money 15:31:08
3 which is to be paid to the state budget. 15:31:11
4 And apart from that, there are different 15:31:24
5 gas transportation agencies, organizations, or 15:31:28
6 facilities in different regions of the country. So 15:31:33
7 one of them transports, for example, natural gas for a 15:31:48
8 distance of 1,000 kilometers, and one of them 15:31:54
9 transports natural gas for 1 kilometer, costs are 15:32:00
10 different and tariffs are different. That is why we 15:32:06
11 establish, or we define different tariffs for these 15:32:19
12 transportation organizations. 15:32:23
13 Tariff fees are for 1,000 per cubic meters. 15:32:29
14 These are Ukrgasprom, state-owned 15:32:43
15 enterprises, Derzhcom Naftagas, Ukrgas, Intergas. 15:32:47
16 This is -- this is a standard procedure fulfilled by 15:33:07
17 the Ministry of Economics on a yearly basis -- annual 15:33:13
18 basis, irrespective of our tariff -- 15:33:19
19 INVESTIGATOR UKRAINET: We have to -- 15:33:30
20 MS. BOERSCH: Hold that thought. 15:33:31
21 INVESTIGATOR UKRAINET: We have to replace 15:33:33

22 the tape. 15:33:34
23 MS. BOERSCH: Hold that thought, Max. 15:33:45
24 THE INTERPRETER: Shall I translate it now 15:33:48
25 or later? 15:33:50

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1 V. M. GUREEV - CROSS 15:33:50

2 THE VIDEOGRAPHER: Do it quick. 15:33:52

3 A. So we had to do this. We had to calculate 15:33:53

4 all these fees because prices -- prices would differ 15:33:56

5 from one year to another, and they -- there were 15:34:03

6 increases. And, a part from that, we would sometimes 15:34:08

7 purchase gas from different countries, and there were 15:34:13

8 different prices, so we had to regulate all this. 15:34:15

9 THE VIDEOGRAPHER: This is the end of tape 15:34:27

10 two volume one the deposition of Mr. Gureev. Going 15:34:27

11 off the record now at 3:34 p.m. 15:34:27

12 (Recess) 15:34:27

13 THE VIDEOGRAPHER: This is the beginning of 15:44:18

14 tape three volume one in the video deposition of 15:44:40

15 Mr. Vasyl Mykolayovich Gureev. We're back on the 15:44:43

16 record at 3:44 p.m. 15:44:47

17 INVESTIGATOR UKRAINETS: We resume the 15:44:56

18 deposition of Mr. Gureev. 15:44:56

19 Ms. Boersch, please. 15:44:59

20 MS. BOERSCH: I just want to make sure that 15:45:00

21 Mr. Gureev finished his answer to the previous 15:45:02

22 question because we got interrupted by the tape. 15:45:04

23 THE WITNESS: Yes. That's it. 15:45:13

24 MS. BOERSCH: Okay. Then I have no further 15:45:16

25 questions. 15:45:17

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1 V. M. GUREEV - CROSS 15:45:17

2 INVESTIGATOR UKRAINETES: Mr. Horowitz, do 15:45:19

3 you have any further questions? 15:45:19

4 MR. HOROWITZ: Unfortunately, I need to 15:45:20

5 take a break to consult with Mr. Lazarenko. 15:45:22

6 MS. BOERSCH: We'll just all stay here. 15:45:29

7 INVESTIGATOR UKRAINETES: So then we will 15:45:35

8 stay on the record, and I think that several few 15:45:36

9 minutes will be enough for you. 15:45:39

10 MR. HOROWITZ: Okay. 15:45:44

11 Oksana. 15:45:45

12 THE INTERPRETER (SAN FRANCISCO): Dan, you 15:45:47

13 don't need to call Mr. Lazarenko's number. 15:45:48

14 MR. HOROWITZ: No more questions? 15:45:52

15 THE INTERPRETER (SAN FRANCISCO): Right. 15:45:52

16 MR. HOROWITZ: All right. Thank you. 15:45:53

17 Okay. We have no more questions. 15:45:55

18 INVESTIGATOR UKRAINETES: Mr. Gureev, I want 15:46:12

19 to thank you for finding the time for us and for 15:46:14

20 answering our questions. Thank you very much. 15:46:17

21 The deposition was conducted by Mr. 15:46:21

- 22 Ukrainets, the investigator. See you. 15:46:25
- 23 THE VIDEOGRAPHER: This is the end of tape 15:46:29
- 24 three volume one and the video deposition of Mr. Vasyl 15:46:32
- 25 Mykolayovich Gureev. Going off the record now at 3:46 15:46:37

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1 V. M. GUREEV - CROSS 15:46:37

2 p.m. 15:46:40

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4 (Whereupon, the deposition was concluded at

5 3:46 p.m.)

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CERTIFICATE OF REPORTER

I, Frances P. Zahn, RPR-RMR, do hereby
certify that I recorded verbatim the deposition of
VASYL MYKOLAYOVICH GUREEV, in the matter of United
States of America v. Pavel Ivanovich Lazarenko, heard
before Investigator Oleg Rostislavovich Ukrainets,
Investigating Judge, at One Laboratoryn Street, Kiev,
Ukraine on October 30, 2003.

I further certify that the foregoing is a
true, accurate, and complete transcript of said
proceedings numbering pages 1 through 86.

Given under my hand this ____ day of
November 2003, at London, England.

Frances P. Zahn, RPR-RMR

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