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1. ANALYSIS-Tymoshenko's past haunts bid for Ukraine PM post
By Sabina Zawadzki
Reuters, 14 December 2007

The chaos of Yulia Tymoshenko's premiership two years ago is hampering her attempt to win back her job and has made the foreign business community wary of her possible return.

Her passionate speeches during the 2004 "Orange" revolution fuelled protests for weeks and helped to sweep President Viktor Yushchenko to power after a re-run of a fraudulent election.

But the same fiery rhetoric caused mayhem among her allies, made relations with Russia difficult and spooked investors with calls for a review of state sell-offs and interference in markets. Yushchenko sacked her after just seven months.

A possible second stab at the job worries investors, unsure whether she and her allies, who hold a tiny majority in parliament, could push through urgent reforms to underpin an economy powered by high global steel prices.

"There is trepidation within the business community," a senior business source said. "Will she interfere in markets as she had a tendency to do in the past or will she be able to get people to coalesce around her and get something done?"

The former Soviet state's economy has absorbed big yearly gas price rises from Russia and grown by about 7 percent in recent years. Some service sectors, such as banking, have developed and Ukrainians are spending their rising wages.

But the heavy industry on which the economy depends needs modernisation and corruption persists at all levels.

And it is still difficult to separate business and politics. All major parties have oligarch backers and any businessman worth his salt sits in parliament, including Ukraine's richest man Rinat Akhmetov, or has interests represented in it.

Parliament is to vote again on Tymoshenko's candidacy after she fell one vote short on Tuesday, despite a reconciled coalition of her bloc and Yushchenko's Our Ukraine party holding a two-seat majority in the chamber.

LESS EMOTIONAL

Some analysts say Tymoshenko, a former gas magnate turned social crusader, has learnt her lesson.

"There is no reason to expect any emotional moves from her... There are no grounds to expect new calls for mass reprivatization as in 2005," said Yuri Yakimenko, analyst at the Razumkov Centre think-tank.

"Her government will stress increasing budget revenues from sources like customs and privatisation so she can fulfil promises in the social sphere."

Her immediate priority would be to redraft the 2008 budget after Kiev agreed to a higher than expected gas price rise from Gazprom to \$179.50 per 1,000 cubic metres from \$130.

Most think Tymoshenko, who accused Moscow of politicising gas talks and denounced a supply intermediary, would not renegotiate prices but wonder about possible future outbursts. "There are slightly higher political risks here ... She did say she'd have to review the situation. But really, the Ukrainian government would have very little scope to change the pricing," ING analyst Igor Kurinny said.

Europe is careful to limit damage from energy rows between Russia and Ukraine, transit route for most of Russia's gas to Europe, as Moscow weans ex-Soviet states off subsidised prices.

FULL POCKETS?

Analysts say a new government must improve the business climate, by clarifying land ownership and tax laws, overhauling the judicial system and eliminating corruption. But even if she gets through, many wonder if her majority will be solid enough.

"This dooms her government, making it unstable," said Vitaly Nebozhenko, head of the Barometer think-tank.

Some said were it not for power games, especially among affluent members of parliament, deputies from Tymoshenko's coalition and outgoing Prime Minister Viktor Yanukovich's Regions party could agree on business issues.

"At the end of the day, they are going to ask themselves "Are my pockets full enough?," the business source said.

"If their pockets are full enough, they can start looking out for the country, but until there is that concept, we will be in the same cycle of personal gain we have seen for 16 years." (Additional reporting by Yuri Kulikov and Amie Rotman-Ferris in Moscow; editing by Elizabeth Piper)

Text available on World Wide Web, URL:
<http://uk.reuters.com/article/oilRpt/idUKL1330406920071214>

2. Parliament to vote Friday on Tymoshenko Ukrainian Journal, 14 December 2007

Lawmakers will vote Friday whether to approve Yulia Tymoshenko as Ukraine's new prime minister, three days after a previous vote had failed due to an unexplained computer malfunction, Parliament Speaker Arseniy Yatseniuk said Wednesday.

President Viktor Yushchenko, following the failed vote, re-nominated Tymoshenko on Wednesday. But, bowing to pressure from the Regions Party, the main opposition group, lawmakers held talks on Thursday discussing future appointments to lead dozens of Parliamentary committees.

"According to regulations, the speaker of Parliament must without delay and without discussions include in agenda such issues as appointments and dismissals," Yatseniuk said, defending the decision to hold the prime minister vote on Friday.

This comes as the Regions Party has been persistently calling for delaying the vote until the next week, suggesting that first appointments must be made to Parliamentary committees.

But the coalition rejected the plan and demanded holding the vote on Friday. The constitution stipulates the coalition must approve the prime minister and to form the government 30 days after the coalition has been created, effectively setting the deadline on Dec. 23.

"We believe they simply delay time and try to break the coalition," Oleksandr Turchynov, a Tymoshenko ally, said. "We have made all possible concessions and compromises."

Meanwhile, Our Ukraine-People's Self-defense, Yushchenko's group, and the group led by Tymoshenko pledged on Thursday to press ahead with the idea of holding the prime minister vote by raising hands or by casting paper ballots as opposed to using the Rada, the computer system.

The idea was to prevent any possible Rada malfunction like the one that had prevented the approval of Tymoshenko as the prime minister on Tuesday.

The system showed only 225 lawmakers had voted for Tymoshenko, one less than is required for the approval, while two lawmakers had immediately complained their voting cards had failed.

The failure was cheered by the Regions Party, which had effectively disrupted the work of Parliament for almost two days.

Coalition lawmakers accused Regions Party loyalists of tampering with the system to prevent the approval of Tymoshenko, a charge that the Regions Party had flatly denied. SBU security service checked the system on Wednesday, but hadn't found any evidence of tempering.

Meanwhile, there were signs on Thursday that the Regions Party would try to delay the work of Parliament on Friday as the party by nominating a highly controversial figure for the post of the first deputy speaker of Parliament.

"This figure will be a joint nomination [by the opposition groups]," Olena Bondarenko, a spokeswoman for the Regions Party, told the Channel 5 television. "This will be Adam Martyniuk."

The nomination of Martyniuk, a member of the Communist Party, was flatly rejected by Our Ukraine-People's Self-defense on ideological grounds two weeks ago.

The Tymoshenko group also indicated it will not support Martyniuk's nomination, which means the figure may fail to collect enough votes for the approval and could trigger a new round of tensions in Parliament. (tl/ez)

Text available on World Wide Web, URL:
<http://www.ukrainianjournal.com/index.php?w=article&id=5733>

3. 'Gas princess' strives to become Ukraine's PM Russia Today, 14 December

For the fourth day in a row, Ukraine's Rada, or parliament, will try to appoint the leader of the parliamentary coalition, Yulia Timoshenko as prime minister. President Yushchenko has again put forward Timoshenko.

Timoshenko lacked just one vote in her favour. Twice in a row 225 deputies supported her instead of the required minimum of 226.

