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1. President outlines strategic tasks for government and parliament for 2008 UNIAN, 8 January 2008

President Victor Yushchenko held a weekly meeting today with Prime Minister Yulia Tymoshenko and Verkhovna Rada Speaker Arseniy Yatsenyuk. According to the President`s press-office, main aim of this meeting was to outline strategic tasks for government and parliament for 2008.

Addressing Speaker President suggested again that Verkhovna Rada continues working without winter recess. V. Yushchenko also reminded of urgent to his mind draft laws which he had forwarded to Verkhovna Rada. Besides President informed that he is to forward to parliament a draft law on modification of tender policy.

In addition V. Yushchenko expressed the thought that it would be reasonable for Verkhovna Rada to reinspect legislative acts which were adopted by parliament during the period of its illegitimacy.

For the government President sees key task in introducing balanced and coordinated amendments to 2008 budget.

Regarding that V. Yushchenko pointed to shortage of Ukrainian Armed Forces financing in current variant of the budget and emphasized that such programs as transition to voluntary contract army, increasing army combat readiness and ammunition utilization must be backed up by proper financing.

President also asked Prime Minister to pay separate attention to proper financing of preparation to Euro-2012. To V. Yushchenko one of the aspects of preparation to the championship is building road infrastructure. According to state program of highway infrastructure development for 2005-2010

government should provide funds for building detour, circuit and connective highways in cities which are to host Euro-2012.

Among other assignments President put before government a task of preparing new concept of affordable accommodation building.

V. Yushchenko also outlined some tasks which require common efforts of Cabinet of Ministers, Verkhovna Rada and Presidential Secretariat. Among them is Ukraine's joining World Trade Organization. President expressed assurance that all measures should be taken for Ukraine to join WTO in February 2008.

Summarizing tasks before chief state authorities for 2008 President said that to his mind there is a firm possibility of joint work between all branches of power and that "we shall be able to act effectively, system-defined as a single team and without surplus populism".

Text available on World Wide Web, URL:
<http://unian.net/eng/news/news-230120.html>

2. Yulia tackles tough issues early **By Zenon Zawada** **Kyiv Post, 9 January 2008**

Within weeks of returning as Ukraine's prime minister, Yulia Tymoshenko demonstrated her commitment to wide-ranging reforms and government re-prioritizing.

Most significantly, she has fulfilled promises to trim lawmaker perks, doubled government financing for Ukraine's cultural and arts institutions and promised an overhaul of the corruption-plagued energy sector.

"I counted how many promises we fulfilled from our 'Ukrainian Breakthrough' program through the formulated budget – 36," Tymoshenko told a Dec. 27 live national television program.

"I think we will move forward in such a way because we simply have the inspiration," she added.

The Tymoshenko government's first success was passing a revised 2008 budget the night of Dec. 28, well ahead of the New Year's Eve deadline.

The coalition mustered the votes of all its 227 deputies and eight Communists, who were threatened with expulsion by their party leaders after they voted with the Democratic Forces coalition.

The opposition Party of Regions of Ukraine (PRU), led by former Prime Minister Viktor Yanukovich, criticized the coalition of absentee voting and claimed only 197 deputies from the hairline majority were present for the vote.

Budget revenues totaled \$42.6 billion, expenses amounted to \$46 billion, leaving a deficit of \$3.4 billion, about 2.1 percent of Gross Domestic Product (GDP).

The budget's revisions, and Tymoshenko's emphasis on certain priorities, revealed her seriousness in fulfilling not only the goals and campaign promises of her eponymous bloc, but also those of coalition partner, the pro-presidential Our Ukraine-People's Self-Defense political bloc.

Eliminating prosecutorial immunity for parliamentarians was that bloc's biggest promise which has yet to be fulfilled.

But in the same spirit, the budget did reduce perks for parliamentary deputies, cutting deputy pensions by half, eliminating free transportation and lodging in some exclusive health resorts and eliminating subsidies and compensation for Kyiv apartments.

Under her leadership, the government increased revenues by \$11.5 billion from the 2007 budget, "because we know where all the shadow money is turning," Tymoshenko said.

"All we needed was one or two days to close off what we know and we obtained \$11.5 billion for the state budget," she said.

"We allocated this money for roads, preparing for Euro 2012 [football championship], investment support for education and doubled costs for science and culture," she added.

In fact, Tymoshenko announced during the Dec. 27 broadcast that her government uncovered the fate of the \$4.8 billion earned from the public auction of flagship steel mill Kryvorizhstal, which was privatized in Ukraine's most transparent showcase tender to world leader Mittal Steel back in 2005.

"It was practically arranged along certain niches within Treasury accounts," she said.

"Large sums were preserved actually. A portion went to covering budget deficits of prior years, partial to cover deficits in the pension fund, and we found what was left and set it aside for returning lost savings, Hr 6 billion (\$1.2 billion)," she added

This, the second Tymoshenko government in less than three years, reversed its predecessor's policy of starving Ukraine's cultural and artistic spheres, doubling government funding.

An additional \$200 million was earmarked for Ukraine's hemorrhaging scientific institutions.

The government also increased revenue by \$1.7 billion more than the Yanukovich government planned for the 2008 budget, largely due to the 2007 inflation estimate being revised from 14.5 to 16 percent.

Pensions, salaries and higher education stipends were all boosted, and the Tymoshenko Bloc even adopted a Yanukovich-government campaign promise to pay \$10,000 to parents of a third newborn child (\$2,455 for the first child, \$5,000 for the second).

However, the budget projected 2008 inflation to remain at 16 percent, a rate considered unacceptably high for European countries.

The Tymoshenko Bloc's 2007 parliamentary campaign was known for its ambitious campaign promises among other things, labeled by opponents as populist.

Indeed some were unrealistic, such as returning \$120 billion in bank deposits lost during the 1991-1995 hyperinflation as well as ending mandatory military service by January.

However the government did earmark \$4 billion for those Ukrainians seeking to regain their lost bank deposits, or \$200 per person, six times more than had been aside during all the budgets of Ukrainian independence combined, Tymoshenko said.

"I was told thousands of times that executing this program is absolutely impossible," Tymoshenko said in a nationally-televised address.

"They said this process of returning savings has to be extended over 50 years and reduce the sum payment by five times. This isn't our approach and I assure you today that this program is possible to execute, and we'll execute it," she added.

In fact on Jan. 8, Oschadbank, the Ukrainian successor to the Soviet state savings bank, announced it has launched a telephone hotline for those wanting to receive their share.

Coalition leaders acknowledged the budget wasn't perfect, the opposition had its own gripes, and Parliamentary Speaker Arseniy Yatsenyuk, an ally of President Viktor Yushchenko, vowed a revised budget would be approved in March.

Energizing reforms planned

Ukraine's energy woes typically surface around New Year's Day, and this time around the center of turmoil was Naftogaz, Ukraine's state-owned natural gas and oil company.

Tymoshenko declared on Jan. 2 the Yanukovich government left Naftogaz, once the country's largest and most profitable company, on the verge of bankruptcy. Losses doubled gains in 2007 and without an approved natural gas budget for 2008, she added.

Tymoshenko accused the Yanukovich of intentionally driving Naftogaz towards bankruptcy with the intention of playing into Kremlin energy interests by allowing the Ukrainian government to lose control of its strategic energy sector. Naftogaz, which controls Ukraine's vast gas and oil pipeline network, is also the leading gas and oil producer and supplier through subsidiaries.

The company is viewed as having a major role in defending national energy interests and balancing out Russian groups on the market.

Tymoshenko pledged to restore the company to financial health with its new director at the helm, Oleh Dubyna, as well as an investigation committee.

"I was completely shocked by the information given by the new director of Naftogaz," Tymoshenko said, adding that Ukraine's vast "gas storage tanks have practically no resources. What is stored belongs to dubious commercial structures."

Ukraine's underground gas storage facilities play a key role in supplying gas on the domestic market and to European consumers during peak winter periods.

Ever since it emerged in 2004, Swiss-registered natural gas intermediary RosUkrEnergo, whose role has been dubbed as corrupt by Tymoshenko in sucking billions out of the Ukraine-Russia and Central Asian gas trade, has been Tymoshenko's favorite punching bag.

RosUkrEnergo is the most corrupt business structure created in the post-Soviet sphere during the last decade, Tymoshenko told the Dec. 27 live program.

US officials have backed Tymoshenko's concern over the alleged murky role of RosUkrEnergo, half owned by Russian gas giant Gazprom with the rest belonging to camera shy Ukrainian businessmen.

"This is a super metastasis that needs to be removed," she said.

"They knew that when I arrive, I will do a lot to quickly eliminate this disease. And literally several weeks before our new government was voted in, they signed all agreements through RosUkrEnergo to supply gas with boosted prices," she added.

The prime minister said she will examine ways to eliminate RosUkrEnergo without destabilizing the Ukrainian economy or shaking up sensitive energy relations with Moscow, the main supplier of blue fuel to Ukraine.

"I've already sent (Ukrainian RosUkrEnergo co-owner Dmytro) Firtash a basket of sleeping pills because he isn't sleeping. I can tell you that with surety," Tymoshenko declared, referring to one of the company's known partners who has become a billionaire as a result. Firtash owns a 45 percent interest in RosUkrEnergo. His partner, Ivan Fursin, a close friend of former Yanukovych chief of staff Serhiy Levochkin, owns a 5 percent stake.

"I think he won't be sleeping calmly because RosUkrEnergo won't be operating on the Ukrainian market with its affiliate enterprises. Ukraine will have direct contact with Russia without intermediaries, and possibly other nations supplying gas," she added.

Text available on World Wide Web, URL:
<http://www.kyivpost.com/nation/28112/>

3. Tymoshenko`s coming to power is positive sign - U.S. Ambassador The Financial, 10 January 2008

According to an UNIAN, on January 3, 2008 the US-Ukraine Business Council (USUBC) and the Cargill Company hosted a meeting in Washington, DC with William Taylor, US Ambassador to Ukraine, on current political, economic and business developments in the country. Over 65 members and guests attended the meeting.

Ambassador Taylor said that the coming of the new Tymoshenko government to power is a positive sign for the prospects for further reform. He described two possible scenarios for the new Cabinet.

