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**1. Rude divorce**  
**By Petro Rivniy**  
**Kyiv Post, 17 October 2007**

Après moi le deluge

During the tenure of former president Leonid Kuchma the change of power or, to be more precise, coming of new favorites or loyal groups of influence to the Presidential Administration or the Cabinet of Ministers was pretty instantaneous. To this day rumors float that in 1996 in a matter of minutes after the dismissal of Dmytro Tabachnyk from the office of the head of Presidential Administration his deputy Volodymyr Yatsuba took away the keys from his boss' safe and office.

Despite the ostensible cruelty of such measures, the new head of the administration immediately plopped into his already warmed chair and the "inheritance of power" was not violated. The same applied to the change of governments. Indeed, starting from the dismissal of Pavlo Lazarenko in 1997 every new premier came on board with his or her own people. Be that as it may, the "backbone" of the government team was always made up of "all the president's men". Those ministers that had direct access to the president ensured a quick transitional period and taught the new head of the government the subtleties of managing the Cabinet and - to an extent - the entire country.

In 2004 the old succession mechanism was broken at both constitutional and inter-elite levels. President Viktor Yushchenko lost his exclusive influence over staffing policy as a consequence of Constitutional reform and now has to agree candidacies of defense and interior ministers with the Rada. The remaining ministers are appointed upon the proposal of the government, de facto, the premier. So, it is no wonder that in September 2006 the majority of top posts in the government were occupied by representatives of the Donetsk oblast.

Such a chaos is clearly visible at the normative level as well. In the fall of 2005 Yulia Tymoshenko left Yuriy Yekhanurov a short note that read "Good luck!" The latter also tried to pass over his powers to Yanukovych in a civilized manner. The leader of the Party of Regions worked the entire following year without a concrete program, which gave him the opportunity to exercise "manual control" over the economy and justify any of his steps depending on the situation at hand. Perfect examples of this were the introduction of seasonal quotas on grain export and a decision to divvy up the state's control of the shares of the DniproEnergo enterprise in favor of a company owned by the Regions' tycoon Rinat Akhmetov.

#### Government of transitional crisis

It is obvious that Yanukovych has no intention of handing over his business to a successor in the same way he received it last year from Yekhanurov. Of course, this would be the case only if the new coalition does not approve the re-appointment of Yanukovych as premier and force him to heroically struggle with the series of problems that have become more intense over the past two months. For instance, a record inflation rate and a continued growth of the prices of foodstuffs were registered in September.

The instability of the government has already been manifested in the growing demand for currency on the part of the country's population. Businesses are also suffering from such unpredictability of the government's steps. In particular, the State Tax Administration reported on October 10 that the monthly budget resource for GDP compensation was fully depleted. This means that a whole host of companies will suffer from a shortage of floating assets, which will definitely impact national social indices. Even if the phenomena are temporary, the government should have given the successor a drafted plan of addressing the problems a few months in advance.

Yanukovych's recent visit to Moscow aimed at regulating the issue of Ukraine's gas debt to Gasprom can be perceived as the best illustration of a "scorched earth policy" for successors. Despite the constant curtsies to the president and summons to form a "broad coalition", the premier did not take with him any moderate representative of the "orange team". In fact, it would have been politically sound and expedient should Ivan Pliushch, the Secretary of the National Security and Defense Council, or Foreign Minister Arseniy Yatsenyuk, both of whom were in favor of constructive talks with the "regionals", had accompanied Yanukovych to his meeting with Russian officials. Such a gesture would have proven that Ukrainian powers are not divided into party colors and by so doing Yanukovych could have chalked up another "brownie point" for his image in the eyes of the president.

There is only one step from the sublime to the ridiculous, though. The government is working on such petty issues as setting the maximum allowable weight of hand luggage on public transport. The Cabinet reduced the allowable weight from 30 to 10 kg. Should such a decision be adopted, children's skis, sleds, bicycles and prams would be stricken from the list of allowable carry-on items. Is it hard to predict the outcry of parents, especially in the nation's capital and large cities?

The cancellation of this resolution is just a matter of time and will serve as a nice opportunity for the next government to criticize the previous one. Among those ministers on the threshold of dismissal from the current government is Minister of Emergencies Nestor Shufrych, who is actively balancing on the verge of tragicomedy. The latest news from him came on October 5 when rescue teams of the ministry failed on several occasions to capture a crocodile, which escaped from a traveling circus this past May. Shufrych tried to calm down the public telling them that the chances of the Little Godzilla of surviving are next to none and assuring that there is no threat to the local residents." However, in October the crocodile was seen again in an industrial district of Mariupol, where warm water is discharged from the local thermo-electric heating station providing a habitat for a lot of fish.

The rescue team admit that the predator may disrupt the next summer vacationing season in the neighboring town of Berdyansk.

But this will clearly be a headache for Shufrych's successor.

Text available on World Wide Web, URL:  
<http://www.kyivweekly.com/?art=1192630495>

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## **2. Jolly sundry coalition** **By Andriy Hromish** **Kyiv Post, 17 October 2007**

Over the last several weeks of the “coalition marathon” it appears that the country's political analysts and politicians considered all the possible configurations of the future parliamentary majority, starting with the most popular “orange” version and ending with the broad format with the Party of Regions. However, all these scenarios are very dangerous for the society and for leading political figures alike as the newly formed coalition will be either critically unstable or will compromise its participants before their voter.

On October 13, “the orange” forces submitted to President Viktor Yushchenko a copy of the agreement between the Yulia Tymoshenko Bloc (BYT) and Our Ukraine – People's Self Defense (OUPSD) in which they proposed the candidature of Tymoshenko for premier.

Ideological opponents cast doubt on the ability of a future “orange” coalition to function effectively in light of the bitter experience of 2005, which showed that this can easily split up within a matter of a few months. Moreover, Tymoshenko needs convincing victories leading up to the presidential elections in 2009. For example, it is difficult to imagine how she will balance her promises to pay back depositors of the Oshchadbank from the Soviet times (more than UAH 130 bn in arrears) with the abilities of the national budget, never mind her other no less generous obligations. In light of this, we can sooner or later expect press conferences about who is most insidiously standing in the way of the “people's premier”, is attempting to sabotage her decisions and is organizing so-called “cartel conspiracies”.

The reformatting of the coalition in favour of OUPSD and the Party of Regions is also far from the best solution. Both Premier Yanukovych and President Yushchenko realize that the formation of such an alliance before the presidential election campaign in 2009 will put a cross on the ambitions of both Viktor's for the presidential seat. For Yushchenko, this alliance would be the defeat of Tymoshenko, while for Yanukovych – lost support of a significant number of irreconcilable “white and blue” followers.

This is precisely why it cannot be ruled out that life itself will force politicians to implement totally new rules of the game and try to settle the deeply entrenched parliamentary scenario without holding new elections. Such a possibility is actively being discussed in the headquarters of the country's key political parties.

It is traditionally considered that a party or a bloc can form only one faction in the Verkhovna Rada. However, there is not a single word in both the Constitution and the Law On Political Parties that suggests a procedure for the formation of parliamentary factions or groups. The only reference to procedural rules is in Part 2, Article 58 of the VR Regulations, in which it reads: “A political party (an election bloc of political parties) has the right to form only one deputy faction in the Verkhovna Rada.” Noteworthy is the fact that these Regulations are an internal parliamentary document with no legal stature that adopted by virtue of a VR resolution. Hence, adjusting the mechanism of the formation of parliamentary factions is not complicated. Indeed, all this requires is 226 votes of MPs to adopt what appears at first glance as insignificant amendments to the Regulations.