The leaders of Yulia Timoshenko's bloc did not hesitate to accuse their rival Party of Regions of falsifying electronic voting results.

Timoshenko said the system tripped-out two votes of deputies who supported her. Meanwhile, the Party of Regions denied the accusations. Experts later confirmed there was no external interference in the voting system.

The Party of Regions demanded an apology saying it would block the work of parliament until it receives it.

Parliament will now decide on the voting method as deputies of Yulia Timoshenko's bloc insist the voting system is unreliable.

"The Party of Regions is trying to slow down the whole process - of this voting and of Timoshenko's appointment. And it is trying to put some other issues on the parliamentary agenda," said Ivan Presnyakov, a political analyst, the International Centre for Politics studies.

Text available on World Wide Web, URL:
<http://www.russiatoday.ru/news/news/18471>

4. Party of Regions MPs blocking Rada presidium Itar-Tass, 14 December

Members of parliament from the parliamentary faction of the Party of Regions have blocked the presidium of the Supreme Rada (parliament) of Ukraine, in order not to allow Rada Speaker Arseny Yatsenyuk to open a plenary meeting on Friday morning.

The MPs took seats in the presidium and blocked the entrance to the presidium with chairs. The Friday meeting was expected to discuss the appointment of Yulia Timoshenko to the post of prime minister. The meeting has not been opened so far. The agenda of the meeting has not been adopted either.

MPs from the Party of Regions are demanding the priority discussion of candidates to the posts of first deputy speaker and deputy speaker of the Rada, as well as to the posts of heads of parliamentary committees. They insist that Adam Martyniuk, from the Communist Party, should be elected first

deputy speaker of the Rada, while Yulia Tymoshenko Bloc and Our Ukraine-Popular Self-Defence Bloc emphatically oppose his candidacy.

Text available on World Wide Web, URL:

<http://www.itar-tass.com/eng/level2.html?NewsID=12179359&PageNum=0>

5. Ukraine: Rada may sack PM, FM without pres suggestion Itar-Tass, 14 December

The Supreme Rada (parliament) of Ukraine may remove from their posts a prime minister, a foreign minister or a defence minister without a corresponding suggestion of the president, says the ruling of the Constitutional Court, which was published on Friday.

"The Supreme Rada of Ukraine may exercise its powers for the dismissal of a prime minister, a defence minister or a foreign minister without the suggestion of the Ukrainian president," the ruling said.

The case on the procedure for the termination of powers of members of the cabinet of ministers was heard by the Constitutional Court at the request of 46 members of parliament. In their opinion, the Constitution does not specify whether or not the president's suggestion to the Supreme Rada is needed for the removal of a prime minister, a defence minister or a foreign minister from their posts. Neither does it specify whether or not the suggestion of the prime minister is needed for the dismissal of other members of the cabinet.

The Ukrainian government is formed by the parliamentary coalition, which suggests to the president a candidate to the post of prime minister. The president, in his turn, submits the candidacy for the consideration of the Supreme Rada. If the candidate is approved by the Rada, the prime minister suggests to the Rada the candidates to the ministerial posts. At the same time, the posts of the foreign minister and the defence minister are within the presidential quota.

Text available on World Wide Web, URL:

<http://www.itar-tass.com/eng/level2.html?NewsID=12180028&PageNum=0>

6. Ukraine's Tymoshenko taken under reinforced protection due to possible attempt threat Axis News, 13 December 2007

Protection of Yulia Tymoshenko block leader, Yulia Tymoshenko, has been reinforced, news agency Interfax reports from Kiev, referring to Alexander Turchinov, one of leaders of this Ukrainian political block.

According to Turchinov, in Ukraine there are people who "because of economic crimes are very much afraid of Tymoshenko's eventual leadership in the government". "They can settle on anything", he noted. Turchinov said warnings had come from a known Russian political scientist. Turchinov emphasized that "such similar information, undoubtedly, deserves to be listened in and compels us to go for reinforcing of security issues and to provide presence of Yulia Vladimirovna [Tymoshenko] in the parliament without obstacles". The Yulia Tymoshenko block works "in close contact" with the Security Service of Ukraine (SBU), investigatory and law enforcement bodies, Interfax is quoting Turchinov as saying.

The head of Institute of Political Researches in Moscow, Sergei Markov, was the first who yesterday started talking about a possible attempt at the Ukrainian politician. He announced that political elites of Ukraine consider murder of Yulia Tymoshenko. The Ukrainian politics, Markov noted, was so criminalized, that this attempt at all did not become unexpected – similar precedents had been quite enough.

At the same time, the Russian political analyst marked that protection not always can help «even the President of the United States". I do not think, that protection of the Ukrainian politicians is better than that of [US President Ronald] Reagan. Though today Yulia Tymoshenko, probably, has been protected more carefully, than the country's President», - Markov is cited by online paper Obozrevatel. «Murder of Ukrainian politicians can be favourable only to their enemies inside the country. It is absurd to speak that the Russian secret services are involved in attempts of elimination of the Ukrainian politicians», Obzorevatel quotes Markov.

Text available on World Wide Web, URL:
<http://www.axisglobe.com/article.asp?article=1450>

7. Security Service of Ukraine accuses acting minister of misappropriation Axis News, 13 December 2007

Acting Minister of Transport of Ukraine, 39-years old Nikolai Rudkovsky has been called for questioning to the Security Service of Ukraine as a suspect of waste of budgetary funds for private needs, Gazeta po-ukrainski reports. Rudkovsky denies all blames, declaring, that it is revenge of the Presidential secretariat. According to the SBU spokeswoman Marina Ostapenko, Rudkovsky has quickly left for abroad; papers name Russia as his current location. SBU supposes that the minister fled at the state expense to Paris. According to the acting SBU Chairman Valentin Nalyvaychenko, 41, Rudkovsky has taken along one of the „Miss Ukraine" contestants. The plane was set in the French capital for three days. According to Nalyvaychenko, 300,000 Hryvna was spent from the state budget for the trip. It is a monthly pension for a thousand of pensioners, — the acting SBU chairman commented. Rudkovsky says he was on a trip to France twice lately and both trips have been coordinated and approved by the Council of Ministers. Investigatory directorate of the SBU has initiated a criminal case on the fact of assignment of budgetary money by the minister, Ukrainska pravda writes.