According to the optimistic one, the government coalition would be durable and pursue needed economic reforms. Ambassador Taylor stressed that there is an active dialogue between the president, prime-minister and speaker in Ukraine.

He described this as a positive trend compared to the recent past.

In the Ambassador`s view, the less positive scenario would be the renewal of past infighting within the governing coalition, with Prime Minister Tymoshenko and President Yushchenko maneuvering for political advantage with an eye on the presidential elections. This would again set back reforms.

As long as a clear separation of responsibilities existed between the president and the premier, said Taylor, the government can succeed in its work.

Among the positive trends in Ukraine, Ambassador Taylor noted the active work by Ukraine on WTO accession and rapid passage of a budget. He thought Ukraine would join the WTO soon and that Ukraine would work to solve the ongoing issue with the Overseas Private Investment Corporation (OPIC) that has caused OPIC programs to be closed for Ukraine.

He also said that, in contrast to the past, both the new coalition and the political opposition are focused on economic reforms, fighting corruption, and improving the investment climate. Amb. Taylor said that

these trends give him hope for the positive changes in these spheres.

The Ambassador answered a series of questions from the audience about business and economic issues such as VAT tax refunds, grain export controls, intellectual property rights, corporate raidership, private land ownership, and customs controls.

Gene Van Dyke, president of VANCO Energy, Houston, discussed his companies recent activities in Ukraine in a presentation to the meeting. VANCO has signed with the government of Ukraine the first contract for an international company to do deep-water drilling in the Black Sea off the shore of Ukraine.

Irina Paliashvili, head of the USUBC Legal Affairs Working Group, called on the new government deal with legal reform. She noted the current system is archaic, chaotic, and at times absurd.

Paliashvili called for the new government to act fast in order to improve business climate in the country by cancelling the most archaic and damaging legislation. She also called the new government to deal rapidly with WTO accession.

Paliashvili noted that outstanding issues related to legislative reform have been neglected for too long by Ukrainian leaders and called the government of Tymoshenko to face them without further delay.

At the session USUBC President Morgan Williams welcomed MaxWell USA as the first new member of the Council in 2008.

Williams also announced the results of the election of the USUBC executive committee and officers for 2008 which was held at the USUBC annual meeting in December. The following were elected:

Paula Freer, Marathon, Michael Kirst, Westinghouse, Paul Nathanson, The PBN Company, Irina Paliashvili, Ukrainian Legal Group, Andrew Pidgirsky, Ukrainian American Bar Association, John Rauber, Deere & Co., Samir Sahgal, The Boeing Company, Treasurer, Patrick Sweet, SASI, Arnold Wellman, UPS, Morgan Williams, SigmaBleyzer, Chairman & President, Van Yeutter, Cargill, Jack Heller, Heller & Rosenblatt, Legal Counsel.

Text available on World Wide Web, URL:

http://finchannel.com/index.php?option=com_content&task=view&id=3903&Itemid=51

4. Tymoshenko Appointment Won't Alter Russia-Ukraine Interdependencies By Richard Weitz World Politics Review Exclusive , 8 January 2008

In her first major comments on relations with Russia, Yulia Tymoshenko, Ukraine's new Prime Minister, last month insisted that she had no intentions of worsening relations with Russia: "I will strive to establish a relationship of equal partnership," she said.

Although Ukraine held its most recent round of legislative elections on Sept. 30, 2007, it was only on Dec. 18, that the so-called "Orange bloc" parties aligned with President Viktor Yushchenko consolidated their narrow victory by securing the appointment of Tymoshenko, currently the country's most influential and popular politician, as prime minister. Yushchenko had actually appointed Tymoshenko as prime minister of the first post-Orange Revolution government in February 2005, only to dismiss her in September following months of debilitating infighting among coalition members over economic reform and other issues.

The protracted infighting that delayed formation of the new government, as well as its slim two-vote majority, casts doubt on the new governing coalition's durability. The intense maneuvering among faction leaders makes clear they are already seeking to position themselves for the 2009 presidential elections, in which Tymoshenko and Yushchenko could both run as competing reform candidates against former Prime Minister Viktor Yanukovich, whose party again received the single largest number of vote and legislative seats in the national elections.

Foreign policy issues did not play a major role in the 2007 elections, which largely focused on the popularity, integrity, and effectiveness of the country's leading politicians. Tymoshenko, Yanukovich, and Yushchenko all stressed their desire to enjoy good relations with both Russia and the West. They also all endorsed Ukraine's entry into the World Trade Organization and, less realistically for the time being, the European Union. Russian leaders, recognizing that Moscow's heavy-handed intervention in the controversial 2004 presidential elections probably backfired by alienating Ukrainian nationalists and embarrassing Russia when its preferred candidate lost, took care to limit their visible involvement in the 2007 ballot.

On Oct. 18, President Vladimir Putin pledged to work with "whatever government emerges in Ukraine, regardless of what political platform it bases its work," because "objective reality will encourage our partners to develop cooperation with Russia." In a subsequent interview with Time magazine, published in the same issue that named him "Person of the Year," the Russian President blamed the United States for exacerbating Ukraine's internal divisions, thereby creating a very dangerous situation: "Everything that's been done there is unconstitutional, which has created distrust among various political groups and citizens, thus undermining Ukraine's sovereignty, territorial integrity and economy. That's what the United States has done and is doing in Ukraine and in Georgia. What we say is, leave them alone, without choosing sides." While urging Americans to distance themselves from Ukraine, he also implied that Moscow had certain exclusive interests to defend in the country because "Ukraine is very close to us and because almost half of the population have either friends or relatives in Russia. There are 17 million ethnic Russians there, officially. Almost 100 percent of the people consider Russian as their mother tongue."

Despite Putin's remarks, Tymoshenko's appointment could presage a serious downturn in Russian-Ukrainian relations. In April 2007, Tymoshenko aroused Russian ire by authoring an essay entitled "Containing Russia" in the influential American journal Foreign Affairs. Besides warning of Russian ambitions to achieve regional hegemony, the essay calls on Ukraine to craft initiatives with Western countries aimed at reducing their dependence on Russian energy supplies and to counter other threatening Russian foreign policies. Russian officials responded in kind. For instance, the Russian Foreign Ministry accused Tymoshenko of seeking to become the chief ideologue of a new Cold War: "Obviously, it is some kind of an anti-Russian manifesto, an attempt to draw new dividing lines in Europe and bring the world back to the atmosphere of the Cold War."

Upon assuming office on Dec. 18, 2007, Tymoshenko reiterated her intentions to pursue closer ties with the West. She explicitly affirmed her objective to "uphold the ideals of the 2004 Revolution which pledged to move Ukraine closer to the West and eventually seek membership of the European Union and NATO." Polls of Ukrainians indicate a general lack of enthusiasm for NATO membership, with opposition greatest among the Russian-speaking majorities in eastern and southern Ukraine. The Russian national security establishment has made clear it opposes Ukraine's becoming yet another NATO member on Russia's borders.

Most NATO leaders have signaled they do not envisage Ukraine's joining the alliance anytime soon given the country's limited progress in defense and security sector reform as well as the widespread opposition within Ukraine and its neighbors to its accession. Alliance leaders are content to develop relations further on the basis of the July 1997 NATO-Ukraine Charter on a Distinctive Partnership, which established several subjects for broad if not deep consultation and cooperation -- further defined in the November 2002 NATO-Ukraine Action Plan -- as well as a special NATO-Ukraine Commission to institutionalize the relationship without formal membership. Recent activities have included helping eliminate Ukraine's large

stock of surplus conventional weapons and providing language, civics, and other courses to Ukrainian military officers.

It is unclear how serious Tymoshenko and other NATO-leaning Ukrainians are about joining the alliance soon given Ukraine's reliance on Russian energy supplies. Moscow has made clear it can exploit this dependence to punish Ukraine for adopting policies opposed by the Kremlin. The state-controlled natural gas monopoly OAO Gazprom warned immediately after the September 2007 ballot that it might curtail shipments to its Ukrainian customers unless they repay a claimed \$1.3 billion debt. Some observers interpreted the move as a preemptive Kremlin warning to the victorious Orange parties not to neglect Russian interests. Gazprom had made evident the credibility of its threats when it cut off deliveries entirely for a few days in January 2006 after Ukraine objected to paying higher prices for its gas purchases.

Yet, Ukraine enjoys some reverse leverage since the two countries remain interdependent in the energy realm. The main Soviet-era pipelines connecting Russian and Central Asian energy supplies to Western Europe pass through Ukraine, resulting in some 80 percent of Russian gas supplies flowing through Ukraine en route to European customers. When Gazprom suspended deliveries in 2006, illicit Ukrainian diversions from the pipeline led to noticeable decreases in the gas supplies reaching many central European countries. Reflecting Ukraine's position, Tymoshenko gave mixed signals during the election campaign. On the one hand, she pledged to "do all it takes to cooperate with Russia in order to have no gas cuts." On the other hand, she said Ukraine should review existing gas deals with Russia and said that the controversial firm RosUkrEnergo, 50 percent of which is owned by Gazprom, should lose its monopoly status as Ukraine's sole energy supplier.

Although the two countries agreed in 1997 on how to divide the Soviet-era Black Sea Fleet, the Ukrainian government has been trying to increase Russia's rent for continued use of the former Soviet military facilities in and around Sevastopol, which house approximately 14,000 Russian Navy personnel. Moscow annually writes off \$97.75 million of Ukraine's state debt to Russia in compensation for the base. Ukrainian authorities have refused Moscow's request to increase the number of Russian diesel submarines based in the Crimea from two to at least a dozen. The two countries also dispute ownership of several offshore lighthouses.

The Ukrainian government has insisted it will not renew the lease when it expires in 2017, leading many to speculate that Russian representatives are seeking to promote leaders in Kiev or the Crimea who will work to amend this provision. In 2003, Russian President Vladimir Putin initiated construction of a new base for the Black Sea Fleet at the Russian port of Novorossiisk, which is scheduled for completion in 2012.