In accordance with the new formulations in the Regulations, the factions of the Party of Regions – Regions of Ukraine and Vidrodzhennya Regioniv – could easily be formed in the parliament. As for the OUPSD and BYT blocs, they can easily form factions on the basis of parties that formed an election bloc. For example, there is the People's Movement of Ukraine, Our Ukraine People's Union, People's

Self-Defense, etc. Moreover, this particular political force has similar precedents in its history. In the parliament of the 4th Convocation (2002-2006) the united faction of Yushchenko's Our Ukraine was split into factions of the Ukrainian People's Party, the Reforms and Order, etc.

The centrifugal trends being observed in the milieu of the three main parliamentary winners prove that forming a coalition based on party fragments is not a "mission impossible". Political analysts draw a line of conflict in the Party of Regions that divides Yanukovich's groups and those of the party's main financier Rinat Akhmetov. They argue this line is more visible in Akhmetov's groups, which are more inclined to forming a union with non-radical supporters of Yushchenko than are the inner circles of Yanukovich. There are considerable political differences in the platforms of Our Ukraine veterans and Yuriy Lutsenko's OUPSD bloc. So far, no signs of internal party conflicts can be observed in BYT. However, seeing as the parliamentary conscription of Tymoshenko in 2006 registered the highest number of "deserters", there is always the possibility that a similar situation could repeat itself.

Splitting the deputy corps into small factions and then incorporating them in a parliamentary coalition could be one of the best options for both Yushchenko and Yanukovich as subjective factors still carry their weight in Ukrainian politics. Seeing as today society strongly associates the president and the premier with particular political colors, Ukrainians perceive a broad coalition as a betrayal of interests of both the orange and white-and-blue camps. So, the formation of coalition of factions of different political camps could break this stereotype and safeguard Ukraine from any major tremors in society.

Text available on World Wide Web, URL:  
<http://www.kyivweekly.com/?art=1192630351>

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### **3. World Bank lambastes Ukraine's tax system Kyiv Post, 17 October 2007**

The World Bank has criticized Ukraine's tax system, which it considers one of the most burdensome in the world.

"To stay competitive in the region as well as to create better conditions for doing business and attract local and foreign investment, more reforms are needed in Ukraine," World Bank and International Finance Corporation said in a statement.

Ukraine received very low ratings on a number of indicators-notably Paying Taxes and Dealing with Licenses, in which it ranks in the bottom five economies in the world-while neighboring countries that had previously ranked below Ukraine have improved their positions by implementing reforms.

"Ukraine has one of the most cumbersome taxation systems in the world. The survey finds that a Ukrainian business has to pay 99 separate taxes and spend 2,085 hours a year on procedures related to tax payment," the statement says.

The World Bank stresses that Ukrainian businesses are forced to pay an average of about 60% of their profits as taxes, compared with the world average of 40%.

As for the system of licensing, it is not far better than the taxation system. On average, it takes 429 days to go through 29 procedures to get construction permits in Ukraine.

"Reforms are taking place in Ukraine, but not at a pace sufficient to allow Ukraine to advance vis-a-vis the other economies with whom it is competing for investment and markets" - notes Paul Bermingham, World Bank Country Director for Ukraine, Belarus and Moldova.

In connection with this, the World Bank is recommending that the Ukrainian government accelerate economic reforms, including fiscal reform.

Earlier, the World Bank recommended Ukraine to step up work on endorsement of the Tax Code of Ukraine.

The World Bank plans to invest US \$ 1 bn annually in the 2008-2011 period in projects in Ukraine.

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[http://www.kyivweekly.com/?rub=news&from=0&page=0&ncode=1192624977#open\\_news](http://www.kyivweekly.com/?rub=news&from=0&page=0&ncode=1192624977#open_news)

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#### **4. Inflationary breakthrough By Oleksiy Moldovan Kyiv Post, 17 October 2007**

The level of inflation in Ukraine this September was nearly four times higher than government forecasts and the highest in the past seven years. The prices of consumer goods in Ukraine jumped by 2.2% in just one month (this is practically the same figure as annual inflation in European Union member countries and the U.S.). To add insult to injury, Ukraine's economy can expect at least two more price shocks in the foreseeable future due to increasing gas prices.

The rates of growth of consumer prices in September reached 14.4% over the past year. Taking into account the specific character of calculating prices (inflation is calculated as the rise in prices over a month relative to the previous month, not December of the previous year as is practiced in country's with a developed market economy) and the specific make-up of the consumer basket, the real rise of prices is at least one and a half times higher. The prices of foodstuffs rose 3.1% per month and 15.9% over a year according to the State Statistics Committee. In September the prices of fat-and-oil products increased the most. In particular, the price of vegetable oil rose 17.3% and lard -10.1%. Milk rose in price by 8.9% (15.4% from the beginning of the year). The price of eggs rose by 7.4% (18.9% to the beginning of this year) and meat and meat products - 3.1% (11.3% respectively).

The Cabinet of Ministers blames the recent inclement weather, political confrontations and crises on global markets. In particular, First Vice Premier and Finance Minister Mykola Azarov says the political opposition is to blame for the current economic situation, while Anatoliy Kinakh attributes it to a poor harvest and the rise in the prices of agricultural goods on global markets.

Interestingly enough, inflation did not pick up speed in April when President Yushchenko signed an agreement on the dissolution of the parliament. This indicator did not rise in August either, when data about agricultural losses became available. Moreover, foreign markets do not have a serious impact on the level of prices in Ukraine seeing as it is an exporter, not importer of agricultural goods. Prices began steadily rising in September of last year. Over the previous eight months leading up to September 2006 inflation was registered at 3.8% and more than doubled to 7.8% over the next four months. Proceeding from these indicators, the reasons for price growth should be sought out in the miscalculations of state policy.

September inflation indicators revealed a number of problems in Ukraine's economy. First of all, insufficient raises in social expenditures from the national budget and inadequate economic growth have reached a critical point. Further improvement of the well-being of the nation is closely connected with the country's GDP growth. Otherwise, the expansion of social programs will be accompanied by the impoverishment of all Ukrainians, even for separate strata of the population. This problem is especially relevant in the context of formation of the new government, which will undoubtedly work with its scope aimed at the presidential elections. Of course, revaluation of the hryvnia and opening borders to import are always options. However, the experience of 2005 showed that such an approach has too many undesirable consequences, in particular a rapidly growing negative foreign trade balance.

Secondly, analysts believe the Cabinet of Ministers played a pivotal role in rising inflation through misappropriation of foreign loans. Moreover, the government gave permission to state monopolies to attract colossal foreign loans backed by government guarantees. The U.S. dollars that come into Ukraine are accumulated in the NBU, which in turn is forced to circulate the equivalent amounts of the hryvnia into the national economy. Already last year the volume of cash money in circulation nearly reached the maximum permissible limit. This should serve as a warning signal to the country's central bank that slowing down the pace of the printing press in the national mint would be a smart move.

It appears, however, that the NBU is doing just the opposite. Over the first 9 months of the year the national bank injected the same amount of cash into the economy as it did in all of 2006. Despite the uncontrolled growth of the money supply the NBU failed to react to the overheating of the economy in a timely manner, which forced it to reduce the lending activity of commercial banks in the consumer segment. The representatives of the central bank are partly right in complaining about the absence of the necessary financial instruments that the NBU Council is responsible for developing and implementing. Moreover, it seems that bank council is "all talk and no action" in its attempts to regulate the monetary processes in the country.