Text available on World Wide Web, URL:
<http://www.axisglobe.com/article.asp?article=1450>

8. SBU to create interdepartmental staff on struggle against contraband on Ukraine's borders Axis News, 13 December 2007

The Security Service of Ukraine (SBU) schedules till December 20 to create an interdepartmental operative staff on struggle against contraband on state borders, news agency UNIAN reports, referring to acting Chairman of the SBU Valentin Nalyvaychenko, who spoke with the press following the second session of interdepartmental working group of the SBU and the State Office of Public Prosecutor concerning counteraction to contraband and violation of customs rules. «The operative staff is called to immediately respond to attempts of infringement of the customs order and on information exchange in working conditions», Nalyvaychenko is quote dby the agency as saying. He added that the special operation Tsunami on struggle against contraband will be continued and the interoperability between various law enforcement bodies should be strengthened. According to the acting SBU chief, in particular, it is necessary to inform customs officers and borderguards in advance of possible commitment of offences and the information will be provided by the SBU and the Ministry of Interior. «The operative staff will immediately react and make a decision about who will leave for the border zone not to tolerate illicit import or transportation of transit cargoes into the territory of Ukraine», Nalyvaychenko said. He added that in this staff will be included, except for representatives of the Ukrainian law enforcement bodies, a representative of Mission of the European Union, and Ukraine will also receive customs information from the EU countries and NATO to enable Ukrainian security forces and borderguards to react adequately, UNIAN notes.

Text available on World Wide Web, URL:
<http://www.axisglobe.com/article.asp?article=1450>

**9. SBU, PGO brief Yuschenko on investigation into electronic voting panels of some MPs
Interfax-Ukraine, 12 December 2007**

The Security Service of Ukraine (SBU) and the Prosecutor General's Office have briefed Ukrainian President Viktor Yuschenko on the results of an investigation into the electronic voting panels of some MPs conducted at the president's request.

The presidential press service reported on Wednesday that a special interdepartmental commission, including workers from the SBU, the Institute for Problems of Mathematical Machines and Systems of the National Academy of Sciences of Ukraine, and the Verkhovna Rada, had examined the electronic voting panels of MPs Oleksandr Omelchenko, Yaroslav Fedorchuk and Ivan Denkovych on December 11-12.

The SBU said in a letter to Yuschenko that according to a commission protocol, the voting panels of the MPs met technical requirements.

The commission found no trace of interference in the work of the Rada electronic voting system.

The Prosecutor General's Office told the president that statements made by MPs on the interference in the Rada system's work are still being checked.

Text available on World Wide Web, URL:
<http://www.interfax.com.ua/en/news/main-news/90991/>

**10. Kyrylenko is sure that PR will not block podium
ForUm, 14 December 2007**

Leader of the OU-PSD Vyacheslav Kyrylenko thinks that vote for the Prime Minister by raising hands will provide an accurate vote. As ForUm's correspondent reports, he stated in an interview with parliamentary journalists.

Besides, Kyrylenko has informed that any groundless obstacles from the Party of Regions will be removed. "There will be no blockings and other incomprehensible and absolutely groundless things," he stressed.

Kyrylenko hopes that starting from Tuesday the People's deputies will provide the beginning of work of the democratic government and the beginning of new effective and qualitative work of newly elected parliament.

Besides, the People's deputy has informed that on Tuesday for the first time in the history of the VRU the People's deputy will vote for the Prime Minister's appointment by raising hands.

Text available on World Wide Web, URL:
<http://en.for-ua.com/news/2007/12/14/153628.html>

**11. Plushch Granted 'Deferment' Until Tymoshenko's Election
Ukrayinska Pravda, 14 December 2007**

The issue of Plushch's exclusion from Our Ukraine – People's Self-Defense faction will be reviewed after government formation.

Radio Svoboda was informed about it by a NU-NS representative Yuriy Kostenko.

"Yes, some MPs were in favor of immediate review of this situation in the faction. I mean the fact that Ivan Stepanovych didn't vote [for the candidacy of Yulia Tymoshenko for the post of Prime Minister]," he confirmed.

"But the head of faction Vyacheslav Kyrylenko offered to return to this issue and discuss it substantially only after the government is formed," related Mr. Kostenko.

According to previous reports, Mr. Plushch didn't vote for Tymoshenko's candidacy for the post of Prime Minister on Tuesday and was also refusing to sign an agreement on creating a coalition of BYuT and NU-NS, insisting on creating a wide coalition with the Party of Regions.

After voting for Tymoshenko which brought no results NU-NS representatives claimed that the bloc will review the issue of excluding Mr. Plushch from the faction and depriving him of MP authority.

At the same time, they indicated certain difficulties associated with this decision as the respective procedure is not precisely described in Ukrainian legislation.

Text available on World Wide Web, URL:
<http://www.pravda.com.ua/en/news/2007/12/14/9592.htm>

12. Party of Regions Waits for Martynyuk's Self-Withdrawal and Wants the 'Package' Ukrayinska Pravda, 14 December 2007

The Party of Regions faction is ready to propose a candidacy of Rayisa Bohatryova for the post of first deputy head of the Verkhovna Rada, stated the party representative Yaroslav Sukhiy.

"If they [Communist Party faction] take away their candidacy [Adam Martynyuk for the post of first vice speaker], we are ready to propose Rayisa Vasylivna Bohatryova or... well, who the faction chooses," said the MP on air of the First National TV Channel.

He stressed that the Party of Regions hasn't discussed yet which candidacy it is going to propose for this post, and most probably it will reach a respective decision at a faction meeting on Friday morning on December 14, reports UNIAN.

"We hope that Adam Ivanovych [Martynyuk] will opt for self-withdrawal," said Mr. Sukhiy.

Meanwhile, Mr. Sukhiy claimed that his faction will insist on package voting for electing first deputy head of the Verkhovna Rada and deputy head of parliament.

He also noted that the Party of Regions intends to insist on package voting for appointing a Prime Minister and forming the Cabinet of Ministers.

"We'll insist on this voting to be in a package with voting for government," he said.

According to Mr. Sukhiy, his political force is no less interested in speedy formation of government than the others are.

"One shouldn't do it like this – we choose a Prime Minister and don't choose a new government. It's all monkey business then," the agency cites the MP.

Before that the Party of Regions representative Nestor Shufrych claimed that the Party of Regions insists on electing Mr. Martynyuk as the first deputy head of the Verkhovna Rada.

The statement about Mr. Martynyuk being the only candidacy from the Party of Regions and the Communist Party was also voiced by the Party of Regions faction MPs Olena Bondarenko and Hanna Herman.

In particular, Mrs. Herman substantiated it in the following way: “the decision of three factions is the decision of three factions – and we must be disciplined and not let down our partners,” though admitting that she personally would have supported Bohatryyova’s candidacy.

Text available on World Wide Web, URL:
<http://www.pravda.com.ua/en/news/2007/12/14/9590.htm>

13. Rada Decides To Consider Prime Minister’s Appointment On December 18 Ukrainian News Agency, 14 December 2007

The Verkhovna Rada has decided to consider the appointment of the prime minister and other Cabinet members at a plenary meeting on Tuesday, December 18.

The decision was favored by 274 deputies while the votes of at least 226 were required for its approval.

Parliament Speaker Arsenii Yatseniuk said that the parliament conciliation council worked out the agenda for Tuesday.

«I think it would have been easier to pass a decision in the United Nations Organization, though there are more than 190 members there,» the speaker said.

He added that the conciliation council approved the agenda for December 18 in accordance with which the parliament will consider the appointment of the prime minister, the termination of powers of Prime Minister Viktor Yanukovych and his government, the appointment of the new government and termination of powers of parliamentary deputies who will enter the Cabinet.