Ukrainian nationalists, viewing the Russian military presence on the peninsula as an encroachment on sovereign Ukrainian territory, complain about Russian interference in local affairs. Crimean nationalists, believing that Ukrainian leaders pay insufficient heed to the distinct needs of their population, lobby Moscow to allow the primarily ethnic Russian territory of two million people to rejoin Russia. In the summer of 2006, local protests against the docking of a U.S. Navy ship in the Crimean port of Feodosiya disrupted that year's U.S.-Ukrainian Sea Breeze exercise, an annual event since 1997. The Crimean parliament subsequently voted to declare the peninsula a "NATO-free territory."

Delineating the Russian-Ukrainian maritime border is another issue in which both countries share cooperative and competing interests. Russian and Ukrainian experts continue to discuss the boundaries and permissible uses of the Black Sea, the Azov Sea, and the Kerch Strait. These disputes have not, however, prevented both countries from making progress in negotiations, through the Russian-Ukrainian Interstate Commission and other mechanisms, on how to manage the fishing, shipping, ecological, and other issues affecting their common maritime zones. Tymoshenko and her team have not given any indication of seeking to suspend these talks.

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5. Strategy and tactics of Euro-Atlantic integration
By TARAS KUZIO, HRYHORIY PEREPYLYTSYA and WALTER ZARYCKYJ
Kyiv Post, 9 January 2008

Ukraine's path to Trans-Atlantic and European integration has not been as rapid as envisaged following the Orange Revolution. After the Sept. 2007 parliamentary elections an orange coalition was established with a government headed by Yulia Tymoshenko. If an orange coalition and orange president can maintain political unity for the short term (until the 2009 presidential elections) and medium term (until the next parliamentary elections in 2012) the next five years could constitute an important breakthrough in Ukraine's domestic and foreign policy, including its integration into the full range of Trans-Atlantic and European structures.

Ukraine's Relations with NATO

In April 2008 at NATO's Bucharest summit, three Western Balkan states – Albania, Croatia, and Macedonia – will be invited to join NATO. All three have had Membership Action Plans (MAPs) since 1999-2002. The only remaining former Yugoslav state still seeking NATO membership is possibly Montenegro which may receive an invitation to join a MAP at the 2008 summit. Bosnia-Herzegovina and Serbia are disinterested in NATO membership.

In NATO's decade-long enlargement process its major test will be to enlarge the organization into the Commonwealth of Independent States (CIS). Although four countries belong to the GUAM regional organization (comprised of Georgia, Ukraine, Azerbaijan and Moldova) only two of them – Georgia and Ukraine – seek to join NATO. Until the autumn 2007 political crisis in Georgia it was assumed that the country was on target to receive a MAP at the 2008 NATO summit.

Georgia and Ukraine had always been treated as one group by the US and NATO for NATO membership prospects. But, three factors have worked towards the group dividing and Georgia had moved ahead of Ukraine. Firstly, support for NATO membership in Georgia is 61 percent (according to a January referendum) and has broad political support within the ruling authorities and the opposition. In Ukraine's parliament only the two orange forces support NATO membership (although the Tymoshenko government may not support a presidential request to seek a MAP in Bucharest). Another three political forces are either against (Communists) or ambivalent (Lytvyn bloc and the Party of Regions). Secondly, Ukraine has devoted the majority of its energy since the Orange Revolution to defusing domestic crises, implementing constitutional reforms and holding two elections, leading to the failure to grasp an opportunity to enter MAP at the Nov. 2006 Riga summit. Thirdly, Georgia's security situation vis-a-vis Russia is more precarious than that of Ukraine.

Georgia's autumn 2007 crisis may be bad for Georgia, as it may postpone its entrance into a MAP, but this could prove to be fortuitous for Ukraine. Georgia's failure to enter a MAP in 2008 will give Ukraine a second chance to re-join the NATO membership queue together with Georgia (rather than alone). Both countries could strive for a MAP in 2009-2010, after the Ukrainian presidential elections (assuming an orange candidate won), followed by NATO membership in 2010-2012 before, or after, the next parliamentary elections.

Ukraine's advantage over Georgia is that it has fulfilled yearly Action Plans with NATO since 2003. Introduced at the 2002 Prague NATO summit these Action Plans are unique to Ukraine. As the Action Plans cover military, security and political-economic issues, a Ukraine-NATO Action Plan could, without too much effort, be converted into a Ukraine-NATO Membership Action Plan. The first Viktor Yanukovich government implemented the first two Action Plans in 2003-2004.

The addition of the word "Membership" to "Action Plan" would be significant in showing that Ukraine was moving towards membership. Former US Ambassador to Ukraine Steven Pifer said, "We told Ukrainian officials in early 2003 that the NATO-Ukraine Action Plan agreed at the November 2002 Prague summit was 90-95 percent of a MAP. The main difference was in the title."

The length of time that countries experience in MAPs is different for each state and dependent on the range of reforms that need to be undertaken. If Ukraine were to join a MAP in 2009-2010 (together with Georgia) this would mean that it had already fulfilled seven yearly Action Plans prior to this. Ukraine's length of time spent in a MAP could be therefore short as the majority of the required reforms would have already been undertaken in Action Plans since 2003.

A referendum on NATO membership is only undertaken on one occasion and usually on the eve of achieving membership. Only 51 percent is required to endorse the referendum. Until the invasion of Iraq in 2003 and anti-American campaigns launched by the authorities in the 2002 and 2004 elections, support for NATO membership was backed by one third of Ukrainians, with one third against and another third undecided. If this balance of public opinion was to be again reached (for example, following the withdrawal of US forces from Iraq under a new US President in 2009) then a 50 percent plus majority could be obtained. A vigorous information campaign would need to be undertaken from now and throughout the MAP.

Ukraine's Relations with the EU

Ukraine's relations with the EU are very different to those of NATO. Whereas NATO has always held an open door to Ukraine's potential membership the EU has undertaken double standards and lack of strategic vision. Nevertheless, NATO membership has traditionally been a stepping stone to EU membership for all post-communist states. Ukraine cannot follow the path of EU neutral members Ireland, Austria, Sweden and Finland who do not desire NATO membership.

The countries of the CIS were never slated for EU membership after the collapse of communism and membership was only offered to central-eastern European countries and the Baltic states. Within this group of countries, the slower reformers did not perform much better than Ukraine. Slovakia, Romania and Bulgaria had similar difficulties in their post-communist transitions of slow reform, entrenched post-communist elites, corruption and weak democratic reformers. The advantage these three countries had was that the EU offered them membership which encouraged reform.

All central-eastern European countries and the Baltic States had to prove their commitment to fulfilling the 1993 Copenhagen Criteria adopted by the EU. By 1999-2000, when the EU began membership talks, Slovakia, Romania and Bulgaria had not made sufficient progress in reform to warrant such a step. Nevertheless, the EU went ahead and gave membership to Slovakia in 2004 and Romania and Bulgaria in 2007.

A second case of double standards was the offer made in 1999-2000 to the Western Balkan states of Stabilization and Accession Agreements (SAA) that held out the prospect of future membership. None of these countries had proven their commitment to reform in the 1990s and the SAA's were a purely political and geopolitical strategy by the EU to prevent a return to ethnic conflict in the former Yugoslavia. Macedonia was offered candidate status by the EU in 2001 as an inducement to end its civil war.

Today, Ukraine is as advanced in its reforms as these slow reformers in central-eastern Europe and the western Balkans but it continues to be denied membership prospects by the EU. Ukraine has either been denied membership by the EU because it was seen as outside "Europe" (by being in the Eurasian CIS and closely linked to Russia), a view commonly held in Western Europe in the 1990s, or because it had peacefully resolved its ethnic problems and did not experience a civil war (unlike the former Yugoslavia). Ukraine was in effect being 'punished' for joining the CIS in 1991 (unlike the three Baltic States) and not having had a civil war (unlike the Western Balkans).

Ukraine was therefore offered in Feb. 2005 the rather demeaning membership of the European Neighborhood Plan (ENP) with a three year Action Plan. Ukraine would have received the ENP Action Plan regardless of whether Viktor Yanukovych or Yushchenko had won the 2004 elections. The EU largely ignored the Orange Revolution.

The geographic distribution of ENP members reflects the fact that that the EU's policy towards Ukraine is ill thought out. ENP members include non-European states in Northern Africa and the Middle East as well as three European countries: Ukraine, Moldova and – since 2007 – Belarus. The ENP does not include the Western Balkans (with Stabilization and Accession Agreements) or Turkey (a candidate member since 2005) while Russia has excluded itself preferring to conduct a bilateral relationship with the EU. Turkey began membership negotiations in 2005 despite strong opposition to its membership in Western Europe; France and Austria will hold referendums on future EU members. In France support for Ukraine's membership of the EU is far higher than for Turkey and President Nicolas Sarkozy has a good relationship with Premier Tymoshenko.

In 2008 Ukraine will enter the WTO and the ten year Partnership and Cooperation Agreement (PCA) will have reached its finale. What should Ukraine seek to replace the PCA?

The EU has offered to negotiate a Free Trade Area with Ukraine following its entrance into the WTO. Beyond this, Ukraine should no longer participate in the ENP, an organization where the bulk of its members are not within geographic Europe. Ukraine's continued membership in the ENP should be premised on a status different to ENP members who are not in Europe and therefore have no legal right under the 1957 Rome Treaty to join the EU.

Such an ENP status, which has been termed "privileged partnership", should offer Ukraine the prospect of membership. The European Parliament has issued 4 resolutions in support of Ukrainian membership since the Orange Revolution. It is time for the EU to stop adopting double standards to Ukraine and give it the same prospects for membership offered to slow reformers in central-eastern Europe, such as Romania, the Western Balkans and Turkey.