Thirdly, it is not so much the problem of inflation that sounds the alarm bell, but the fact that Ukrainian government officials cannot muster up the courage to admit their own mistakes and make the adequate decisions after an objective assessment of the overall macroeconomic picture. In particular, Economy Minister Anatoliy Kinakh, who spoke of the government's effective battle against price growth for half the year, said in mid-October that the level of inflation in September was rather atypical. Such a generalization suggests that inflation is itself to blame for being so high. The position of Azarov, who must have understood back in the spring that inflation exceeded the limits of the government's forecast, though he continued to assure the people that the government would manage to stabilize inflation at a level of 7.5%, was also rather perplexing.

On the one hand, the government might just be right: had there been a good harvest, if Ukraine had sufficient reserves of its own oil and gas, GDP was five times higher and there was no opposition, no corruption and no negative trends in the global economy, then the inflation rate would be much lower. On the other hand, if we lived in such an ideal world then there would be no need for a government!

Text available on World Wide Web, URL:  
<http://www.kyivweekly.com/?art=1192628948>

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## **5. Holocaust conference in Ukraine Jewish Telegraphic Agency, 18 October 2007**

Academics gathered in Ukraine for an international conference on researching and teaching the Holocaust.

Researchers from Ukraine, Belarus, Russia and Israel met in Kiev from Monday to Wednesday to discuss "Holocaust Lessons- Lessons of Tolerance."

The conference was devoted to the 66th anniversary of the Babi Yar tragedy and the 75th anniversary of the 1932-33 Famine in Ukraine.

It was organized by Tkuma, Ukraine's central Holocaust foundation, and with support from the American Jewish Joint Distribution Committee.

Among other issues, the conference addressed the problem of comparative analysis of the Holocaust and the Famine, as well as Ukrainian-Jewish relations after World War II.

"It is very important to research and teach the Holocaust and tolerance in a wider context of other genocide for deeper understanding and learning the lessons of Holocaust," Igor Schupak, director of the Tkuma foundation, told JTA.

Text available on World Wide Web, URL:  
<http://www.jta.org/cgi-bin/iowa/breaking/104734.html>

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## **6. Ukraine's Delta bank denies Citigroup to buy it Reuters, 18 October 2007**

Ukrainian Delta bank said on Thursday that it has received offers of cooperation from foreign investors but denied a report that it had agreed to be sold to Citibank, a unit of Citigroup.

Ukrainian daily Ekonomicheskiye Izvestiya wrote that Citibank had agreed to buy Delta after it doubles the number of its sales points to 6,000 from 3,000 now.

"The bank receives a variety of proposals from foreign financial institutes, including those who work on foreign markets, to develop our business," the bank's owner, Mykola Lagun, said in a statement.

"However, we have not reached any agreements with anyone."

Citigroup's unit, present in Ukraine since 1998, was unavailable for comment.

Delta specializes in retail credits, and accounts for about 20 percent of the consumer lending sector in the country of 47 million people. It was set up by Lagun last year.

The bank has assets of 2 billion hryvnias (\$400 million), making it the 40th largest of more than 170 banks in Ukraine.

Text available on World Wide Web, URL:

<http://www.reuters.com/article/innovationNews/idUSL1874193820071018>

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## **7. Ukraine sees higher steel output, stable exports By Pavel Polityuk Reuters, 18 October 2007**

Ukraine is likely to melt at least 5 percent more steel this year, taking output in the world's eighth-largest producer above 41 million tonnes, as steel mills invest over \$6 billion in upgrades, industry officials said.

Exports are unlikely to increase, however, as the domestic market will absorb the additional production resulting from upgrades to the country's 16 major steel mills.

"Output will exceed 41 million tonnes this year," Serhiy Gryshchenko, head of Ukraine's Association of Ferrous Metallurgy Enterprises (UkrMet), told Reuters on the sidelines of an industry conference on Thursday.

He said Ukraine produced 40.9 million tonnes of crude steel in 2006. International Iron and Steel Institute data give last year's output as 40.8 million tonnes, or 3.3 percent of world production. The country is a major exporter of rolled steel.

Deputy Industrial Policy Minister Dmytro Kolesnikov told the international Metal Forum 2007 in Kiev that more investment in steel was the main reason for the higher output.

He said mills were likely to invest about \$6.3 billion in modernisation in 2007, compared with about \$5 billion in 2006.

"Exports of metal products rose by 1.6 percent in the first half of this year to 15.9 million tonnes," Kolesnikov said.

But growth in domestic consumption was more striking: about 38 percent in January-June 2007, hitting 5.5 million tonnes.

Kolesnikov said domestic rolled steel consumption could jump to 10.3 million tonnes in 2007 from 8.7 million tonnes in 2006 and 8.2 million in 2005.

## EXPORTS

Ukraine's largest single steel mill is ArcelorMittal Kryvorizhstal plant. Other leading producers include billionaire Rinat Akhmetov's Metinvest Holding group and Industrial Union of Donbass, which both group several plants.

About 24 percent of Ukraine's steel exports, or 3.8 million tonnes, were supplied to 27 European Union states in the first half of the year, Kolesnikov said.

About 17 percent, or 2.8 million tonnes, were shipped to the Middle East, 14 percent or 2.4 million tonnes to Turkey and 10 percent or 1.6 million tonnes to Russia.

Ukrainian steel mills have lost market share in Asia due to the emergence of China -- which produced a third of the world's steel last year -- as a major power in the region.

In the first half of 2007, about 8 percent of Ukraine's steel exports were shipped to Asia compared with 20 percent in the same period of 2004, said Volodymyr Vlasyuk, director of research company Ukrpromzovnishexpertiza.

"We are leaving this region because China is moving in," Vlasyuk said.

Ministry of Industrial Policy data showed crude steel output rose 5 percent year-on-year to 31.943 million tonnes in the first nine months of 2007.

Pig iron production rose 9 percent to 26.604 million tonnes and rolled steel output by 5 percent to 28.232 million tonnes in the same comparison.

Text available on World Wide Web, URL:

<http://www.reuters.com/article/companyNewsAndPR/idUSL1871322320071018>

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### **8. Putin says gas prices for Ukraine to rise softly Reuters, 18 October 2007**

MOSCOW - President Vladimir Putin said on Thursday that Russia wanted a gradual transition to market gas prices for Ukraine, regardless of the political situation in its former Soviet neighbour.

Suggestions Russia will impose steep price increases on Ukraine and Belarus cause worries in Western Europe, which gets a quarter of its gas from Russia via pipelines across the two countries, that a price row could lead to supply interruptions.

"The development of relations between Russia and Ukraine should obviously be built on a modern, pragmatic basis ... On energy, cooperation in this sphere should of course be based on market principles," Putin said.

"Moving to market relations, we intend to do it softly, calmly, in a friendly way, not damaging our Ukrainian partners," he told an annual televised question and answer session.

The two sides have yet to agree on gas prices for 2008, when they are expected to rise from the current \$130 per 1,000 cubic metres.

A pro-Western coalition led by Ukraine's former prime minister Yulia Tymoshenko won the country's parliamentary election last month and is likely to form a new government.

Moscow's relations with Kiev plunged to their low during Tymoshenko's brief term as prime minister in 2005 and analysts have said the Kremlin might use gas issues in its potential disputes with Ukraine's new government.

Putin said Russia wanted to cooperate with the new government no matter who heads it.

"As for political cooperation, I hope that whatever government is chosen in Ukraine, whatever political platform it bases its policies on, reality will push partners to develop their relationships. We want it," he said.

A few days after the elections, Russian gas export monopoly Gazprom accused Ukraine of not paying its gas debts and threatened to cut supplies.

The deal was settled in a week, but revived memories of a similar pricing dispute between Gazprom and Ukraine which led to brief cuts in gas supplies to Europe in January 2006.