After that, the parliament will elect chairmen of parliamentary committees.

Yatseniuk said the Bloc of Lytvyn faction had insisted that the minutes of the conciliation council’s meeting include a statement saying that representatives of the bloc will take the posts of heads of the budget committee and the committee on human rights.

As Ukrainian News earlier reported, Rada voted down the candidacy of BYT faction leader Yulia Tymoshenko for premiership on December 11.

On December 12, President Viktor Yuschenko submitted her candidacy to the parliament again.

Text available on World Wide Web, URL:
<http://www.ukranews.com/eng/article/88308.html>

14. Rada Decides To Appoint Premier Via Open Rollcall Vote Ukrainian News Agency, 14 December 2007

The Verkhovna Rada has decided to vote appointment of prime minister, formation of the new Cabinet of Ministers and disbanding the present Cabinet in an open rollcall way.

This decision was supported by 253 deputies, when 226 votes required.

Parliament Speaker Arsenii Yatseniuk says every registered deputy has to remain at his workplace during the vote.

The speaker will call aloud names of deputies in alphabetical order and deputies to raise their hands and voice their decisions.

They will keep video record of all the deputies voting.

A counting board will be controlling over the vote and will draw up a protocol under its results.

As Ukrainian News earlier reported, the Rada decided to consider appointment of premier and of the Cabinet on December 18.

Text available on World Wide Web, URL:
<http://www.ukranews.com/eng/article/88307.html>

**15. Fuel And Energy Ministry Accuses Tymoshenko Bloc Of Speculating On Financial State Of Naftohaz Ukrainy
Ukrainian News Agency, 14 December 2007**

The Fuel and Energy Ministry has accused the parliamentary fraction of the Yulia Tymoshenko Bloc of speculating on the issue of the financial state of the Naftohaz Ukrainy national joint-stock company.

The press service of the ministry announced this to Ukrainian News.

The Fuel and Energy Ministry believes that attempts by the Yulia Tymoshenko Bloc to gain political dividends on the issue of the financial state of Naftohaz Ukrainy was not only baseless, but also immoral.

"When at a press conference of the BYT leader come two representatives of Naftohaz Ukrainy's foreign creditors instead of Tymoshenko herself and unveil possible default of Naftohaz Ukrainy, it raises the question of the BYT's involvement in arrangement of such statements," the ministry's press secretary Kostiantyn Borodin told journalists.

According to Borodin, Naftohaz Ukrainy is fully servicing its debt and promptly making the interest payments on them.

Moreover, Borodin noted the significant improvement in the financial results of Naftohaz Ukrainy in the second half of 2006 and the first nine months of 2007, compared with the first half of 2006.

For example, he said that Naftohaz Ukrainy has not obtained new foreign loans and that the foreign loans that that company has paid or restructured under terms that are more favorable amount to about USD 270 million.

Borodin said the actions of the Yulia Tymoshenko Bloc involving organization against the Naftohaz Ukrainy company was immoral.

"The Yulia Tymoshenko Bloc has no moral right to speculate on the problems in the national joint-stock company's interrelations with international creditors because half of Naftohaz's debts - USD 1.06 billion out of USD 2.17 billion - were accumulated in 2005 in accordance with a financial plan that Yulia Tymoshenko imposed on the company in her capacity as Prime Minister," Borodin said.

Borodin expressed the belief that the Yulia Tymoshenko Bloc cannot aspire for nomination of its nominees to leadership posts in Naftohaz Ukrainy.

As Ukrainian News earlier reported, holders of Naftohaz Ukrainy's Eurobonds, including the Ashmore company, said on December 12 that they had granted the company a deferment on submission of its financial report for 2006 until 2008.

Naftohaz Ukrainy has sent its draft financial plan for 2008 to its auditor, the Ernst & Young company.

Naftohaz Ukrainy ended the January-September period of 2007 with a net profit of UAH 1,490.558 million.

Its net revenues amounted to UAH 13,089.378 million in the January-September period of 2007.

According to preliminary data, Naftohaz Ukrainy ended 2006 with a net unconsolidated profit (excluding the financial results of its subsidiaries) of UAH 2 billion.

Naftohaz Ukrainy monopolizes transportation of natural gas via transit pipelines and crude oil via oil pipelines in Ukraine. It is also a major extractor and seller of natural gas and a major extractor of crude oil in Ukraine.

Text available on World Wide Web, URL:
<http://www.ukranews.com/eng/article/88295.html>

16. TYMOSHENKO VOTE SHOWS COALITION'S LIMITATIONS

By Pavel Korduban

Eurasia Daily Monitor, 13 December

The coalition of President Viktor Yushchenko's Our Ukraine-People's Self-Defense bloc (NUNS) and the Yulia Tymoshenko Bloc (BYuT) has failed to ensure Tymoshenko's return to the post of prime minister, from which Yushchenko fired her in fall 2005. This time it is not disagreements within the coalition that stand in her way, but what looks like a glitch of the "Rada" electronic voting system and the opposition's determination to capitalize on it. Tymoshenko's bid for prime minister was supported by exactly half of parliament – but not a majority.

The voting on Tymoshenko on December 11 demonstrated that the BYuT-NUNS coalition will have to fight for every important issue in the newly elected parliament, as it numbers 227 members, just one vote more than the simple majority needed to pass laws in the 450-seat legislature. The opposition – the Party of Regions (PRU), the Communists, and the Lytvyn Bloc – refused to cast a single vote for Tymoshenko, so all members of NUNS – even those who happened to be seriously ill – had to come to parliament.

Their turnout was in vain. Tymoshenko mustered 225 votes, just one short of her premiership. Two coalition members complained that, for some reason, their votes "in favor" were not counted by the electronic voting system. Rada Speaker Arseny Yatsenyuk, despite loud protests from the opposition, ruled to re-vote. At that point, PRU deputy Vladyslav Lukyanov snatched the speaker's voting card. Without Yatsenyuk's vote, the Rada displayed the figure 225 again. In addition, another coalition member claimed that his vote was not counted.

The opposition did not allow a re-vote. Furious, NUNS and BYuT claimed that the opposition had tampered with the Rada system and threatened Lukyanov with criminal prosecution. The PRU, however, defended Lukyanov, saying that he had only prevented a procedural violation. Technical experts interviewed by Channel 5 said that the Rada system could not possibly be tampered with. They suggested that the incident during the voting was an unfortunate coincidence. After checking the voting system the Security Service reported that nothing suspicious was found.

Yesterday, December 12, Yushchenko again submitted Tymoshenko's nomination to parliament. The opposition, however, blocked the session hall. The PRU said that the December 11 voting was just a one-off concession to the coalition, and now they want parliament to continue working according to the usual procedure, which stipulates that the parliament speaker and deputy speakers should be elected and standing committees should be formed before voting on a new prime minister. Only the speaker has been elected so far. It is not clear when parliament will vote on Tymoshenko's bid again if the opposition does not drop their demand.