Towards a European Strategy

Ukraine has a strong possibility of completing its integration into Trans-Atlantic and European structures within the next decade. In the short term the following steps need to be taken:

1. Coordinate a MAP and NATO membership with Georgia bilaterally and through GUAM and the US.
2. Ukraine should have a large delegation of policy advisers, government and presidential officials, parliamentary deputies, journalists and NGO leaders at the April 2008 NATO Bucharest summit. There should not be a repeat of the Nov. 2006 Riga NATO summit attended by only three Ukrainians (including only one official).
3. The Ukraine-NATO Committee NGO, to be officially launched by ourselves in Jan. 2008 with members drawn from Ukraine, Europe and North America, is open to membership by all NGO's and individuals who support Ukraine's Trans-Atlantic aspirations. The Ukraine-NATO Committee will lobby for Ukraine's NATO membership and coordinate the work of a disparate group of NGO's, practitioners and journalists who support its aims and objectives.
4. Ukraine's presidential, government and parliamentary elites have the opportunity to establish a cross-party and cross-regional consensus in support of a Ukrainian position towards the EU. Both the orange coalition and parliamentary opposition would be able to agree on a common negotiating position towards the EU that is commensurate with Ukraine's strategic importance and its progress in democratic and economic reforms. Since 2005, Ukraine is the only CIS country defined as 'Free' by the New York-based think tank Freedom House. Ukraine has every right to be treated in the same manner as Romania,

Bulgaria, the Western Balkans and Turkey and Ukraine should not join any ENP or Privileged Partnership if there is no prospect of future membership of the EU. Ukraine has every right to demand to be treated in the same manner as the Western Balkan states whose Stabilization and Accession Agreements hold out future membership prospects. Failure to do so would constitute punishment for Ukraine having resolved its regional and ethnic conflicts in a peaceful manner.

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Text available on World Wide Web, URL:
<http://www.kyivpost.com/opinion/oped/28104/>

6. Ukraine's energy challenges - net assessment ForUm, 9 January 2008

INTRODUCTION: A dynamic, efficient energy sector is a major prerequisite for Ukraine's development into a vibrant market economy that will rapidly improve living standards.

Because of the large scale corruption that permeates the energy sector, Ukraine will need to make the industry much more transparent if Ukraine is to develop a Western-style democracy capable of protecting its national security interests, and which cements close ties with the European Union. Ukraine is a highly inefficient user of energy. In fact, Ukraine has the highest ratio of energy use to per capita GDP in the world, giving the country the world's most energy intensive economy.

Ukraine has extensive reserves of coal and remains a significant producer of coal. It also has a large nuclear power industry. However, it relies heavily on imports of oil and especially gas for its energy needs.

Most of Ukraine's oil comes from Russia, domestic production is quite small. Ukraine has six major refineries, almost all of which are controlled by Russian oil companies. TNK-BP, Lukoil, Taftneft, and Alliance all own refineries. Refinery operators have been in a difficult position on the Ukrainian market.

On the one hand, Russian refineries receive cheaper crude oil because they do not have to pay the high export tariffs the Russian government imposes on crude exports. On the other hand, Ukrainian refineries are relatively unsophisticated and inefficient, so they have a hard time competing with cheaper imported gasoline and diesel fuel from Central Europe.

Natural gas is more important than oil for Ukraine. The country consumes five times more natural gas than oil in energy equivalent terms. Although Ukraine covers about a quarter of its natural gas consumption from domestic production, like crude oil, most of the natural gas consumed in Ukraine comes from imports from Russia, Kazakhstan, Turkmenistan, and Uzbekistan. All of these imports come through Russia.

Ukraine's energy sector is complicated by the country's role as a transit country for the vast majority of Russian exports of oil and gas to the European Union. More oil and gas traverses Ukraine than any other country in the world. The gas transit trade is particularly opaque and open to corruption.

In contrast to oil where a number of Russian exporters compete with suppliers from the Middle East, a single state-controlled company, Gazprom, controls all the gas exports flowing from and through Russia.

Gazprom sells gas at different prices and through different arrangements throughout Europe, including Ukraine. In the case of Ukraine, Gazprom channels exports through a company, RosUkrEnergo, jointly owned by itself and a Ukrainian oligarch. Within Ukraine, Gazprom collaborates with murky groups of Russian and Ukrainian oligarchs, to create a corrupt system of kickbacks, bribes, and theft.

This corrupt system of energy imports and sales has had the strong support of much of the country's political leadership. As a result, Ukraine remains highly dependent on decisions made in Moscow and has made little progress on improving energy efficiency or developing competing supplies of gas and oil.

These vested interests, both political and business, have actively discouraged Western investment in the energy sector, leaving Ukraine with one of the lowest levels of foreign direct investment in energy in the region.

Too many powerful individuals in Ukraine view foreign investment as a win-lose proposition, firmly believing that they would be lose financially if Western firms were to increase their presence in the country's energy sector.

Ukraine is the key energy corridor bringing oil and gas shipments to Europe from Russia and Central Asia and may play an even more significant role in Europe's attempt to achieve greater energy security.

Wide ranging improvements in economic transparency, in the rule of law, in setting realistic energy tariff systems and in diversification of import sources would strengthen the economic and political links with Europe.

If Ukraine were to open up its energy sector by using market prices and reducing barriers to foreign investment, it would reduce Russia's influence on economic policy decision making in Ukraine and might even induce Russia to introduce additional reforms into its own energy sector.

Principal Accomplishments in Energy Sector: Despite the corruption, Ukraine has had some major accomplishments in the energy sector. Most of Ukraine's oil refining, power generation and regional distribution and power companies have been privatized since independence in 1991. Although Ukraine remains very inefficient, in the important steel and chemicals industries there have been significant increases in energy efficiency.

As a result, the country is about 20 percent more energy efficient today than it was in 1990. New nuclear power plants have replaced most of the electricity previously generated by the RBMK reactors at Chernobyl. Ukraine is set to become a net exporter of electricity as a result of its robust nuclear industry.

Metering systems are slowly being constructed on the main gas lines from Russia. The Ukrainians have lacked their own metering of gas imported from Russia, making it more difficult to answer charges that gas is being illegally diverted.

Several municipalities are now putting meters into all new apartments. Metering should result in significant energy savings over the long term and help with both domestic and international tariff setting.

In spite of continued Russian pressure, Ukraine's political elite wishes to retain control of its major gas pipeline system rather than allow it to be controlled by Gazprom. There is growing support in the parliament for identifying additional sources of revenue that can be earmarked for the much needed renovation of the main gas and oil pipelines.

Pipeline explosions caused by poor maintenance and a lack of modernization have reinforced Moscow's claims that only Russia has the technical and financial ability to keep the pipelines in sufficiently good shape to guarantee gas supplies to Europe.

The off-shore production sharing agreement between American Vanco Energy and the Ukrainian Government, signed in mid-October 2007, was the culmination of the country's first off-shore energy production and development tender.

Encouraged in part by Vanco's apparent success, Shell Oil Company has tentatively agreed to commit at least \$100 million for joint exploration and development activities, with the prospect of a considerably larger commitment once some of the present political and legal hurdles are overcome.

The World Bank, the EBRD and the European Commission are anxious to help Ukraine modernize its energy infrastructure, develop a progressive tariff system and integrate the country's energy sector with those of Western Europe.

This assistance, however, will require a greater degree of business transparency than is currently desired by key elements of the political elite and firms that have benefited from their close ties with Gazprom and other Russian companies.

Even Gazprom leaders, however, have acknowledged that the RosUkrEnergo monopoly is unpopular in Ukraine and they may have to agree to direct negotiations over gas shipments.

There is a greater awareness in Ukraine of the need to diversify the country's sources of oil and gas and to reduce domestic consumption through increased efficiency.

Ukraine is fortunate in that the country contains significant reserves of oil and gas, both on and off shore, massive coal deposits, with Europe's best coal-bed methane prospects, and at least six functioning nuclear reactors, backed by a sophisticated nuclear industry.

With more enlightened energy policies and stronger rule of law to support contracts, Ukraine has the capability to cut in half its import dependency over the next 15 years. Reform would also strengthen Ukraine's position when negotiating energy import prices with Russia and the Central Asian suppliers.

Principal Setbacks: Ukraine still lags considerably behind other Eastern and Central European nations in modernizing its energy sector, particularly those now in the EU. Although tariff reform has started, gas and electricity prices are still below the cost to the distributor, particularly in the consumer sector. Prices are still among the lowest in Europe.

The energy regulatory framework remains weak and highly politicized. Favored industrialists and some energy-intensive sectors are granted subsidized energy rates.

Greater business transparency, coupled with tariff reform and energy efficiency gains would help reduce or eliminate the constant build up of payment arrearages to Russia and Central Asian suppliers. The country needs to gain a reputation for paying its bills.

Consumer prices for heating and transportation fuels are also priced below costs, only adding to the high level of energy inefficiency. Urban heating remains highly inefficient with an open window in winter as the principle method of regulating room temperature.

An estimated 30 percent of energy for district heating is lost, primarily due to a lack of investment in maintenance and renovation, low tariffs and lack of metering.

Ukraine has become more dependent on imports. The number of auto- mobiles in Ukraine is increasing very rapidly, adding to the country's energy import burden. There has been little action on the part of the government to decrease consumption in the transportation sector.

Even with the best intentions, Ukraine's unrealistic tariff system leaves little money with which to modernize its energy infrastructure, including the major pipelines to Europe.

This adds credence to Russian charges that Ukrainians are unable to efficiently manage the major pipeline systems to European markets and leaving Ukraine open to charges from Russia that new pipelines bypassing Ukraine are necessary to guarantee the delivery of Russian and Central Asian supplies to Western Europe.

Even Ukrainian energy observers concede that Ukrainian business groups -often with the support of the Russian distributor - systematically "divert" gas flowing into the trans-European pipeline system. As much as 22% of gas imported from Russia "leaks" out of the system.

Some of the leakage occurs with the assistance of Gazprom's subsidiaries operating in Ukraine. This diversion creates enormous profits for both Russians and Ukrainian "businessmen", but Ukraine is assigned most of the blame by the European consumer countries.

Over the past year, firms involved in joint ventures or joint activity agreements, including foreign owned energy companies, have had to sell their oil and gas at a government imposed prices that are significantly below production cost. Cardinal Resources, an American firm, sold its interests in Ukraine to a Kuwaiti company (with a less than transparent ownership structure) to avoid bankruptcy.

The alleged rationale for the cabinet decree (number 31) which set a ceiling prices for domestically produced oil and gas was to increase revenue to the state, but it led instead to a decrease in production and a loss of overall revenue from the energy sector. It has also made other U.S. firms less willing to invest in Ukraine. This decree has inflicted long-term damage to Ukrainian efforts to attract Western investment in the energy sector.