Text available on World Wide Web, URL:  
<http://uk.reuters.com/article/oilRpt/idUKL1868668820071018>

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#### **9. Ukraine's CJSC Privatbank's IDR affirmed at 'B' on modest capitalisation – Fitch AFX News Limited/Forbes, 18 October 2007**

MUMBAI (Thomson Financial) - Fitch Ratings said it has affirmed the long-term and short-term issuer default rating (IDR) of Ukraine's CJSC Privatbank at 'B' reflecting its modest capitalisation, particularly in view of the ongoing rapid loan growth and relatively high loan concentrations.

The outlook on the long-term IDR remains positive, the ratings agency said.

The weak transparency of the bank's shareholder's assets, and hence difficulties in assessing the true level of related-party business, also weigh heavily on the ratings, Fitch added.

The ratings also consider the bank's broad domestic franchise, sizeable market share and sound bottom-line performance, driven by its well-developed retail and SME businesses and particularly strong positions in certain niche markets.

Text available on World Wide Web, URL:  
<http://www.forbes.com/markets/feeds/afx/2007/10/18/afx4233840.html>

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#### **10. ArcelorMittal eyes buys in Ukraine By Sabina Zawadzki Reuters, 18 October 2007**

KRYVY RIH, Ukraine - ArcelorMittal stands by its \$800 million bid for an iron ore plant in Ukraine and plans to invest \$2 billion at its Kryvorizhstal steel complex by 2012, a senior company official told Reuters.

The world's largest steel company bid for the unfinished, Soviet-era KGOKOR plant in 2006, but the tender is blighted by a face-off between the government and President Viktor Yushchenko, who ordered a halt to any dealings relating to the sale.

"We offered about \$800 million to complete the project," ArcelorMittal Ukraine General Director Narendra Chaudhary said in an interview at the complex on Tuesday.

"And then for some reason we don't know what happened. We have tried to find out what was wrong with our offer. Apparently our offer was the best."

Privatisation is sensitive in ex-Soviet Ukraine. Before its merger with Arcelor, Mittal Steel entered Ukraine in 2005, buying the Kryvorizhstal complex for \$4.8 billion after a prior \$800 million deal done by Ukrainian firms was ruled illegal.

Yushchenko stopped any dealings on KGOKOR two weeks ago after a report that security services were probing whether it had already been illegally sold. Making no reference to his orders, the government later said it would continue the process.

"They (the government) came up with the idea that it would not be privatized ... they tried to bypass privatisation," Chaudhary said.

He said he hopes the presidential order would restore a "transparent process".

Another representative for ArcelorMittal in Ukraine said the company had notified the government that it was willing to modify its bid, which was for a joint venture with the state who would keep 50 percent plus one share of the plant.

He said ArcelorMittal has preliminary agreements with Romania and Slovakia -- who invested in the plant during the Soviet era. Romania now has 28 percent of the plant, Slovakia 15.6 percent and Ukraine 56.4 percent.

Construction of KGOKOR began in 1983, after new technology was found that could process a specific type of iron ore found in Ukraine and neighboring countries that is difficult to process into saleable products.

Chaudhary said about half of the iron ore dug up at Kryvorizhstal is dumped, and there are now about 1 billion tonnes of this unused material around the complex and neighboring mines which KGOKOR would be able to process.

Russian miner and steel maker Metalloinvest, controlled by billionaire Alisher Usmanov, and Ukraine's Ferrexpo Poltava Mining have also expressed interest in KGOKOR. Three Ukrainian metal firms indicated they may bid in a joint venture.

## SOVIET TRANSFORMATION

Chaudhary said investment would continue at Kryvorizhstal, Ukraine's largest steel plant. The complex dates back to the 1930s and still boasts statues of Lenin and Communist-era murals urging higher steel production for the motherland.

"By 2012 we want to expand the capacity of the plant to over 12 million tonnes of saleable products," he said, seated in a company building in Kryvy Rih where Ukrainian food and vodka was served to visiting journalists and foreign officials.

"We expect the investment to be over \$2 billion."

In 2005 the complex produced 6.1 million tonnes of saleable products. It wants to increase iron ore production to 30 million tonnes by 2010 from 16 million tonnes in 2005, and of coke to 5.2 million tonnes by 2010 from 2.7 million two years ago.

Kryvorizhstal, in central Ukraine, is ideally located to export steel to other ex-Communist countries, the Middle East and Africa due to its proximity to the Black Sea. Ukraine also borders the large European Union and Russian markets.

The complex uses coal in its energy-intensive operations, not gas, which it deems too expensive. The company said in a presentation the complex aims to become self-sufficient in coal.

"The group's strategy is to acquire or participate in coal mines in Ukraine and Russia," the presentation read.

Street protests in Kryvy Rih, a sprawling dusty city claiming to stretch for 125 km, accompanied Mittal's arrival as workers worried about job cuts and reduced benefits.

Jobs have been reduced -- over 45,000 people are now employed at the complex, compared to 57,000 people in 2006. Productivity has risen and the average monthly salary jumped to almost 2,500 hryvnias (\$500) from about 1,500 hryvnias in 2005.

Text available on World Wide Web, URL:

<http://www.reuters.com/article/innovationNews/idUSL1832267320071018>

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#### **11. Ukraine's "orange" coalition to keep striving for NATO, EU RIA Novosti, 18 October 2007**

The Ukrainian "orange" coalition announced on Thursday that it intended to continue a policy aimed at integration into NATO and the EU while maintaining equal and neighborly relations with Russia.

The two groups in the coalition, the Yulia Tymoshenko bloc and the Our Ukraine - People's Self-Defense bloc, also said Ukraine's main priority remains to preserve the status of a country supplying 80% of Russian natural gas to Europe and to create new capabilities to export gas from Central Asia to the European Union.

However, one of the future government's tasks would be to establish economically substantiated payments for the transit of Russian oil through Ukraine, according to an agreement between the two blocs.

The September 30 snap election was won by the pro-Russian Party of Regions, who gained 34.32% of the votes, or 175 seats in parliament. Tymoshenko's bloc collected 30.71% of votes, followed by Our Ukraine-People's Self-Defense with 14.15%.

On October 15, the two opposition blocs signed an agreement to establish a coalition, which would have between them 228 seats, two seats more than required for a majority in the 450-seat Supreme Rada.

Ukrainian President Viktor Yushchenko said Thursday that he believes the first session of the new parliament will be held in late October or early November.

He also said that all the parties in the country's parliament should cooperate, and also have a common sense of responsibility for political stability. "Political stability is condition No. 1 for the nation's integrity, its consolidation and economic prosperity," he said.

According to the law, the first session of the Supreme Rada must be held not later than 30 days after the results of the election were announced. The election commission announced the results on October 5, but cannot publish them in government newspapers because the Communists, who made it into the Supreme Rada with 5.39% of the vote, have filed a lawsuit appealing the election results.

Text available on World Wide Web, URL:

<http://en.rian.ru/world/20071018/84478095.html>

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## **12. Putin says Russia ready to work with any government in Ukraine** **RIA Novosti, 18 October 2007**

MOSCOW - Moscow is ready to cooperate with any Ukrainian government formed after the September 30 election results are officially validated, Russian President Vladimir Putin said Thursday.

Ukraine's High Administrative Court has blocked official confirmation of the results until it rules on a lawsuit filed by the Communist Party on alleged voting violations. The Central Election Commission had announced the results on Monday.

"I hope that whatever government emerges in Ukraine, regardless of what political platform it bases its work, objective reality will encourage our partners to develop cooperation with Russia," the president said during his annual televised question-and-answer session.