The composition of Tymoshenko's future cabinet has already been made public. It is not ruled out, however, that some changes may be made to the list by the time of Tymoshenko's appointment. Her

proposed cabinet will include representatives of the BYuT and NUNS in equal proportion. The foreign and defense ministers are picked by the president, as this is his privilege according to the constitution.

The four deputy prime ministers designated by Tymoshenko are: Oleksandr Turchynov, her key ally since the late 1990s, when both were on the team of former prime minister Pavlo Lazarenko, who was later imprisoned in the United States for graft; Ivan Vasyunyk, a former deputy head of Yushchenko's office; Yosyp Vinskyi, a former number two in the Socialist Party, who left the Socialists when they abandoned Yushchenko and Tymoshenko and joined Yanukovich's camp in 2006; and Hryhory Nemyrya, a foreign relations expert who has accompanied Tymoshenko on foreign trips.

Yushchenko's choice for defense minister was a surprise for many, as it had been expected that Anatoly Hrytsenko, who survived several cabinets in this position since 2005, would stay. Instead, Yushchenko picked Yuriy Yekhanurov, who succeeded Tymoshenko as prime minister in 2005-2006. Yekhanurov opposed the alliance with Tymoshenko, preferring a "grand" coalition with the PRU. Vadym Karasyov, an analyst close to Yushchenko's team, told Channel 5 (5 Kanal) that Yekhanurov would be a counterbalance to Tymoshenko in the cabinet. He also suggested that Hrytsenko might be promoted to secretary of the National Security and Defense Council.

Yushchenko's choice for foreign minister is Volodymyr Ohryzko, a pro-Western diplomat who served as deputy foreign minister in several cabinets. Ohryzko's appointment may not play well in Moscow, as he has been a tough negotiator on border issues and the Black Sea Fleet for many years. Ohryzko does not miss opportunities to challenge Russians even in matters of secondary importance. He once sparked a scandal by refusing to speak Russian at a meeting with Russian experts who complained that their poor understanding of Ukrainian hindered normal dialogue.

Yuriy Lutsenko, who spearheaded the anti-corruption drive immediately after the December 2004 Orange Revolution, is slated to return to the post of interior minister. Viktor Pynzenyk, who has served in many Ukrainian cabinets since the early 1990s, should return to the chair of finance minister. Vasyl Kremin, who was education minister for many years under former president Leonid Kuchma, should be education minister again.

(Ukrayinska pravda, Channel 5, December 11-12)

Text available on World Wide Web, URL:
http://www.jamestown.org/edm/article.php?article_id=2372664

17. The Ukrainian Elites Continue to Believe That They Are Above the Law Taras Kuzio's Blog, 13 December 2007

The failure of parliament to vote for Yulia Tymoshenko as Prime Minister through the inability of two deputies to vote because of interference in parliament's technical equipment will not lead to criminal charges against Party of Regions deputies. Why? Because Ukraine's elites continue – as they have since Ukraine became an independent state in 1992 – to regard themselves as above the rule of law.

It is not unusual for the president to undermine his own policies. The president in granting state medals to former Prosecutor Mykhailo Potebenko, former Central Election Commission Chairman Sergei Kivalov and the head of the Party of Regions 2007 election campaign Borys Kolesnikov undermined his submission of Tymoshenko's candidacy to parliament. Ukraine's elites can openly break the law – as in parliament on Tuesday – without fearing any criminal responsibility (and not only because they possess parliamentary immunity). A major failing in the president's three years in office has been his inability to deepen the rule of law in Ukraine. His choice of three prosecutors, including Sviatoslav Piskun on two occasions, are testimony to the president's inability to improve the rule of law.

Not only was immunity given to former President Leonid Kuchma but to his entire entourage while this was act was crowned by their full rehabilitation through state medals, joint presidential-oligarch community projects and the signing of memorandums and universals. Even former BYuT and Our

Ukraine deputy and Justice Minister Serhiy Holovatyiy was convinced enough of the Kuchma camps alleged respectability for him to join the Party of Regions.

The organizers of the murder of Georgi Gongadze were either permitted to flee Ukraine, commit double 'suicide' or write books in retirement. Meanwhile, the organizers of the presidents own poisoning remain a mystery. Volodymyr Shcherban returned from exile in the USA in autumn 2006 after deciding that he was more likely to be criminally charged in that country than in Ukraine. He was of course absolutely right as only three members of Ukraine's elites have ever been criminally charged and all abroad.

While senior elites remain above the law Ukrainian citizens continue to feel the wrath of the law. In the Gongadze trial it is lower ranking Militiamen who are being sentenced in a (to the presidents apparent surprise) a closed trial. Although the Supreme Court ruled in December 2004 against massive election fraud only those forced to undertake such actions out of fear of losing their jobs have been sentenced.

On each occasion when we have been told that criminal charges may be pending towards Ukrainian elites (whether Shcherban, Vasyl Tsushko and Party of Regions deputies in parliament on Tuesday) we roll up our eyes with disbelief as we know nothing will happen. We should not be surprised that no charges will again be forthcoming.

If you wish to understand who lies behind Tuesday's technical problems in Ukraine's parliament you only need to recall similar interference in the Central Election Commission's server in the 2004 elections. Perhaps the same organizers are behind both events. Rehabilitating Kivalov gives the green light to those who interfered with his server to continue to undertake such actions with impunity.

For the rule of law to be strengthened in Ukraine the Tymoshenko government should fulfill Yushchenko's 2004 election manifesto (and that of the Orange Revolution) of 'Bandits to Prison'. This unfulfilled election promise can then be removed from the president's shoulders.

Text available on World Wide Web, URL:

<http://blog.taraskuzio.net/2007/12/13/the-ukrainian-elites-continue-to-believe-that-they-are-above-the-law/>

18. Global giants have missed the boat in Eastern Europe

By Claire Smith

Times Online, 13 December 2007

There are not many parts of the world that can boast immunity to the sour markets resulting from the global credit crunch, but Central and Eastern Europe (CEE) can. As the lawyers on the ground there have it, it's not so much a question of which country is hot, but which country is *hottest*.

Economic growth across the region is at its highest since the collapse of communism in 1991, with an expected average GDP growth rate of 7.2 per cent for 2007. Foreign direct investment doubled from \$13 billion in 2005 to \$26 billion in 2006 — but still the international lawyers have been slow to move in.

Sure, Moscow is now arguably as competitive as London thanks to a raft of English and American-owned outposts, but beyond a smattering of nameplates in Warsaw that is the extent of international legal advisers in the region. While the "magic circle" and its US rivals have sought to colonise the globe by attracting top local talent with lucrative pay packets, they have hit a dead-end in CEE.