Gazprom, acting through alleged joint stock companies, and with the acquiescence of Naftogaz Ukrainy, has over the past two years increased its control of Ukraine's domestic gas market. Indirectly, this has given Russia greater control over large parts of the Ukrainian economy, adding to the disincentives for Western competitors to invest in energy development in Ukraine.

RECOMMENDATIONS FOR UKRAINE:

[1] The Ukrainian government should quickly set in train a program to use markets to set energy prices or, in the case of gas and electric power to move to full-cost recovery levels. Energy tariffs (prices) in both the industrial and consumer sectors should reflect real import and domestic production costs.

Only with appropriate price signals will Ukrainian producers, importers, and consumers make the decisions that will result in the efficient utilization and production of energy in Ukraine.

All consumers except households should be charged the full cost of power. The government should set up a schedule to move households to prices that completely cover costs, supplemented with policies to cushion the impact of higher prices on the most vulnerable households. Domestic producers of gas and oil should receive the same prices as foreign suppliers.

[2] The Ukrainian government should immediately make changes in the Board of Director and the management necessary to restructure Naftogaz Ukrainy. Naftogaz Ukrainy should be restructured so that production, pipelines, and distribution are handled by independent subsidiaries.

Internal transfer pricing between these subsidiaries should be made at market or full-cost recovery prices. Transit and other prices should be set high enough to cover the cost of modernizing and renovating the existing pipeline system.

[3] Ukraine should immediately repudiate its contracts with RosUkrEnergo and negotiate gas purchase contracts directly with Gazprom. This move would weaken the power of Ukrainian oligarchic groups and politicians who benefit financially through their collaboration with Russian state-controlled entities.

[4] Ukraine should attempt to negotiate the construction of new transit pipelines with Gazprom. Alternative pipelines, such as Nord Stream and South Stream, will weaken Ukraine's bargaining power with Russia and reduce transit fees now paid to the Ukrainian treasury. Ukraine's energy security and future transit fee income will be greater, if Russia's oil and gas exports to the EU continue to traverse Ukraine.

[5] Ukraine should restart the privatization of the remaining assets in the energy sector through open tenders for all assets. Such a program should draw the interest of European and American companies, thereby bringing more diversified ownership of Ukraine's energy infrastructure.

[6] Ukraine should adopt energy efficiency standards similar to those in the EU.

[7] Taxes on exploration and development projects should be reduced to bring them more in line with Western levels. The law should also make it easier for holders of exploration licenses to also secure production licenses, thereby encouraging more FDI in the energy sector.

[8] Ukraine should implement the transit protocol of the European Energy Charter that stipulates the creation of a "common carrier" system.

[9] Ukraine should also sign and implement the Athens Energy Treaty to encourage more FDI in the energy sector.

RECOMMENDATIONS FOR THE EU& UNITED STATES:

[1] The EU should provide technical assistance to Ukraine to meet goals for transparency goals set by the IEA, World Bank, EBRD and EU.

The EU can help draw up open tenders in line with international standards and that contain provisions for Stockholm arbitration in awarding exploration, development and distribution rights.

[2] The EU should fund and support twinning programs and open audits involving representatives from the above organizations working alongside Ukrainians in the Energy and Industry ministries, in the state oil and gas companies, in Ukrtransnafta and Naftohaz Ukrainy, and in the oversight committees in the Rada.

The presence of foreign specialists should stimulate progress in implementing best business practices concerning energy imports, domestic production, energy transportation, refining and marketing.

[3] Countries with efficient central residential heating systems, such as Finland and Sweden, should be encouraged to provide technical assistance to Ukraine. This assistance should include help in upgrading

and metering all multi-unit residential systems and small businesses tied into the energy system.

[4] Assistance from the World Bank and the EU, including supervised metering systems, should be used to ensure that the illegal diversion of oil and gas supplies from existing pipelines be stopped. The costs of diversion are ultimately paid for by Ukrainian and European consumers.

[5] The United States and the EU should encourage the World Bank and the IEA to help the Ukrainian Government formulate a long-term energy strategy that would increase domestic production of oil, gas, nuclear energy, clean coal and alternative fuels, as long as the production process are competitive with oil and gas imports.

[6] They should encourage the IAEA to help Ukraine develop a more robust program to increase efficiency and safety at all its nuclear plants. Inefficient coal mining and processing should be gradually phased out and funding put into more environmentally friendly and cost effective technology.

[7] The EU and U.S. should support Ukrainian efforts to negotiate direct purchase contracts with in Turkmenistan, Kazakhstan and Azerbaijan. Ukraine should not have to pay prices that are set by the Kremlin for non-Russian energy.

Due to the complex and non-transparent energy market in Ukraine, reforms in this sector can have multiplier effects; for example in breaking the hold of corrupt business groups over the country's political system. It would also speed Ukraine's economic and political integration into the West.

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7. Head of Parliament: "Pridnestrovie must engage constructively with Moldova and Ukraine" Tiraspol Times, 10 January 2008

"Pridnestrovie has to normalize its relations with the governments of Ukraine and Moldova, and find ways for all three parties to coexist peacefully in a shared space. That is the opinion of PMR Parliamentary Speaker Yevgeny Shevchuk. The young pro-democracy politician says that "they are our neighbors and we should agree on the terms of living with them."

TIRASPOL - Speaking to the press about the political prospects for the current year, Pridnestrovie's Parliamentary Speaker Yevgeny Shevchuk, said that he views the outlook for 2008 as cautiously positive for the unrecognized country. He also announced that this year, Parliament plans to step up its international contacts.

" - We think that we should maintain contacts with Ukraine's and Moldova's government in any case; it doesn't depend on who is in power or what political forces are represented in government, anyway, we should create environment for normalization of relations," Shevchuk says. "Normal constructive relations between governments may and will ensure free movement of goods and nationals of Ukraine, Moldova

and Pridnestrovie. We strive to promote mutually profitable and acceptable relations with neighboring states. They are our neighbors and we should agree on the terms of living with them."

In Yevgeny Shevchuk's view, the country managed to maintain domestic political stability in the past year, even though opinions differ in society and there are different political forces. Shevchuk believes that Pridnestrovie (which is also known under informal names such as Transnistria or Trans-Dniester) has now reached a level of political dialogue and plurality of opinions that surpasses that of some former CIS and European Union member states.

Shevchuk, 39, leads the new and emerging country's Parliament and is also head of its largest party, *Renewal*, which obtained a majority of the seats in the legislature in 2005 despite its stated opposition to parties supporting the country's President, Igor Smirnov.

How do you see 2007 in terms of progress for Pridnestrovie's people?

" - In 2007 Parliament held 27 meetings and discussed about 616 matters. The previously elected Parliament gave consideration to 453 matters, 129 acts passed by Parliament were signed by the President. This year 230 bills have already been signed into laws, 21 bills have been submitted for signing. It proves that Parliament's intensive work produced good results. The bills are mostly aimed at solving the problems facing the economic actors. Parliament finds solutions in the shortest possible term and the solutions found in 2007 helped to stabilize the situation and to resolve main economic problems. In 2007 we were looking for solutions to provide extra funds and we had arrears in salaries in April and there was a threat to pension-provision. In 2007, in April, the republican budget law was amended, the Stabilization fund was set up and other decisions were made. We paid pensions regularly in spring and summer.

In recent months Parliament passed emergency legislation initiated by the President to raise funds for the municipal and republican budgets. I think Parliament's work was rather effective; its decisions were aimed at solving problems facing our citizens.

In 2007 Parliament also focused on international activities. International affairs fall within the remit of the Parliamentary commission for international contacts and the Special Parliament's Envoy for interparliamentary relations. Our aim is to promote a dialogue with our partners, first of all, with members of parliaments of guarantor states – Ukraine and the Russian Federation, with members of international organizations visiting Parliament and having contacts with members of Pridnestrovie's Parliament. It allows to make our voice heard by the international community. I'd like to mention positive and constructive contacts that we have with the State Duma of the Russian Federation. A group of deputies supported us and petitioned the Government of the Russian Federation for humanitarian aid. I think that serious work of Pridnestrovie's Parliament deserves to be called productive.

I think that international missions in Moldova intensified contacts with Pridnestrovie; they now visit Pridnestrovie more regularly and have regular meetings with members of Pridnestrovie's Parliament. Despite hot discussions the members of Parliament had a chance to make their voice and the will of people of Pridnestrovie heard, to express their views.

In 2007, in my opinion, we managed to balance the public and political situation in the republic though the opinions differ in society and there are different political forces. We avoided confrontation. We may thank our citizens who understand that stability is required for further progress of Pridnestrovie. I may call the 2007 political situation to be rather stable.

It proves that political forces realize responsibility before the citizens and members. I hope the political forces won't change their position in 2008.

Of course, there's certain disagreement in making decisions; the public and political forces express their views openly. There's sometimes heated discussions in Parliament and I think it facilitates finding the best possible solutions to any given issue. As the saying goes, truth is sprout in discussion. I think that the constructive dialogue with the executive government and other political forces, the criticism of our actions and actions of other government agencies allows to solve legislative problems and to attract less criticism of the political system of Pridnestrovie. There's a political dialogue and plurality of opinions that not all CIS and even European states can boast of. In my opinion, Pridnestrovie now attracts little criticism even in the foreign media. It's the result of efforts of the government - legislative, executive and judicial authorities, who created such a mechanism of discussion within the state with the aim to find solutions to the problems facing our people. The political factors had a negative impact on the situation in 2007, first of all the new procedures on the Pridnestrovian-Ukrainian border that hampered foreign trade of Pridnestrovie's economic actors. Of course, it affects our economic potential and opportunities. In this difficult situation we coped with our key task – we provided social funding. It was rather difficult in this situation. I think our systematic work that sometimes turned into hot debates outside the Parliament produced positive results.

Such as?