"We want this and we will act accordingly," Putin added.

Ukraine's pro-Western former prime minister Yulia Tymoshenko appears likely to regain the premiership, having received the endorsement of her "orange revolution" ally Viktor Yushchenko. Their two factions cumulatively gained a narrow majority in the election, with 228 of 450 seats. However, the Party of Regions, perceived as pro-Kremlin, gained 175 seats, more votes than any other party.

Vyacheslav Kyrylenko, leader of the pro-presidential bloc Our Ukraine-People's Self-Defense and a co-leader of Ukraine's new "orange" coalition, said on Wednesday that members of his bloc would unanimously back Yulia Tymoshenko as premier and himself as parliamentary speaker.

The two blocs initialed a deal to form a coalition late on Monday, after Ukraine's Central Election Commission posted the results of the early parliamentary polls. Tymoshenko's bloc collected 30.71% of votes, followed by Our Ukraine-People's Self-Defense with 14.15%.

The Our Ukraine-People's Self-Defense bloc has dismissed the Communists' lawsuit against the Central Election Committee, saying it will only serve to delay the forming of a new "orange coalition."

President Putin pointed out that there are up to 17 million ethnic Russians in Ukraine and some four million Ukrainians, including temporary residents, in Russia. He said: "The social well-being of millions of Russians and Ukrainians depends directly on the relationship between our countries."

Speaking on energy supplies, the Russian leader said cooperation in the sphere should follow market rules. "Ukrainian economic subsidies have stood at \$3-\$5 billion at the expense of low energy prices annually for the past 15 years. Ukraine has never received and will never receive such support from any other country," Putin said.

However, he pledged to switch to market relations "mildly, calmly and in a friendly way, without harming our partners in Ukraine."

"Russia is acting carefully so as not to damage its relations with Yulia Tymoshenko, the head of government," a spokesman for the Tymoshenko bloc said after Putin's comment. "The Russian government understands that it will be senseless to have disagreements with the new Ukrainian government, and that common ground must be found in cooperation."

The spokesman said Putin's statement was not intended to show "that Russia will accept Yulia Tymoshenko as prime minister." "Russia is wary of harming relations in the sphere of natural gas transit to Europe," and does not want to quarrel with a government led by Tymoshenko, who takes a firm line on gas deliveries, he said.

Tymoshenko has already said Ukraine should review existing gas deals with Russia and that the sole supplier of Russian gas to the country, RosUkrEnergo, which is 50% owned by Russian energy giant Gazprom, is not needed.

President Viktor Yushchenko dismissed Tymoshenko as premier in the fall of 2005 after only eight months in the post over alleged economic mismanagement.

Text available on World Wide Web, URL:  
<http://en.rian.ru/russia/20071018/84431346.html>

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### **13. Putin to Cooperate With Any Government of Ukraine Ukrayinska Pravda, 18 October 2007**

The Russian Federation is ready to cooperate with any Ukrainian government formed after October 30 parliamentary election, Russian President Vladimir Putin stated on Thursday, RIA Novosti news and information agency reports.

"Whatever government is formed in Ukraine, regardless of political platform it bases its work, I hope, objective reality will encourage our partners to develop the cooperation with the Russian Federation," said the President.

"We want this and we will act accordingly," stated Mr. Putin.

The President emphasized that there are up to 17 million ethnic Russians in Ukraine, and some 4 million Ukrainians, including temporary residents, are in Russia.

"The social well-fare of millions of Russians and Ukrainians depends directly on the relationships between our countries," stated the Russian President.

In his opinion, the relationships between two countries should be built 'on modern, pragmatic basis in view of both countries interests'.

"If we are talking about energy supplies, the cooperation in this sphere should follow market rules," stressed Mr. Putin.

"Ukrainian economic subsidies have stood at 3-5 billion of USD at the expense of low energy prices annually for the past 15 years. Ukraine has never received and will never receive such support from any other country," said the President.

"However, we will switch to market relation mildly, calmly and in friendly way, without harming our Ukrainian partners," stressed the Head of the state.

Permanent Link: <http://www.pravda.com.ua/en/news/2007/10/18/9223.htm>

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### **14. Yanukovych: Ukraine is interested in cooperation with the USA ForUm/TREND Information, 19 October 2007**

Ukraine is interested to develop trade-economic relations with the USA. The Prime Minister of Ukraine Viktor Yanukovych said that today in scope of today's meeting with Ambassador Extraordinary and Plenipotentiary of the USA to Ukraine William Taylor.

Yanukovych has noted that Ukraine is interested in further development of bilateral cooperation with the USA, first of all in trade-economic sphere. According to him, turnover for January-August 2007 has increased by 13.5%.

Yanukovych and Taylor also discussed domestic policy in Ukraine and issues of bilateral relations.

Yanukovych has stressed that the main task is to keep stability in Ukraine. It is necessary to form powerful coalition with participation of all constructive-oriented political forces.

Text available on World Wide Web, URL:  
<http://news.trend.az/cgi-bin/readnews2.pl?newsId=1048869&lang=EN>

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### **15. Ukraine is interested in stirring up of relations with USA – Yanukovych UNIAN, 19 October 2007**

According to the press service of the Cabinet of Ministers, Prime Minister of Ukraine Victor Yanukovych said this during the meeting with Ambassador Extraordinary and Plenipotentiary William Taylor.

V. Yanukovych noted that Ukraine is interested in further stirring up of bilateral cooperation with USA, primarily in the trade-economic sphere. Particularly, according to his words, amount of goods and services trade for January – August 2007 increased by 13.5% - to 1.5 billion dollars.

V. Yanukovych and W. Taylor also discussed the home policy in Ukraine and bilateral relations issue.

The head of the government noted that the main task for today is a preserving the stability in the country. According to his opinion, it is necessary to create power coalition for that, where all constructively intended political forces would come. "Now we are waiting for the decision of the court concerning publicizing the official results of election", added V. Yanukovych.

Constant URL of article:  
<http://www.unian.net/eng/news/news-217706.html>

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### **16. Ukraine jumps to defence of APCs The Nation, 19 October 2007**

*The Ukrainian government has broken its silence and hit back at critics of the plan to buy 96 armoured personnel carriers (APCs), saying the vehicles were absolutely new and up-to-date.*

It accused the media of "distorted facts and groundless allegations", saying in a statement it suspected disgruntled rival companies that missed out on the deal were behind the controversy.

The embassy said the 96 BTR-3E1 models to be delivered to Thailand were "well-known as one of the world's most well-equipped APC".

"Only the latest technological solutions have been used for the design and production of this APC that do not yield to any world's analogues, and, in some aspects, like dynamics and firing characteristics, as well as armour strength and tyre bullet-proof capacity, even exceed them," the statement said.

The Thai Army and Defence Ministry had verified "the quality of the Ukrainian production line and APCs in recent visits to manufacturing facilities and viewed live demonstrations in the Ukraine last May," it said.

Controversy over the Bt4-billion deal arose recently when then deputy permanent secretary at the Defence Ministry, Admiral Bannawit Kengrien, created a stir by refusing to endorse the procurement and delayed the approval process.

A leading security expert, Chulalongkorn University's Associate Professor Panitan Wattanayagorn, also voiced concern, saying the Army would be better off purchasing a higher quality APC that had a proven record.

The Auditor General's office also raised questions about after-sale agreements, and how the Ukrainian bid "got around" the bidding procedure.

Defence Minister Boonrawd Somtas vowed yesterday to cancel the purchase if the ministry's probe found corruption.