The world's biggest law firms flocked to the region in the early 1990s, attempting to capitalise on a wave of privatisations, but performed a collective about face as they came to an end. Today, there are really only five players who continue to take the region seriously: Allen & Overy, Clifford Chance, CMS Cameron McKenna, Linklaters and White & Case. The fact that CMS just elected Duncan Weston, the head of its CEE practice, as global managing partner, and that White & Case similarly picked its head of Moscow as chairman, shows there are names to be made there.

All five of these firms have offices throughout the CEE countries: White & Case is just about to add Romania to its footprint, while CMS just became the first UK-headquartered firm in Ukraine. The most mature markets are in the western part of the region — Poland, Hungary and the Czech Republic — where privatisation is largely complete and project finance, M&A, real estate and capital markets are taking off. Further east, in Romania, Bulgaria and Ukraine, it is infrastructure investment that is thriving: Ukraine, for example, has strategically important oil pipelines running east to west and north to south.

Private equity firms are also putting money into the CEE as they turn away from mature markets in search of high-growth investments. Such clients will find a region populated by first-rate local law firms. The best young lawyers typically served a stint at the global outfits early in their career, but then turned their backs on the all-but impossible route to equity, choosing instead to set up their own practices.

This is an entrepreneurial region where the talent is little older than the legal systems themselves, so there is no desire to be the local skivvy handling due diligence on a transaction being run from London or New York.

The recruitment markets in Prague, Warsaw and Moscow are thriving as unemployment plummets and the highly skilled workforce laps up offers from the global corporates moving in. Finding good young lawyers is nigh on impossible, and it is the prospering local law firms that can offer them a genuine career path.

For the global law firms that haven't already established a foothold, it is beginning to look like the time has passed. They will be forced to make do with building referral relationships with incumbents.

Text available on World Wide Web, URL:

http://business.timesonline.co.uk/tol/business/law/corporate_law/article3040985.ece

19. Marbleton, Alfa Bank and Griffin Investment Partners to invest €100m into high street properties in Dax, 13 December 2007

Metropolitan Properties is a three party joint venture between the Marbleton Property Fund, Alfa Bank Ukraine and Griffin Investment Partners to acquire high street properties in secondary cities in Ukraine.

The strategy is to build up a portfolio of high yielding assets and add additional value through active asset management, i.e. repositioning, refurbishment, re-tenanting, etc. Each of the partners has committed €10 million in equity capital to the joint venture. Marbleton Property Fund is a US\$321 million private equity real estate fund, co-sponsored by JER Partners and Alfa Capital Partners with a focus on real estate investments across all property sectors in Russia, the Ukraine and other CIS countries. The fund closed in June 2007.

Griffin Investment Partners has successfully implemented this strategy in Poland and is looking to expand into Ukraine and other CIS countries. The joint venture expects to acquire its first assets in the first quarter of 2008.

Malcolm Le May, President Europe at JER Partners, commented: "We are delighted to be creating this platform partnering with GIP's proven business model and Alfa Bank Ukraine's local network of contacts in order to target the Ukrainian property market."

Richard Sobel, Chief Executive Officer of Alfa Capital Partners, stated: "We see strong demand by retailers who are targeting the dynamic consumers throughout Ukraine and we look forward to working with local and international retailers as they grow and expand their businesses, particularly in Ukraine's regional cities."

Marcin Halicki, Managing Partner of Griffin Investment Partners, said: "For the last 15 years Partners of GIP were actively investing into private equity and real estate projects in Poland consistently delivering high return to its investors. We have set the stage for growth into region, and with our strategy and execution strength, I have a clear vision of realizing even higher returns from taking advantage of the opportunities in the Central and Eastern markets. Teaming up with Marbleton Property Fund and Alfa Bank gives us a level of comfort to aggressively expand the business and I foresee that the size of our venture will grow beyond our initial expectations."

Text available on World Wide Web, URL:
<http://dah.kiev.ua/content/view/937/100/>

20. Kazakhstan: exporters renewed the grain deliveries to Ukrainian ports AgriMarket, 14 December 2007

Kazakh export-oriented companies renewed the grain deliveries to the Ukrainian seaports.

According to the experts of IA "APK-Inform", Kazakh exporters could start the grain deliveries due to arrival of Ukrainian wagons-grain carriers. At that, the companies execute the earlier concluded export contracts which terms have already expired in October and November 2007.

At the same time, according to the market participants, the number of arrived wagons is not sufficient for meeting the shipment requirements of all the companies-exporters.

Let us remind you that the Vice Minister of Agriculture of Kazakhstan Akyzbek Kurishbaev declared that in December 2007 the export volumes of grain from Kazakhstan should total not less than 1 mln tonnes.

You may find detailed information about the current state of market of oilseeds and grains in CIS countries in our periodical "Agrimarket Weekly Report".

Text available on World Wide Web, URL:
<http://www.agrimarket.info/showart.php?id=53383>

21. Independence for US \$15 By Oleksiy Moldovan Kyiv Weekly, 12 December 2007

The price for gas supplied by trader RosUkrEnergo to Ukraine turned into a surprise practically for all political forces of the country. Russian gas giant Gazprom, de-facto the key participant of the gas talks, set the price at US \$179.5 per 1,000 cu m for the next year. It means Ukraine will have to pay US \$2.7 bn extra compared to the previous year. In return, Gazprom agreed with increase of the gas transit rate through Ukraine by US \$0.10 to US \$1.7 per 1,000 cu m per 100 km. By the way, the fact of transit price fluctuations remains unclear from purely legal standpoint. In 2006, Ukraine and Russia signed an agreement that envisages that transit price cannot be changed over the following five years. As it turned out, in practice, this issue can be settled even on the level of ministers.

The news from Moscow seem to have totally dispirited the ruling Party of Regions, who even in the worst case scenario hoped that the price for the blue fuel would not exceed US \$160 per 1,000 cu m next year. Actually, Economy Minister Anatoliy Kinakh has predicted that the price increase would be within the inflation limits. The Regions held the pause for a while and then came up a good explanation to what has happened. They basically stated that the president should be blamed for sharp increase of gas price. Taras Chonovil, member of the Party of Regions faction emphasized that the Ukrainian delegation headed by Fuel and Energy Minister Yuriy Boyko acted according to the directions of Viktor Yushchenko at the talks in Moscow.

Formally, the Russians acted quite friendly without raising the price of gas of Russian origin and increasing its share in export to Ukraine. The blue fuel supplied to Ukraine is a mixture of Middle Asian and Russian hydrocarbons. At the same time, the Kremlin did not pass on the opportunity to weaken Ukraine's economic positions. It was Moscow's satellites – Turkmenistan, Uzbekistan and Kazakhstan who were the main factors of the weakening. They raised the prices for the gas they supply, while the energy sources from these countries account for 73% of Ukraine's annual consumption (55 bn cubic meters).