" - I'd like to say that 2007 positive shifts will have a beneficial impact on the 2008 situation. Of course, many people and different political forces criticize these decisions, there are different views. I want to dwell on 2007 positive moments. We managed to cut the budget deficit and to attract extra receipts to the consolidated budget and the Pension Fund – about 50 million dollars. Though the 9% foreign trade turnover is expected, the revenues of the consolidated budget are likely to increase by 23%. The tax burden was increased, the tax legislation saw changes. It will bring more receipts to the budget. It's the preliminary results of the work of Parliament in 2007. I'd like to thank all persons entitled to initiate laws, to citizens who submitted their proposals to Parliament. We took your proposals into account while making our decisions."

Why does the President not support the 2008 budget passed by Parliament?

" - You know about disagreement during 2008 budget debates. The budget was drafted by the executive government and then was submitted to Parliament for approval. There's a certain legislative procedure for the budget consideration prescribed by law. There's nothing terrible if the President deems it necessary to veto some provisions of the budget law – it is stipulated by legislation. It is within his competence and powers. I think it's rather positive since Parliament as the supreme legislative body is entitled to consider matters and to make decisions. A Member of Parliament is entitled to move motions to be discussed by Parliament. There's a plurality in Parliament and in the republic. And Parliament will discuss it in accordance with legislation and then will agree or disagree with the President. In accordance with legislation the Constitutional court may settle the dispute and may issue statements on constitutionality or non-constitutionality. If Parliament's or other government department's opinion will be met with greater tolerance, the Constitutional court will have an opportunity to work efficiently and to consider petitions, I think that the legal principles mentioned in the Constitution must be observed without showing too much emotion.

We suppose we are in disagreement about cuts in executive government spending. Our aim was not to hurt anybody; we made a decision having regard to the earlier approved budget and tax policy, under which we didn't even raise salaries of the budget sector workers in this critical economic situation though the salaries of some categories of people are below the minimum living wage. Members of Parliament decided to not allocate more money due to the increased number of government employees as they deemed it unwise. The Constitutional court will decide whether it is right or wrong, and time will show who is right.

I believe that the budget's key aim is to fulfill its functions. The funds should be allocated wisely to stimulate certain economic processes in the republic. The budget was adopted on time and it was submitted to the President for consideration and approval on December 25.

It's important that most of the budget provisions have been agreed to. The republic enters the New Year with the approved budget and main economic indicators. It's the state's plan for the next financial year. All government branches must be aimed at implementation of this financial plan."

Moldova is banning border crossings by Pridnestrovie-registered cars. What is Ukraine's position?

" - I'd like to sketch out the situation. Under Pridnestrovie's legislation customs clearance duties for vehicles are much lower than in Ukraine or the Republic of Moldova. Of course, enterprising people make money; they leave Pridnestrovie to reside in Ukraine or Moldova. So there's information and I think you heard about it that some people make money by exporting vehicles. Of course, Ukraine's concern is growing; it tries to protect its budget like any other state. The difference in tariffs is one of the arguments of the Moldovan party that tries to establish another registration procedure for Pridnestrovie- registered cars. Their argument is that Moldova's and Ukraine's budgets are suffering losses due to low Pridnestrovie's customs duties.

What can I say? Duties and taxes imposed on our citizens must be lower because we have no choice since we are in a more critical situation than any other state is. We collect low customs clearance duties to ensure free movement of people so that they could buy cars and could go anywhere they want to. The republican budget law as amended offers certain protection - the decision was made to raise customs duties for the cars that have been registered in PMR for less than two years. Tariffs will be growing and I think now there are no arguments to change the registration procedure for Pridnestrovie-registered vehicles.

In relation to Ukraine's position, as far as I know, there will be no changes to the border-crossing procedures for cars registered in Pridnestrovie. Time will show how the situation may change in the future. I think the decision of the Ukrainian government is right, pragmatic and progressive. We live in the 21st century and I think it is not a decent action to move proposals restricting free movement on nationals of any state. If people are not criminals and are not on the international wanted list, they have the right to free movement. A great number of international documents are based on this principle and I think that good sense will triumph in 2008 and the current scheme won't see changes. I won't remind you of the earlier signed agreements [with Moldova] as I've already mentioned them for many times."

Do you plan to establish contacts with the Supreme Rada of Ukraine? Or the Parliament of Moldova?

" - In relation to our ties with Ukraine's Supreme Rada, of course, we'll intensify our contacts with our colleagues from the Supreme Rada and we'll strive for cooperation in many areas when the structure of Ukraine's Parliament is finally approved. We think that we should maintain contacts with Ukraine's and Moldova's government in any case; it doesn't depend on who is in power or what political forces are represented in government, anyway, we should create environment for normalization of relations. Normal constructive relations between governments may and will ensure free movement of goods and nationals of Ukraine, Moldova and Pridnestrovie. We strive to promote mutually profitable and acceptable relations with neighboring states. They are our neighbors and we should agree on the terms of living with them. Parliament follows this course in its international contacts and will continue the same work in 2008."
(With information from vspmr.org)

Text available on World Wide Web, URL:
<http://www.tiraspoltimes.com/node/1527>

**8. Russia objects to the decision of Ukraine on broadcasting foreign films after dubbing
APA, 10 January 2008**

Ukrainian Constitutional Court made a decision on banning the screening or distribution of any foreign films which are not dubbed or sub-titled in the national language, following a campaign against movies translated into Russian, APA reports quoting Ukrainian sources.

The chief of the Court Andrey Strijak said that foreign films would not be aired or distributed if they are not dubbed in Ukrainian or post-synchronized or do not have the captioning data in the state language. He said that Constitutional Court made this decision after investigating country legislation and international acts which Ukraine joined and decided that translation of films to state language will not violate rights of national minorities.

The decision caused objection of Russian government. Russian Foreign Ministry's press and information department accused Ukraine of not fulfilling its international commitments. Official Moscow regards that the decision is contrary to European Charter on the language of minorities. "This Charter's fulfillment in Ukraine also arouses anxiety," they said. /APA/

Text available on World Wide Web, URL:
<http://en.apa.az/news.php?id=41902>

**9. Military contract service becomes prestigious in western Ukraine
Itar-Tass. 9 January 2008**

The military contract service became prestigious in western Ukraine. The forecast call-up rate for the contract service was exceeded by one fourth in 2007, the headquarters of the Western Operative Command of the Ukrainian army told Itar-Tass on Wednesday.

Most men and women, who wish to serve on contract, live in the Khmel'nitsk, Vinnitsy and Lvov regions. "This desire to serve in the army is caused by the fact that servicemen of the Western Operative Command usually form Ukrainian peacekeeping battalions," chief press officer of the Western Operative Command Alexander Poronyuk said on Wednesday. "Ukrainian servicemen are on peacekeeping missions in ten countries. They are remunerated quite well," Poronyuk said. Meanwhile, there are quite many depressive regions in western Ukraine, where it is difficult to find a job, he said.

The General Staff of the Ukrainian army guarantees the transition of the army on contract service within a deadline up to 2010 that President Viktor Yushchenko set. The Ukrainian Defense Ministry calculated that the expenditure for the full transfer on the contract service would exceed 40 billion hryvnas (eight billion dollars). In 2007 15 units in each arm of troops participated in a pilot project on the full transfer of these units on the contract service. As many as 51,000 people serve on contract in the Ukrainian army now.

Text available on World Wide Web, URL:
<http://www.itar-tass.com/eng/level2.html?NewsID=12239719&PageNum=0>

**10. PM officially unveils depositor bailout
Ukrainian Journal , 9 January 2008**

Prime Minister Yulia Tymoshenko's government on Wednesday launched a massive campaign to return billions of hryvnias in failed Soviet-era bank deposits, a plan that some analysts fear may exacerbate Ukraine's high inflation.

The money is to be returned within several days

The populist plan was one of Tymoshenko's key campaign issues at the Sept. 30 snap election that had catapulted her to the post of prime minister. Millions of people are expected to apply for the compensation of the deposits.

Tymoshenko, appearing on ICTV television in prime time, called on the people to show calm and to avoid huge lines that are now expected to be formed in savings bank offices throughout the country.

"I ask you, my dear, especially senior people, not to get worried and not to stand in the huge lines," Tymoshenko said. "The re-registration of the deposits and withdrawal of the deposits has no time limitations."

The payments come at a sensitive time as Ukraine's consumer inflation rose to 16.6% in 2007, the highest level in the past seven years. The fear of accelerating inflation forced the National Bank of Ukraine to hike its key short-term interest rate to 10% from 8% beginning early January.

Oshchadbank, the state-owned savings bank, is thought to owe about 132 billion hryvnias (\$26 billion) to millions of people since the early 1990s, when the deposits lost value due to hyperinflation.

In her campaign message, Tymoshenko pledged to pay the debts completely within two years, a plan that Oleksandr Morozov, a former chairman of Oshchadbank, said could provoke inflation at 40% in 2008.

Tymoshenko later explained the total amount of the debt to be paid out might be only half of what had been previously thought, and said the payments will be moderate this year to avoid the inflation pressure.

The government envisaged UAH20 billion for the debt payout in 2008, of which UAH6 billion will be made in cash, while the rest of the payment will be used to pay household bills, such as power and gas supplies.

The UAH6 billion in cash will go towards clearing only UAH1,000 by each depositor, and the government plans to encourage the people to leave the money on the account by offering high interest rates: 9.5% for US dollars and 13.5% for hryvnias.

"The task is to organize the payments in a way that would prevent acceleration of inflation and would make sure the returned money does not depreciate on the way to stores," Tymoshenko said.

In order to claim the money, the people would have to re-register, including producing their old Oshchadbank statements, passports and a tax ID numbers, and the money will be disbursed within the next three days. *(tl/ez)*

Text available on World Wide Web, URL:
<http://www.ukrainianjournal.com/index.php?w=article&id=5823>

11. YUSHCHENKO PICKS CHIEF SECURITY ADVISER FROM OPPOSITION CAMP **By Pavel Korduban** **Eurasia Daily Monitor, 8 January 2008**

Ukrainian President Viktor Yushchenko has appointed Raisa Bohatryyova as secretary of the National Security and Defense Council (NSDC). This came as a surprise for many, as Bohatryyova has been one of the leaders of the main opposition force, the Party of Regions (PRU), which is chaired by former prime minister Viktor Yanukovich. Her appointment has been interpreted as Yushchenko's first step to

somehow integrate the PRU, or at least the pragmatic wing of it, into the government. But this also may be the beginning of a split in the PRU.