He said the panel was looking at observations by the Auditor General's office, which alerted the Defence Ministry to irregularities in the bid.

The letter said Ukrainian firm NGV did not submit its bid within the deadline but still managed to win the deal. This prompted speculation it was able to outline terms that would be preferred over rival bids.

But Deputy Prime Minister General Sonthi Boonyaratglin, who was Army chief when the deal was done, insisted the process was transparent. He said there were no irregularities when he was Army chief.

"Just one suspicious document was brought into the media spotlight. No corruption could be carried out during my term. The purchase procedure for the APCs was in accordance with the law," he said.

Sonthi said he assigned then Assistant Army Commander Anupong Paochinda, who was responsible for military logistics, to take charge of the purchasing. "He knows everything. Ask him," he said.

Sonthi said he sent a colleague of current Army chief Anupong to the Ukraine to check claims that the APCs were old models.

"He went to see if there was a factory producing the vehicles. He came back saying there was a factory. They were new and we are going to buy them for Bt25 million each. We used to buy APCs from some countries at Bt80-90 million [per vehicle].

"Everything has been carried out in a fair and straightforward manner."

Text available on World Wide Web, URL:

[http://nationmultimedia.com/2007/10/19/national/national\\_30053013.php](http://nationmultimedia.com/2007/10/19/national/national_30053013.php)

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### **17. Ukraine to build Zimbabwe motorway Monsters and Critics.com, 19 October 2007**

Johannesburg/Harare - A Ukrainian company has said it wants to help improve Zimbabwe's infrastructure by building a raised motorway over part of Harare, reports said Friday.

Many of Zimbabwe's roads are so badly potholed these days that they look as if they have been shelled.

In a report that is likely to raise the eyebrows of many harassed motorists, the official Herald daily said the planned Joshua Mqabuko Nkomo Express Road would link the main road from the international airport with Harare's upmarket suburbs.

It would include a raised section flying over the central railway line and surrounding areas.

Augur Investments has provided 10 million dollars for the construction of the road.

The Ukrainian company says it is willing to invest up to 100 million dollars in development projects, including the construction of 500 upmarket houses, and in agriculture and mining projects, the Herald said.

The newspaper - usually seen as the voice of President Robert Mugabe's government - claimed the Ukrainian project was proof that investor confidence in Zimbabwe was continuing to grow.

Many traditional investors from the West have pulled out of the southern African country in the past six years after a controversial land reform programme triggered economic collapse.

Inflation is the highest in the world at nearly 8,000 per cent, and the takeovers of majority shares in mines and other foreign-owned companies appears to be imminent.

Foreign direct investment in Zimbabwe slumped by 61 per cent in 2006, according to a World Investment Report released by the United Nations this week.

Text available on World Wide Web, URL:

[http://news.monstersandcritics.com/africa/news/article\\_1366762.php/Ukraine\\_to\\_build\\_Zimbabwe\\_motorway\\_report](http://news.monstersandcritics.com/africa/news/article_1366762.php/Ukraine_to_build_Zimbabwe_motorway_report)

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### **18. Ukraine pro-West coalition agrees on cabinet post split DigitalJournal.com, 18 October 2007**

Leaders of Ukraine's pro-Western coalition on Thursday agreed on a division of cabinet posts, overcoming a key barrier to the quick formation of a new government in the former Soviet republic.

A two-party alliance of the anti-corruption Block of Yulia Tymoshenko (BYuT), and the nationalist Our Ukraine National Self Defence (OUNSD), divided cabinet offices as they had promised, with the more influential posts, and more positions overall, going to the senior BYuT party.

BYuT obtained 156 seats in the legislature and OUNSD 72 as a result of Ukraine's September 30 parliamentary elections, giving the political alliance a narrow 228-seat majority in the 450-member assembly.

The coalition's nomination for the powerful prime minister's office, the most powerful job up for grabs, will go to Tymoshenko herself, according to a joint statement by the two parties.

The next most influential position, parliament speaker, will go to a OUNSD nominee.

The slate of candidates for ministerial portfolios was superficially slightly weighted in the junior OUNSD's favour with 12 top positions, while the senior BYuT received only 11.

The lion's share of cabinet committees, as well as practically all ministries controlling the Ukrainian economy, went to BYuT. Key cabinet positions include Natural Resources, Economy, Energy, Coal mining, Industrial policy, Transport and Finance.

Tymoshenko during the election campaign repeatedly argued she needed trusted subordinates in all government ministries involved in regulating big business in order to combat graft and corruption.

In past years control of a ministry with influence over Ukrainian heavy industry has been hugely lucrative for the politician holding the job, according to Tymoshenko.

OUNSD received portfolios more related to social services or external affairs, including the Interior, Foreign Relations, Culture, Defence, Science and Health.

The division as formally presented was almost indistinguishable from cabinet splits promised by OUNSD and BYuT leadership during the campaign. Many observers and most Ukrainian media had discounted the promises, recalling the two parties' failure to decide on a cabinet split after three months of trying, in March 2006.

The rapid announcement of candidates for the next cabinet cleared the way for a quick creation of the next Ukrainian government, as President Viktor Yushchenko, who must approve most cabinet nominees, has said he planned to cooperate with the coalition.

The coalition's announced priority once parliament reopens is a raft of reform legislation aimed at integrating the country with Europe, and undermining the present control by industrial tycoons of most of the Ukrainian economy.

Official results of the September election were announced last week, but a court ordered the formation of the next government delayed until it hears a claim of extensive vote fraud by one of the losing parties in the election.

International monitors almost without exception pronounced the September 30 vote as free and fair. The Kiev appeals court, where the claim is being heard, is expected to throw out the suit after a pro-forma hearing. dpa sbk gma

Text available on World Wide Web, URL:

[http://www.digitaljournal.com/article/240971/Ukraine\\_pro\\_West\\_coalition\\_agrees\\_on\\_cabinet\\_post\\_split](http://www.digitaljournal.com/article/240971/Ukraine_pro_West_coalition_agrees_on_cabinet_post_split)

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### **19. Russia, Ukraine FMs discuss border, regions' cooperation Itar-Tass, 18 October 2007**

BELGOROD - Russian Foreign Minister Sergei Lavrov and his Ukrainian counterpart Arseny Yatsenyuk meet on Thursday for talks in the format "one plus one", which focus on cooperation between regions and border regions.

Talks will continue on Friday in an expanded format with participation of heads of border regions as well as representatives of border, customs and migration services.

Russian Foreign Ministry spokesman Mikhail Kamynin called ties between regions and border regions "a weighty factor of relations". He said "they make considerable contribution to the growth of bilateral economic cooperation". "Alone in the first half-a-year the share of 20 Russian regions in the total amount of trade between Russia and Ukraine made up over 88 percent and reached almost 14 billion dollars".

He emphasized cooperation of the so-called Euro-regions, such as "Slobozhanshchina" (the Belgorod and Kharkov regions), "Yaroslavna" (the Kursk and Sumy regions) and "Dnepr" (the Bryansk, Chernigov and Gomel regions).

He said, however, that "over the recent time such institutions as the permanent session of the heads of Russian and Ukrainian regions 'Community of Regions' and 'The Council of Heads of Border Regions of Russia, Ukraine and Belarus' have somewhat slowed down their former activity".

"The possibilities of mutually advantageous economic, scientific and technical cooperation are not used in full. It is necessary to think of easing customs procedures that would be important for border trade turnover, for example in agriculture," Kamynin stressed.