Ukraine's President, as expected, meet the news from Moscow more harshly. Yushchenko stated that the new price is a shock for the major part of the Ukrainian economy. Candidate to Premier Yulia Tymoshenko joined the criticism of Viktor Yanukovich government. Calling the activity of the current authorities "brainless", she said the gas price for Ukraine was set too high and needs to be reconsidered. Representatives of the BYT parliamentary faction believe this could be done if Gasprom is deprived of a possibility to sell gas transported through Ukraine to European consumers and agree on conveying the function of gas intermediary RosUkrEnergo to the National Joint Stock Company Naftogas Ukrainy.

Moreover, BYT representatives warned that Ukraine may fulfill in practice the requirements of the European Energy Charter. The document stipulates that gas must be sold to Ukrainian companies on the border and the Ukrainian companies should export it further to Europe. By the way, Gasprom's reaction to such statements was harsh and immediate. Russian First Vice Premier Dmitriy Medvedev stated: "I hope that the future Ukraine's government will maintain a wise position in separating political discussions from the process of gas price coordination for the next year. Politics must not interfere with the economy this much."

In their turn, Ukrainian experts and industrialists took the results of the talks calmly. They forecast that gas price inside the country will not exceed US \$240 per 1,000 cu m. They believe that it would not inflict a critical blow on mining and smelting industry or chemical industry. In the cost price of metallurgy products, gas price currently amounts to no more than 5% and when the majority of companies switch to PCI (pulverized coal injection), its share will drop even more. Chemical companies will fix the situation by raising prices for their products inside Ukraine, while favorable foreign economic situation will facilitate increase of profits.

International experts agree with Ukrainians. Due to increase of gas price the World Bank did not even reconsider macroeconomic indicators for the country. Martin Raiser, Task Team Leader for the Country Partnership Strategy for Ukraine, believes that gas price increase will not be disastrous for Kyiv, but will lead to greater control over energy saving.

Experts also point that Gasprom set gas price for Belarus at the level of US \$165 per 1,000 cu m. Meanwhile, unlike Kyiv, Minsk has agreed to convey control over Belarusian gas transport system to Russians, who in return promised a very smooth and favorable regime of price increase during the transition period.

Text available on World Wide Web, URL:
<http://www.kyivweekly.com/?art=1197480201>

22. Strabag SE, Basic Element and DCH create new holding in Kiev Construction and Maintenance News, 13 December 2007

Shareholders signed the articles of association of the new multiline construction holding Strabag.Ukraine in Kiev. Strabag.Ukraine is a joint project between Strabag SE (Austria), Group Basic Element (Russia) and DCH Group (Development Construction Holding, Ukraine), each holding equal stakes in the company. In the first phase the company expects to employ just under 1,000 people.

Strabag.Ukraine will specialize in large orders, especially for the construction of transport infrastructure objects, bridges, tunnels and roads and commercial and residential property. Strabag.Ukraine will also build new cement works and invest in the production of aggregates, gravel,

sand and crushed aggregate. The holding is expected to start work and appoint its manager at the beginning of next year.

Text available on World Wide Web, URL:
<http://home.nestor.minsk.by/build/news/2007/12/1401.html>

23. Study: Ukraine halves carbon emissions, but still big polluter
By Elisabeth Sewall
Kyiv Post, 12 December 2007

Ukraine has nearly halved its carbon emissions since the 1990s, more than any other country worldwide, according to the UN 2007/2008 Human Development report.

The Nov. 27 report highlights Ukraine among several transitions countries in the CIS for their drastic emissions reduction over the past decade – results of a combination of market transformations and economic blight. In terms of climate security, this is a significant achievement, considering that many developed countries have fallen short of their Kyoto targets and their emissions continue growing.

Although it is ranked 18th of the 30 biggest CO₂ emitters in the world, Ukraine has experienced a minus 45 percent cumulative growth rate from 1990-2004. Its 1990 share of global carbon dioxide emissions was 2.6 percent. By 2004, that number had decreased to 1.1 percent and its emissions rate was -55.3 percent of its 1990 levels.

Clear skies ahead?

Ukraine's carbon emissions have steadily decreased by an average 3.8 percent annually, but the report emphasized that the country's emissions achievements were due to the economic recession that hit countries of the former Soviet Union in the 1990s, rather than innovation or increased efficiency.

The report also highlighted Ukraine's ongoing struggle with Russia over the price of natural gas. Over the past 10 to 15 years, Ukraine has steadily replaced coal with cheaper and less polluting natural gas, 80 percent of which is imported from Russia. However, since Russia interrupted Ukraine's gas supplies in early 2006 and doubled import prices, the Ukrainian government has been considering a shift back toward coal.

"The case demonstrates the way in which national energy security may conflict with global climate security goals," the report said.

"The reductions owe less to reform than to a change in energy mix: imports of natural gas from the Russian Federation have halved the share of coal," the report explained.

"The energy reform process has yet to take off. Energy prices remain heavily subsidized, creating disincentives for efficiency gains in industry."

Ukraine's government has created an influential agency, known as the Blue Ribbon Commission, which has called for far-reaching reforms, with proposals ranging from cost-recovery pricing to the creation of an independent energy regulator and the withdrawal of subsidies.

"Progress towards implementation has been slow, but has gathered pace following an interruption of gas supplies from the Russian Federation in 2006," the report states.

Proposals range from cost-recovery pricing to the creation of an independent energy regulator and withdrawal of subsidies.

Transition countries

The Kyoto protocol calls for greenhouse gas emission (GHGs) cuts of 5 percent from 1990 levels for the wealthy countries (known as Annex 1 countries) that ratified it.

Overall GHGs for Annex I countries were 3 percent below 1990 levels in 2004, according to the report. However, “overall emissions have been on a rising trend since 1999, raising questions about whether the overall target will be achieved,” and “there are large variations in country performance.”

The report traces much of the overall decline – in some cases in excess of 30 percent – to deep emission reductions in transition economies. However, emissions are now rising with economic recovery.

Turning emissions into money

For purposes of Kyoto protocol targets, Ukraine’s emission reductions translate into a potential goldmine for the country.

Ukraine’s Economy Ministry estimates Ukraine’s surplus headroom of tradable carbon units, quantified by Assigned Amount Units (AAUs) at 2.225 billion and proposes holding 50 percent of this surplus in reserve during the first commitment period, making the total volume that could be traded under this scenario 1.125 billion. Even selling a small fraction of this number, if done properly, could generate billions of dollars.

Ukraine ranks second-best country for green investment schemes, known as Joint Investments (JIs) and AAUs, behind Romania, in ratings issued Dec. 5 by Point Carbon, a leading carbon-market consultancy based in Oslo, Norway. The ratings are meant to assess how attractive a country is for potential investors and JI project participants.

As there is currently no active market or limited forward trading, there is no market price. A market price for trading will be established in 2008. Valuation of Ukraine’s surplus will depend on several factors, including credibility of the green investment scheme (GIS) and the balance between supply and demand.

To ensure the integrity of the Kyoto protocol, buying countries require sellers to use proceeds from trade on emission reduction measures at home through transparent and credible mechanisms, known as GIS schemes, which are regulated by national legislation.