Yushchenko's offer of a job to Bohatryyova was an unpleasant surprise for Yanukovych. His intention has apparently been to shun the government formed by Yushchenko and Prime Minister Yulia Tymoshenko, positioning his party as a principled opposition force that does not want to share responsibility for a government in which the PRU does not participate.

On December 20-22, the PRU issued a series of strongly worded statements condemning "political persecution" and the "witch hunt" allegedly conducted by the new cabinet against former government officials. The PRU condemned especially the recent dismissals of PRU-linked deputy ministers by the new interior minister, Yuriy Lutsenko. On December 21, the PRU formed a "shadow cabinet" with Yanukovych at the helm, consisting mostly of the ministers who served under Yanukovych. The declared goal of this team is to control the Tymoshenko cabinet's activities and "tell society what is going on in the government," said Hanna Herman, one of the PRU's unofficial spokespeople.

On December 24, news agencies reported that Yushchenko had offered the position of NSDC secretary to Bohatryyova. She was number two on the PRU's list for the 2007 parliamentary election. She chaired the PRU caucus in parliament before the election, and she has been the PRU's main candidate for the post of parliament's deputy speaker. Observers have also viewed Bohatryyova as the public face of the PRU's moderate wing, which is open to cooperation with Yushchenko. It is widely believed that Ukraine's richest businessman, Renat Akhmetov, commands this wing.

Yanukovych announced on the same day that Bohatryyova did not give her consent to the appointment. "We have decided to go into opposition, which rules out our participation in the government," he said. No comment, however, came from Bohatryyova. On December 25, the PRU's ruling body, the political council, advised Bohatryyova to reject Yushchenko's offer. Bohatryyova, however, accepted the offer by the end of the day.

The PRU hurried to deny rumors about an imminent split of the party into a business wing behind Bohatryyova and Akhmetov and Yanukovych's conservatives. *Segodnya*, a newspaper linked to Akhmetov, however, admitted that the PRU may split. Several prominent members of the PRU, including Borys Kolesnykov, a crony of Akhmetov, were quoted as saying that Bohatryyova's was a personal decision and that she should quit the PRU. Kolesnykov explained that Bohatryyova, as Yushchenko's chief security adviser, would have to follow his pro-NATO line, which would be a conflict of interest, as the PRU does not support Ukraine's NATO integration.

Tymoshenko said she did not object to Yushchenko's choice of NSDC secretary. Some members of the pro-government camp, however, have been unhappy with it. Borys Tarasyuk, a former foreign minister and current leader of the People's Movement (Rukh), suggested that this might be a first step to forming a grand coalition including the PRU. His party has fiercely opposed the intentions of a part of Yushchenko's team to form such a coalition.

Ukrainian analyst Andry Yermolayev opined that Bohatryyova, as a representative of the opposition, may play the role of a counterweight to Tymoshenko. Another domestic analyst, Kost Bondarenko, a former adviser to both Yanukovych and Tymoshenko, agreed with this. He said that Tymoshenko's position may be weakened by the appearance of people like Bohatryyova in Yushchenko's team.

The influence of NSDC secretary on the cabinet should not be overestimated, however. The NSDC is chaired by the president, whose word is decisive at its meetings, and who can fire NSDC secretary at any moment. The prime minister and key ministers are members of the NSDC along with the secretary. The president issues orders at NSDC meetings, not the secretary, whose job is to organize NSDC operations and watch how the president's instructions are carried out.

For most of Bohatryova's predecessors, their stints in this position were the beginning of a decline in their political careers. Petro Poroshenko, who was the first to serve as NSDC secretary under Yushchenko in 2005, fell into disgrace amid accusations of corruption. His successor, Anatoly Kinakh, defected from Yushchenko's camp in 2006 and lost his former influence. Vitaly Hayduk quit active politics after his resignation from the NSDC in May 2007. Bohatryova's immediate predecessor, Ivan Plyushch, was elected to parliament, but refused to back Tymoshenko for prime minister and was expelled from the Yushchenko-Tymoshenko coalition.

(UNIAN, December 20, 24, 26; Channel 5, December 21; Inter TV, December 22; Interfax-Ukraine, December 24; ICTV, December 25; Segodnya, December 30)

Text available on World Wide Web, URL:
http://www.jamestown.org/edm/article.php?article_id=2372697

12. World Bank Approves \$50 Mil Finance Project Ukrainian Observer, 8 January 2008

The World Bank's Board of Executive Directors approved a \$50 million Public Finance Modernization Project for Ukraine Tuesday. The objective of the project is to strengthen public financial management by improving operational efficiency and transparency.

"With this project, we hope to help the government improve the delivery of public services by making it easier to plan, execute and monitor public spending," stressed Paul Bermingham, World Bank Director for Ukraine, Belarus and Moldova. "This is a core activity within the new Country Partnership Strategy and we look forward to its successful implementation and completion."

Under the institutional modernization plan of the Government of Ukraine, important progress has been made, including the establishment of a Treasury system, the abolishment of National Bank direct financing of the Government, the adoption of a new Budget Code and budget classification system, the creation of an internal audit function and the improvement of the availability of fiscal information. Despite impressive economic growth and prudent fiscal policy, there are still significant institutional challenges to address for improving public service delivery.

"The Project will focus on improvements in management of public finances and budget operations, internal audit and public accountability, and institutionalizing these systems to increase the effectiveness of business processes," said Cem Dener, project Task Team Leader. "It will help in improving transparency and facilitating better interaction both among the state organizations and between the public entities and citizens they serve."

The development of the integrated public financial management system (PFMS) and supporting further reforms in budget planning and execution will have positive effects on the timeliness and predictability of public expenditure, including the areas relevant to combating poverty. Arrangements for improving information dissemination to civil society supported through the Project will strengthen governance and accountability across the executive, and mitigate governance risks. The Project will ultimately have positive social impact through improved management of public finances. The Project's support of Ukraine's efforts to join the EU are also socially beneficial, as any step toward EU harmonization helps reduce social tension and will ultimately bring social benefits through increased access to markets and political openness.

The expected duration of the Project is five years; however, some of the reform initiatives it supports have a longer term perspective. The design of project components builds on the Government's existing strategies for reforms in budgeting, accounting and public internal financial control and audit.

Since Ukraine joined the World Bank in 1992, commitments to the country total around US\$ 5.2 billion for 38 operations.

Text available on World Wide Web, URL:
<http://ukraine-observer.com/index.php?c=886>

13. NBU boosts key rate by 200 basis points Ukrainian Journal, 8 January 2008

The National Bank of Ukraine steeply hiked a key interest rate from early January in reaction to reports showing the country's 2007 consumer inflation had reached the highest level in the past seven years.

The NBU hiked the discount rate, the rate at which it lends money to commercial banks, to 10% from 8%, citing "financial market trends" and fears of "high inflation."

But the extent of the hike - at 2 full percentage points or 200 basis points - is remarkable, highlighting an extremely high level of concern at the central bank with the quickly rising inflation in Ukraine.

The move comes as the State Statistics Committee reported consumer prices growing 16.6% in 2007, worse than the most pessimistic forecast cited by opposition leaders.

The 2007 inflation is the highest consumer price increase registered since 2000, when the committee reported inflation at 25.8%.

The government of former Prime Minister Viktor Yanukovich, which had originally forecast inflation at 7.5% in 2007, was forced to revise the figure upwards later in the year to between 10% and 12%. A pessimistic forecast cited by opposition leaders in early November 2007 had put the 2007 inflation figure at between 15% and 16%.

But the released report goes beyond these worst expectations and will probably keep pressure on the central bank for further steps, including the possibility of another interest rate hike, later this year, analysts said.

It also puts mounting pressure on the government of Prime Minister Yulia Tymoshenko, who replaced Yanukovich last month, for taking adequate steps to bring in price stability.

"The previous government has left an unprecedented level of inflation," Tymoshenko said in comment released last week. "We have to urgently stop inflationary processes."

The Tymoshenko government pledged to reduce inflation to below 10% in 2008, but Volodymyr Stelmakh, the governor of the NBU, said last month he hadn't yet seen signs that would suggest lower inflation in 2008.

Ukraine experienced monthly inflation at 2.1% in December 2007, down from 2.2% in November 2007 and 2.9% in October 2007, according to the State Statistics Committee.

Food prices led the increase in 2007, growing a whopping 22.9% between December 2007 and December 2006, while prices charged for services increased 12% and manufactured good prices grew 6%, according to the committee.

The rate hike by the NBU ends a period of 19 months, starting from June 2006, of interest rate reductions, to 8% from 9.5%. The last time the NBU had hiked the rate was in April 2005, when the rate

was increased to 9.5% from 9%. (tl/ez)

Text available on World Wide Web, URL:

<http://www.ukrainianjournal.com/index.php?w=article&id=5819>

14. Ukrainian Foreign Currency, Gold Reserves Fell 1% in December
By Daryna Krasnolutska
Bloomberg, 9 January 2008

Ukraine's foreign currency and gold reserves declined 1 percent in December from the month before as people bought foreign currency before going on vacation abroad, the country's central bank reported.

Reserves fell to \$32.46 billion from \$32.77 billion as of Dec. 31, the central bank said in a statement on its Web site.

Foreign currency and gold reserves rose 45.5 percent in 2007 to a 17-year high as companies and the government borrowed abroad and value of exports increased amid high prices for steel. Steel represents 40 percent of the former Soviet state's exports.

The Kiev-based bank controls the exchange rate of the hryvnia by selling and buying dollars. Ukraine's central bank governor said on Nov. 2 that the hryvnia's strength will help curb inflation, which reached its highest rate in 2007 since 2000.

Ukraine sold \$500 million of Eurobonds at on June 19 and \$700 million of 10-year dollar bonds to help cover the state budget deficit on Nov. 7. Kiev, the capital of Ukraine, sold \$250 million of five-year bonds to finance construction projects in the city on Nov. 14.