Text available on World Wide Web, URL:

<http://www.itar-tass.com/eng/level2.html?NewsID=11983502&PageNum=0>

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### **20. Prez rips new PM plans before she starts Ukrainian Journal, 18 October 2007**

The office of President Viktor Yushchenko on Thursday criticized some defense and economic initiatives of Yulia Tymoshenko, the likely new prime minister, complaining the initiatives may simply not be viable.

The initiatives include replacing military draft service with professional army from Jan. 1, 2008, and a pledge to quickly pay out 127.5 billion hryvnias, or \$25.5 billion, in bank deposits owed since the collapse of the former Soviet Union.

"Of course, members of the new coalition may ask the magician [David] Copperfield to join them in their work, but responsible politicians should still use well-balanced approaches," Viktor Baloha, the chief of staff at the presidential office, said.

This is the first criticism aired by the presidential office of some of the key initiatives that Tymoshenko's election campaign had been focusing on in the run-up to the Sept. 30 snap vote.

The group led by Tymoshenko and Yushchenko's Our Ukraine-People's Self-defense on Monday pledged to create the pro-Western coalition that will form the next government within the next several weeks.

The Tymoshenko group and Our Ukraine-People's Self-defense will control 228 seats, a slim majority in the 450-seat Parliament, and the parties have agreed to try to incorporate their election promises into the new government's program.

Yushchenko on Wednesday indicated that he was ready to nominate Tymoshenko for the post of the prime minister. This has been earlier agreed between the Tymoshenko group and Our Ukraine-People's Self-defense.

But Baloha's comment on Thursday raises concerns about some of the most controversial promises made by Tymoshenko.

He said that promises to cancel the military draft so quickly may undermine Ukraine's defense capabilities and must be discussed with the president, who is responsible for the country's national security and defense.

"According to the constitution, the head of state provides national security, including the issues of the defense, military and defense cooperation and energy," Baloha said in a statement.

"That's why decisions in this field may be approved either by the president or by the National Security and Defense Council, but not the parliamentary majority and the government," he said.

Tymoshenko's promises to quickly pay out debts owed to the people since the collapse of the Sberbank, the savings bank of the former Soviet Union, have been earlier criticized by financial analysts as populist.

The government had pledged to eventually pay the debt, estimated at 127.5 billion hryvnias, but Tymoshenko's plan to make fast payments could undermine the financial system, the analysts said.

Volodymyr Stelmakh, the governor of the National Bank of Ukraine, who was elected to Parliament on the ticket of Our Ukraine-People's Self-defense, on Thursday refused to comment on the viability of the payouts.

"I can't comment on this because I haven't seen the calculations yet," Stelmakh said.

Baloha also called on the leaders of the new coalition to make more attempts to expand the coalition to a more comfortable number of lawmakers to ensure its stability in the long-term.

He said that with the 228-seat majority the absence of at least three lawmakers will make the vote in Parliament impossible, encouraging coalition leaders to seek a compromise with at least another group.

That revives calls for former Parliamentary Speaker Volodymyr Lytvyn, whose centrist group will control 20 seats in the new Parliament, to join the Tymoshenko group and Our Ukraine-People's Self-

defense.

"The reserve of the votes needs to be created," Baloha said. "This means an ally must be found."  
(tl/ez)

*The rest of the story is available to subscribers only.*

Text available on World Wide Web, URL:  
<http://www.ukrainianjournal.com/index.php?w=article&id=5419>

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## **21. PRU Threatens to Block the Verkhovna Rada Ukrayinska Pravda, 19 October 2007**

Vasyl Kyselyov, the candidate for the Party of Regions MP, supposes his political force may block the Verkhovna Rada of the sixth convocation activity, Ukrainian News agency with references to the Party of Regions (PRU) press service reports on Thursday.

"If 'oranges' behave in a rude manner, we will counteract," stated Mr. Kyselyov.

According to Mr. Kyselyov, no one in the PRU can say how the events will be developed if the party proposals are ignored.

In his opinion, an optimal way will be if a broad coalition is formed and the PRU participates in government formation.

"Without consideration of our political force nothing will happen in our country. Those, who do not understand this, are mistaken," he emphasized.

Mr. Kyselyov also stressed, as any political force has not required the constitutional majority at the parliamentary election, then everyone should forget all responsibilities for the following five years and concentrate on economic issues settling.

Earlier other PRU member Yuriy Miroshnychenko stated that the PRU "would be a constructive opposition".

Permanent Link: <http://www.pravda.com.ua/en/news/2007/10/19/9227.htm>

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## **22. Vanco Signs Ukraine's First Deepwater Black Sea Agreement Business Wire, 19 October 2007**

KIEV, Ukraine--(BUSINESS WIRE)--Today the Government of Ukraine signed the Prykerchenska Production Sharing Agreement (PSA) with Vanco International Ltd., a subsidiary of Houston-based independent Vanco Energy Company. The agreement represents the culmination of the tender process through which in April 2006 Vanco was granted the right to negotiate the first license to explore the deepwater part of Ukraine's Black Sea. The signing of the landmark Production Sharing Agreement gives Vanco the opportunity to explore and develop the highly prospective Prykerchenska Block. Work will begin immediately on a detailed exploration program which will include an extensive 3D seismic survey in 2008 followed by deepwater drilling.

Located to the southeast of the Crimean Peninsula, the Prykerchenska block covers nearly 13 thousand square kilometers or about one-third of Ukraine's deepwater area with water depths ranging from 500 meters to over 2,000 meters. Exploration will concentrate on the Tetyaev High, in water depths greater than 2,000 meters where Vanco has identified a series of large structures, and on the shallower Sudak Folded Belt where Vanco has identified numerous attractive prospects.

The approval for Vanco comes as Ukraine seeks to boost oil and gas output by a third within the next several years. If exploration efforts are successful, the development of the project will require investments of more than \$20 billion. "With the Prykerchenska Production Sharing Agreement now in place," says Vanco's Chairman and President Gene Van Dyke, "we can proceed with plans to explore fully this frontier area of Ukraine's deep Black Sea."

Dedicated to international deepwater exploration since 1996, Vanco has successfully operated drilling programs offshore Morocco and Côte d'Ivoire in the last three years. In addition to Ukraine, the Houston independent has deepwater exploration programs offshore Gabon, Equatorial Guinea, Ghana and Côte d'Ivoire.

Text available on World Wide Web, URL:

[http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news\\_view&newsId=20071019005148&newsLang=en](http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20071019005148&newsLang=en)

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### **23. Tymoshenko to Take Army Under Command Kommersant, 19 October 2007**

*The recently revived coalition of the Orange will have to overcome the first split triggered by Yulia Tymoshenko, who pledged to make all army professional starting from January 1, 2008 and to pay back within two years all savings lost by the nation. A portion of Our Ukraine–People's Self Defense promptly disassociated from the coalition, refusing to assume responsibility for implementing Tymoshenko's promise. The Regions Party hails the row of the Orange; there, they still hope to prevent Tymoshenko from becoming the prime minister of Ukraine.*

The Bloc of Yulia Tymoshenko and Our Ukraine-People's Self Defense proceeded to mutual accusations straight after inking the coalition agreement. The reason was the populist rhetoric of Tymoshenko. Once the Orange Lady was sure that there were no more obstacles en route to the PM Office, she promised soon and radical changes to the nation, first of all the military reform.

All issues are to be addressed professionally, Tymoshenko vowed, pledging to cancel compulsory military service starting from January 1, 2008. In an attempt to lure the older generation in addition to the young one, Tymoshenko undertook to speed up repayment of money laid aside back in time of the former Soviet Union. It would be made in the record two years, the leader declared, alarming her allies from Our Ukraine-People's Self Defense Party.