Ukraine’s Environmental Ministry issued a statement Nov. 5 announcing that Ukraine had joined the International Transactions Log (ITL) and passed tests of the national registry’s compliance with international requirements, calling them the country’s “last barriers to receiving the right to implement Kyoto protocol mechanisms.”

According to the United Nations Framework Convention on Climate Change (UNFCCC), the ITL, put in place in April this year, is an essential component of the trading infrastructure, forming the central hub of the settlement system that delivers traded allowances from sellers to buyers.

“With billions of euros at stake on the carbon market, it is critical that registry security is on par with systems in equivalent markets,” said UNFCCC executive secretary Yvo de Boer in a press release issued in April.

Cashing in

Yevgen Groza, director for Ukraine and Belarus of the GreenStream carbon consulting firm, called the news an “exaggeration.”

"The fact is that Ukraine did not make a final ITL connection at that time, but just ran the last compatibility tests. It's a good step forward, but CO2 units still aren't being transferred out of Ukraine for now," Groza elaborated.

Companies will have to pay an as yet undetermined fee to the government to make a credit transfer via the registry.

"If you compare different CO2 units, then the registry is similar to a bank, because you can make transfers from one account to another, and convert these currencies."

While bureaucracy is still high in Ukraine, the Environmental Ministry is doing a pretty good job and Ukraine has great potential, said Groza, whose firm advises companies on how to register for emission reduction credits and find buyers for them. GreenStream, with main offices in Beijing, Hamburg, Helsinki, Oslo, Stockholm and Vilnius, manages the Multilateral Carbon Credit Fund (MCCF), which buys reduction credits.

There are two primary stages to the application process, according to Groza.

At the first stage the government gives an applicant a letter of endorsement, received by 74 enterprises from Ukraine's government, Groza said.

This stage is much simpler than the second, in which applicants receive a letter of approval from the government. It is up to companies to prove the feasibility of their project in the second stage, which, due to its costliness, many are waiting to complete. Currently, 11 applicants have received letters of approval. According to Groza, Ukraine has a high number of projects approved compared to other countries, and is moving much faster than Russia.

Text available on World Wide Web, URL:
<http://www.kyivpost.com/nation/27983/>

24. Russia's CIT Finance buys bank in Ukraine Reuters, 13 December 2007

Russian investment bank CIT Finance, ranked among the country's 50 largest, said on Thursday it had bought a small bank in Ukraine in a move to expand into the rapidly growing sector of the ex-Soviet state.

CIT Finance said in a statement it had received permission from the Ukrainian central bank to acquire Dnipropetrovsk-based Radabank, which has 69 million hryvnias (\$14 million) in assets.

"Our strategy envisages providing financial services not only in Russia, but in other promising markets, among which Ukraine is key," said CIT Finance's head Alexander Vinokurov.

CIT Finance did not say how much it paid for the bank. The deal will be finalised before the end of this year, it said.

Several large Russian banks already have subsidiaries in Ukraine, including Russia's second-largest bank VTB (VTBR.MM: Quote, Profile, Research) (VTBRq.L: Quote, Profile, Research), Alfa-Bank and Bank of Moscow (MMBM.MM: Quote, Profile, Research).

Russia's largest bank, state-controlled Sberbank (SBER03.MM: Quote, Profile, Research), also recently received approval to acquire Bank NRB Ukraine. (Reporting by Dmitry Sergeyev; writing by Maria Kiselyova; Editing by David Cowell)

Text available on World Wide Web, URL:

<http://www.reuters.com/article/rbssFinancialServicesAndRealEstateNews/idUSL1389567720071213>

**25. IMF tells Ukraine to fight inflation, deficit
Reuters/Guardian Unlimited, 13 December 2007**

Ukraine must take tackle its most serious economic problem -- inflation -- next year, the International Monetary Fund said on Thursday, suggesting lower social benefits and a freer currency regime as solutions. The IMF also urged Ukraine's government to draw up a budget next year that is balanced or has a small surplus, which would also help dampen inflation. "Next year and in 2009, measures must be taken to make sure the (inflation) situation does not become worse," IMF's Europe department chief, Robert Ford, told Radio Era in comments translated into Ukrainian.

"It could do this by reducing social benefits, because these payments directly raise internal demand and this pushes up inflation."

Inflation climbed to 14.2 percent in the first 11 months of this year, far exceeding initial government and analysts' forecasts. The central bank's monetary policy is aimed at maintaining a stable hryvnia, kept at 5.00-5.06 to the dollar.

"Talking in the longer-term, we think a more flexible currency exchange rate is necessary, which will allow monetary policy authorities to better control inflation and ease pressure on the currency," Ford said.

"I don't think you could win by tying the hryvnia to the euro instead of the dollar. It would be better if the peg is wider so the currency can fluctuate."

The central bank has a long-stated aim of gradually moving towards greater currency flexibility, but signalled recently that it will make no moves until the political situation in the country stabilises.

Politicians are yet to form a government more than two months after a parliamentary election. All parties promised higher social spending during the election campaigns.

Ford also said the IMF had no concerns about the ability of Ukraine's economy to weather a rise in gas prices from Russia to \$179.50 per 1,000 cubic metres from \$130 paid since the beginning of this year and \$95 in 2006.

"The Ukrainian economy can handle this, because it came through fine the last time," he said. (Writing by Sabina Zawadzki)

Text available on World Wide Web, URL:

<http://www.guardian.co.uk/feedarticle?id=7150673>

**26. FJC Brings Chanukah to Rural Communities of Western Ukraine
FJC of the CIS, 14 December 2007**

ZHITOMIR, Ukraine – This year, Ukraine saw the largest comprehensive initiative effort ever aimed at spreading Chanukah light to rural Jews and those otherwise hard to reach due to extenuating circumstances. For this holiday period, the Federation of Jewish Communities of Ukraine simultaneously carried out initiatives aimed at dispersing light to reach as many Jews, as far and effectively as possible.

Through this major drive, hundreds of children and youth in 63 small towns and villages received a special package containing a Chanukah Menorah, 36 candles, an informative brochure on the holiday, Chanukah Gelt and various sweets. In addition to this, more than 1,800 Jewish families residing in 134

settlements also received similar gifts. Such a successful outreach effort was made possible thanks to the generous support of Messrs. I. Dvoretzkiy and A. Abdinov – businessmen from Ukraine who wanted to bring this holiday to Jews in even the most remote parts of the country.

Two other aspects of this Chanukah drive also brought the light of Chanukah to small and remote communities, extending from Zhitomir to the border near Lvov. The first involved visits to dozens of communities – on every day of the eight-day holiday – by six Dnepropetrovsk 'Yeshiva' students, who organized candle-lighting gatherings with local Jews and treated them to traditional donuts. The second involved the organization of seven automobiles, each of which had a large Menorah affixed atop. Between these vehicles, the light of Chanukah reached hundreds of smaller communities across Western Ukraine.

Text available on World Wide Web, URL:
<http://www.fjc.ru/news/newsArticle.asp?AID=611415>