Text available on World Wide Web, URL:

<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aRo5QWgBecl4>

15. PM officially unveils depositor bailout
Ukrainian Journal Staff Report, 9 January 2008

Prime Minister Yulia Tymoshenko's government on Wednesday launched a massive campaign to return billions of hryvnias in failed Soviet-era bank deposits, a plan that some analysts fear may exacerbate Ukraine's high inflation.

The money is to be returned within several days.

The populist plan was one of Tymoshenko's key campaign issues at the Sept. 30 snap election that had catapulted her to the post of prime minister. Millions of people are expected to apply for the compensation of the deposits.

Tymoshenko, appearing on ICTV television in prime time, called on the people to show calm and to avoid huge lines that are now expected to be formed in savings bank offices throughout the country.

"I ask you, my dear, especially senior people, not to get worried and not to stand in the huge lines," Tymoshenko said. "The re-registration of the deposits and withdrawal of the deposits has no time limitations."

The payments come at a sensitive time as Ukraine's consumer inflation rose to 16.6% in 2007, the highest level in the past seven years. The fear of accelerating inflation forced the National Bank of Ukraine to hike its key short-term interest rate to 10% from 8% beginning early January.

Oshchadbank, the state-owned savings bank, is thought to owe about 132 billion hryvnias (\$26 billion) to millions of people since the early 1990s, when the deposits lost value due to hyperinflation.

In her campaign message, Tymoshenko pledged to pay the debts completely within two years, a plan that Oleksandr Morozov, a former chairman of Oshchadbank, said could provoke inflation at 40% in 2008.

Tymoshenko later explained the total amount of the debt to be paid out might be only half of what had been previously thought, and said the payments will be moderate this year to avoid the inflation pressure.

The government envisaged UAH20 billion for the debt payout in 2008, of which UAH6 billion will be made in cash, while the rest of the payment will be used to pay household bills, such as power and gas supplies.

The UAH6 billion in cash will go towards clearing only UAH1,000 by each depositor, and the government plans to encourage the people to leave the money on the account by offering high interest rates: 9.5% for US dollars and 13.5% for hryvnias.

"The task is to organize the payments in a way that would prevent acceleration of inflation and would make sure the returned money does not depreciate on the way to stores," Tymoshenko said.

In order to claim the money, the people would have to re-register, including producing their old Oshchadbank statements, passports and a tax ID numbers, and the money will be disbursed within the next three days. *(tl/ez)*

Text available on World Wide Web, URL:
<http://www.ukrainianjournal.com/index.php?w=article&id=5823>

16. Ukraine's inflation rate jumps to 16.6%, highest since 2000 Tehran Times, 8 January 2008

Ukraine's annual inflation rate accelerated to 16.6 percent in December, the fastest since 2000, on rising prices of food and fuel, the state statistics committee reported late.

Ukraine's inflation rate surged from 15.2 percent in November, which was the highest in Europe for that month. Food costs increased 23.7 percent in December from a year earlier, the statistics committee said on its Web site. Consumer prices rose 2.1 percent from the previous month.

"We must urgently stop the inflationary processes," Prime Minister Yulia Tymoshenko said at a Cabinet meeting in Kiev, according to a statement on the government's Web site. "The government should approve a plan of anti-inflationary measures."

Consumer prices rose after neighboring Russia doubled the cost of natural gas sold to Ukraine in 2006 and raised it another 37 percent last year. Ukraine relies on imports, mostly from Russia, for about 70 percent of its energy.

The former Soviet republic is struggling to keep price growth at bay as it tries to attract foreign investment and boost living standards. The government has missed its target of keeping the inflation rate below 10 percent since 2003.

Latvia's annual inflation rate was the second-highest in Europe in November after Ukraine's, at 13.7 percent.

(Source: Bloomberg)

Text available on World Wide Web, URL:
http://www.tehrantimes.com/index_View.asp?code=160876

17. Ukraine nearly in WTO, export duty hurdle remains
By Jonathan Lynn
Reuters, 9 January 2008

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GENEVA - Ukraine could be invited to join the World Trade Organisation next month, but it must first resolve a row with the European Union about export duties, trade negotiators said on Wednesday.

Ukraine, with a population of 47 million, is the biggest country besides Russia and Iran outside the 151-member WTO, which umpires the world trading system.

Membership would provide new export opportunities for Ukraine's industry, still saddled with Soviet-era plants, and its farmers, who cultivate some of the most fertile land in Europe.

Ukraine has completed negotiations with the WTO as a group, but under WTO accession rules it must reach a bilateral agreement with any member that seeks it, from which all other members benefit.

The differences with the EU about export duties are the last remaining hurdle, with Brussels seeking a guarantee from Ukraine to reduce them, not just a declaration of intent.

"What we're seeking is a commitment that would be legally binding," said John Clarke, deputy head of the EU's WTO mission.

Clarke told Reuters this was not just a drafting issue as the wording could mask substantial economic costs. Ukraine has agreed to cut, but not eliminate, export duties over five years, he said.

NON-FERROUS METALS

The EU is particularly concerned about export duties on non-ferrous metals, which Brussels argues constitute an effective subsidy for domestic metallurgy plants.

That is because tight margins in metals would make it prohibitively expensive for smelters in other countries to import Ukrainian metals if the export duties are applied.

The EU also wants guarantees that Ukraine will not circumvent the restrictions on export duties by introducing measures with the equivalent effect, such as taxes or licence fees, Clarke said.

Brussels and Kiev are exchanging e-mails about the wording, and could hold a meeting or teleconference to finalise the deal in the next few days, he said.

Chile's WTO ambassador Mario Matus, who chairs the working party on Ukraine's accession, said he hoped to have a meeting of WTO members in the second half of this month to finalise the accession package, provided the export duty issue is resolved.

The way would then be clear for the next WTO general council on Feb. 5-6 to vote on Ukraine's accession request.

"If everything goes well we'll have a formal meeting which is the beginning of the end of the accession process," he told Reuters.

Trade officials at Ukraine's Geneva mission were not immediately available for comment.

Membership would not only allow Ukraine, which borders new EU members Poland, Hungary, Slovakia and Romania, to share the benefits of the multilateral trading system but would also give it significant leverage over its powerful neighbour Russia.

Once Ukraine has joined it would be able to set conditions for Russia's own accession as the WTO operates by consensus of all its members.

Georgia, which has a series of political and economic disputes with Moscow, is already using its membership to hold up Russia's accession.

If Ukraine's accession is approved next month, it will be in a race with the African archipelago of Cape Verde to become the WTO's 152nd member, whose accession was approved last month.

Membership takes effect only when it has been ratified by the acceding country, which has 6 months from approval to do so. (Editing by Giles Elgood)

Text available on World Wide Web, URL:
<http://africa.reuters.com/wire/news/usnL09631361.html>

18. EBRD invested nearly \$1 bln in Ukraine in '07
By Jonathan Holmberg
Kyiv Post, 9 January 2008

The European Bank for Reconstruction and Development (EBRD) closed out 2007 with \$935 million in projects throughout the year. Landmark deals included a \$100 million loan to Galnaftohaz to expand the OKKO gasoline station network, a \$100 million deal to assist IKEA's entry into the country's booming consumer market and a \$100 million loan to Kyiv public transportation entities.

Overall, EBRD's investment in Ukraine declined slightly, about 10% over the previous year. Bank spokesman, Anton Usov, said the decline was "due to the fact that 2006 was such a remarkable year in which we exceeded our business plan; not to any slowdown in bank operations."

The EBRD is set to begin 2008 with a flurry of project signings, valued at \$450 million during the first quarter alone. Highlights include a \$220 million loan to the Rivne-Kyiv high power-line and a \$139 million loan to assist the O'Key hypermarket chain open three outlets.

An EBRD spokesman stated that Ukraine has made "remarkable progress on the path toward establishing an enduring European-style representative democracy, yet significant hurdles remain". Specifically, Anton Usov said, "Ukraine needs to strengthen the court system, increase transparency, rationalize land use law and, perhaps most important, a period of political sustained stability." As a tribute to Ukraine's impressive economic growth and political transformation the EBRD will hold its annual shareholders' meeting in Kyiv on 18-19 May 2008.

The EBRD is the largest private foreign investor in Ukraine. Since 1993, the EBRD has invested \$4.5 Billion in over 150 projects throughout the country.

Text available on World Wide Web, URL:
<http://www.kyivpost.com/business/general/28106/>

19. Inflation in Ukraine made up 16.6% in December UNIAN, 10 January 2008

The inflation in Ukraine in December of 2007 made up 16.6%, compared to December of 2006. During January-December of 2007, compared to January-December of 2006, the inflation made up 12.8%. This information was posted at the web site of the State Statistics Committee of Ukraine.

In line with the information of the committee, the inflation in December, compared to November of the last year, made up 2,1%.

UNIAN note. Drawing up the state budget for the year 2007, the Cabinet of Ministers based on the forecast of inflation at 7.5%, GDP growth – 6.5%, industrial production growth – 8%.

In May the European Bank for Reconstruction and Development forecasted the inflation in Ukraine at 7.2%, the GDP growth – at 5.8%.

The inflation on the results of the year 2006 was 11.6%, 2005 – 10.3%.

Text available on World Wide Web, URL:
<http://unian.net/eng/news/news-229709.html>

20. Arcelor Mittal Steel lifts output 7% on year in Ukraine in 2007 By Grigori Gerenstein MarketWatch, 10 January 2008

MOSCOW -- Ukraine's largest steel maker, Arcelor Mittal Steel Krivoi Rog, produced 8.103 million metric tons of steel in 2007, an increase of 7.1% on the year, the company said Thursday.

Steel roll output in 2007 increased by 3.9%, compared with 2006, to 7.119 million tons.

Iron output increased by 6% to 7.208 million tons.

Agglomerated iron ore output increased by 4.9% to 11.954 million tons. Concentrate output increased by 8.4% to 8.461 million tons.

Coke output increased by 11.6% to 3.009 million tons.

The smelter exports about 90% of its steel output.

Text available on World Wide Web, URL:
<http://www.marketwatch.com/news/story/arcelor-mittal-steel-lifts-output/story.aspx?guid=%7BF51366C4-0409-46A6-9805-8A27AC9E104E%7D>