Defense Minister Anatoli Gritsenko, who is the No. 4 in pro-president's list, was the first to rebuff populist statements of Tymoshenko. Under the state program that the president approved as the Supreme Commander, Gritsenko explained, Ukrainian army will be the 100-percent contract in 2010. "As to canceling the call-up from January 1, 2008, I can only say that you may just as well initial a treaty on repealing three laws of Newton," the minister said.

Text available on World Wide Web, URL:

[http://www.kommersant.com/p816511/Tymoshenko\\_split/](http://www.kommersant.com/p816511/Tymoshenko_split/)

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### **24. Rescuers pull more bodies from Ukrainian building hit by gas explosion, toll reaches 21 AP/The International Herald Tribune, 19 October 2007**

Rescue workers pulled four more bodies from the rubble of an apartment building in eastern Ukraine wrecked by a natural gas explosion, bringing the death toll to 21, emergency officials said Friday.

The blast hit the 10-story apartment house in the industrial city of Dnipropetrovsk, about 600 kilometers (370 miles) from Kiev, on Saturday, destroying much of the building and ripping off parts of the roof and blowing out dozens of windows.

Four people were still missing and were being sought under the debris, the Emergency Situations Ministry said in a statement. Among the 21 confirmed killed are seven children.

Prosecutors believe the blast occurred because the valves that regulate gas pressure in pipes had worn out.

Two employees of the local gas operating company have been detained pending potential negligence charges.

Natural gas explosions resulting from improper usage, poor infrastructure or faulty butane and propane tanks are common in the former Soviet Union.

Text available on World Wide Web, URL:

<http://www.iht.com/articles/ap/2007/10/19/europe/EU-GEN-Ukraine-Gas-Explosion.php>

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## **25. Developers, investors plan more hotels for Kyiv**

**By Dariya Orlova**

**Kyiv Post, 17 October 2007**

Kyiv will host two new hotels in the next two years, including another five-star palace in the city center and a Holiday Inn.

Both hotels will be built by U.K.-based InterContinental Hotels Group (IHG), in conjunction with Kyiv-based developer Yaroslaviv Val and Toronto-Kyiv.

Ever since the UEFA announced its decision to award Poland and Ukraine the 2012 European Football Championships, the Ukrainian hotel market has attracted growing interest, particularly from foreign investors who have announced intentions to expand.

“Our development plans are focused on Kyiv, in accordance with IHG’s current capital city development policy,” said Michael Cooper, IHG vice president for strategic development in Russia and Ukraine.

“Our focus will be on the three-, four- and five-star market with our Holiday Inn, Crowne Plaza and InterContinental hotel brands.”

The five-star International Kyiv hotel will open in mid-2008. Its developer, Yaroslaviv Val, is controlled by Greek national and billionaire Leonid Yurushev.

“International operators prefer to work through Ukrainian companies that have been in business for a long time, have a good understanding of the market and know how to get permission from state agencies,” said Oleksiy Zerkalov, expert for Kyiv-based investment banking Dragon Capital.

For instance, Industrial Union of Donbass, one of Ukraine’s largest holding companies, was a primary investor in the Hyatt hotel.

The International Kyiv hotel, to be located near St. Michael’s Square, will consist of 280 guestrooms, meeting rooms, a ballroom, swimming pool, fitness area and a rooftop restaurant.

The Holiday Inn is targeted for 2009.

IHG, the world’s largest hotel company by number of rooms, is following in the footsteps of other global lodging companies that recently entered the lucrative Ukrainian market.

The five-star Hyatt Regency Kyiv opened in September between St. Michael’s and St. Sophia’s squares.

Meanwhile, Hilton announced plans to open a hotel in the city center near the Zoloti Vorota (Golden Gates) metro station in 2009.

Demand for quality hotels far exceeds supply in Ukraine, Zerkalov said, and all market segments lack sufficient lodging options.

"Prices for rooms in Ukrainian hotels are much higher compared to European counterparts," he said. "One of the reasons why there are still few international operators in the hotel market lies in the fact that it is difficult to get building permits in Ukraine."

Text available on World Wide Web, URL:  
<http://www.kyivpost.com/business/general/27597/>

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#### **26. Romanian hotel chain plans to build hotels in Moldova, Ukraine, Bulgaria FOCUS News Agency, 18 October 2007**

**Chisinau.** The President of the Romanian hotel chain Kontinental Radu Enake announced that the chain is planning to start construction of a hotel in Moldova in 2008, Moldovan media announced. Enake also said that Kontinental was planning to open several more hotels in Ukraine, Moldova and Bulgaria next year and each of the hotels will have more than 150 rooms. At the moment there are 9 hotels of Kontinental in Romania.

Text available on World Wide Web, URL:  
<http://www.focus-fen.net/index.php?id=n124712>

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#### **27. Groups from Azerbaijan, Turkey, Ukraine join network International Journalist's Network, 18 October 2007**

The International Freedom of Expression Exchange (IFEX) has welcomed organizations from Azerbaijan, Turkey and Ukraine into its membership.

In Azerbaijan, the Institute for Reporters' Freedom and Safety (IRFS) launched its work in 2006 to campaign for the release of seven journalists jailed there. The Turkish organization Antenna aims to remove all obstacles to free expression in Turkey. And in Ukraine, the Institute for Mass Information (IMI) defends press freedom, monitors journalists' rights, trains media professionals, and researches public opinion.

IFEX ([www.ifex.org](http://www.ifex.org)), a network of 81 organizations that promote free expression worldwide, admitted the new members at its general meeting October 11 in Montevideo, Uruguay.

Text available on World Wide Web, URL:  
<http://www.ijnnet.org/Director.aspx?P=Article&ID=306812&LID=1>

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#### **28. Ukraine: share of southern regions of Ukraine reduced in vegetable production Agricultural Marketing Project, 18 October 2007**

Almost one half of the total vegetable production of the country is allocated to steppe agri-climatic zone of Ukraine; the production volumes have been dramatically decreased in 2007 there, according to the results of the survey conducted by the analysts of CIS produce business periodical "Agrooglyad: Vegetables and Fruits" weekly. The production declined 18%, so that the share of the southern regions of the country in vegetable production of Ukraine reduced from 46% in 2006 down to 43% this year. main reason is the yield decline as a result of the unfavorable weather conditions. Actually, the reduction of vegetable cultivation areas was also greater in this region than in the other agri-climatic zones of the country.

Forest-steppe agri-climatic zone was the only one where vegetable cultivation areas have not reduced in 2007. However, the yield has declined the most dramatically here, that's why the total production reduced 13%.

Polissya agri-climatic zone, where only 20% of vegetables are grown (mostly cabbage, table beet, carrot) also harvested less vegetables in 2007; however, the production decline was relatively small here, it amounted only to 3%.

We'd like to remind that Production and Price forecast for fruits and vegetables in Ukraine will be available for the subscribers of the weekly journal in the next issue. You can order the full version for UAH 2000 (for subscribers) and for UAH 2200 (for those who are not subscribed for the journal). Those companies, which purchased the first forecast in 2007, will get fall forecast with 50% discount. You can order the forecast via e-mail: [strategy@apk-inform.com](mailto:strategy@apk-inform.com).

The Production Forecast for fruits and vegetables in 2008 will be presented by the experts of "Agrooglyad: Vegetables and Fruits" weekly during the fourth international conference "Fruits and Vegetables of Ukraine 2007. Meeting New Leader", to be held on December 4th-6th 2007 on the territory of the National Complex "Expocenter of Ukraine" in Kyiv. To participate in the event, you can fill in the online registration form.

Text available on World Wide Web, URL:  
<http://www.lol.org.ua/eng/showart.php?id=51241>