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1. Ukraine's PM promises 'stable' ties with Russia AFP/The Tehran Times, 20 December 2007

MOSCOW -- Ukraine's new Prime Minister Yulia Tymoshenko has pledged "'stable and harmonious'" ties with Moscow despite naming a government that favors NATO and EU membership, Russian daily Izvestia said on Wednesday.

"Our relations will be a stable and harmonious partnership," Tymoshenko said in an interview with Izvestia, published a day after she was confirmed as prime minister by her country's parliament.

However she hinted her government might try to change current agreements on gas prices, saying that "'we will solve issues of gas supplies and transport during negotiations.'"

"We want to act so that Ukraine and Russia will get mutual benefit," Tymoshenko said.

Ukraine is a key transit route for Russian natural gas supplies to the European Union and has had strained relations with President Vladimir Putin's Kremlin since a 2004 peaceful uprising known as the Orange Revolution.

Tymoshenko added that "'without losing contact with Moscow, Kiev must get ever closer to the European Union and the World Trade Organization (WTO).'"

On Tuesday, Putin's European affairs advisor Sergei Yastrzhembsky offered congratulations and promised that Russia would be a "'stable, predictable'" partner.

Earlier Russian energy giant Gazprom warned of a risk of "'tensions'" with Ukraine's future government if it attempted to modify an accord on gas prices signed earlier this month.

Text available on World Wide Web, URL:
http://www.tehrantimes.com/index_View.asp?code=159626

2. Return of the orange princess **The Economist, 19 December 2007**

Yulia Tymoshenko wins a second chance

IT WAS a telling contrast. Just one day after President Vladimir Putin more or less appointed himself Russia's next prime minister, the Rada (parliament) in Kiev chose in a free vote to make Yulia Tymoshenko Ukraine's prime minister. It also exposed the fallacy that post-Soviet Slav countries cannot be democratic.

Ukraine has been cited by the Kremlin as an example of democratic turbulence to be avoided. Russian television has gloated over Ukraine's chaotic politics, pointing up the advantages of Russia's stable system, in which decisions are taken by the Kremlin and rubber-stamped by the Duma. Ukraine's politics have been messy ever since the orange revolution of late 2004, when Viktor Yushchenko became president.

Yet for all the disillusion in the orange camp, Ukrainians gave it one more chance in the parliamentary election on September 30th. Ms Tymoshenko's party did well, taking votes from the Party of the Regions led by Viktor Yanukovich, the outgoing prime minister. With the pro-Yushchenko Our Ukraine block, Ms Tymoshenko had enough seats to push out the Party of the Regions. But it took two months for her to form a coalition. Nerves were further frayed on December 11th, when the electronic voting system failed to register two votes for Ms Tymoshenko. But on December 18th the parliament at last backed Ms Tymoshenko, by a one-vote margin.

The good news is that Ukraine has proved itself to be a genuine democracy, with a fierce competition for power and now a functioning opposition. As one Russian oligarch notes, Ukrainian politicians have tried it all to win power: election-rigging in 2004, money to bribe politicians to switch sides in 2005-06 and now democracy.

Ms Tymoshenko and Mr Yushchenko have been here before. He made her prime minister in early 2005, only to fire her months later. She blames her failure on the fact that she did not have her own team and was undermined by Mr Yushchenko's friends. Now she is in a stronger position and has already shaped her own cabinet. She promises judicial and economic reform, more open government and an end to murky intermediaries in the gas trade with Russia. But some pledges may be impossible to deliver.

Her first challenge is to keep the orange coalition together. The Our Ukraine block consists of ten parties. Some of Mr Yushchenko's supporters cannot stand Ms Tymoshenko. Mr Yushchenko may feel justifiably threatened by her as a potential presidential candidate in 2009. But to be credible, Ms Tymoshenko must tame her populist instincts. In a presidential election she will be judged on her record as prime minister. If the orange coalition fails to modernise and reform Ukraine, it would betray those who three years ago helped stage the orange revolution in the snow of Kiev. It would also set a bad example for other ex-Soviet republics—and give even more cause for Russian gleefulness.

Text available on World Wide Web, URL:
http://www.economist.com/world/europe/displaystory.cfm?story_id=10337909

3. Ukraine's New Prime Minister Gains Second Chance to Testify Her Readiness to Economically Develop Ukraine: German Expert
By A.Gasimova
Trend News, 19 December 2007

Being elected as the Prime Minister of Ukraine, Yulia Timashenko gained the second chance to prove that she is prepared to take the responsibility for the economic development in Ukraine.

"Timashenko gained the second chance to prove that she is capable not only fight for the power from opposition, but also is prepared to take the responsibility for the economic development of the large country such as Ukraine," said the Head of the German Foreign Policy Council's Program for Russia and CIS countries, Alexander Rar.

On 18 December, the members of the Supreme Rada (Parliament) of Ukraine elected Yulia Timashenko as the Prime Minister of the Country.

The voting was attended by 226 parliamentarians from 'orange' fraction of Bloc of Yulia Timashenko and 'Our Ukraine – Popular Self-Defense'. All members of this fraction who attended the meeting supported Yulia Timashenko's candidature.

Rar reported to Trend by telephone from Moscow on 19 December that Timashenko should reach an agreement on her new post. "She should be integrator, but not terminator of Ukraine," he said.

According to him, the priority for the new Prime Minister should be to combine the western and eastern parts of the Country. "It the best way to do it through interlacing economic interests," Rar said.

On 11 December Rada could not appoint Timashenko to the post of Prime Minister because 225 parliamentarians (1 MP less than required) voted for her twice. The coalition stated that the system of electronic voting gave errors, but the inspections did not testify these doubts. Therefore, it was decided to vote by name.

Text available on World Wide Web, URL:
<http://news.trendaz.com/index.shtml?show=news&newsid=1097978&lang=EN>

4. Tymoshenko vows to cleanse Ukraine of corruption
Reuters, 20 December 2007

Prime Minister Yulia Tymoshenko, who returned to her job this week, vowed on Thursday to cleanse Ukraine of corruption and fulfill campaign promises to improve the lives of the ex-Soviet state's 47 million people.

Tymoshenko, the fiery advocate of the 2004 "Orange Revolution" who was fired after seven months as premier, said her new administration would work tirelessly to ferret out what she described as the illegal dealings of its predecessors.

"We are starting the process of cleansing the country. I will do everything to ensure that dirty, shadowy money will cease to be a major factor in Ukrainian politics," Tymoshenko said in a televised address.

Seated stiffly behind a desk alongside a blue and yellow national flag, Tymoshenko said her cabinet had started a country-wide analysis of corruption, reviewing the operations of those who were previously in power.

"We must find out clearly what they managed to do. I hereby guarantee that we will check every kopeck spent, every public tender, every license, every illegal act. Let no one be in doubt that you must answer for all shady, illegal deals."

Tymoshenko fell out with President Viktor Yushchenko during her first term in office as her government split into two camps, each accusing the other of engaging in corruption.

Her departure and the split in "orange" ranks produced dismay among liberals who had sought to advance the revolution's ideals of moving closer to the West.

Tymoshenko and the president reconciled before a September election called to end three years of political turmoil and she emerged to lead an "orange" coalition with a tiny majority.

With her cabinet approved this week by parliament, including veteran reformer Viktor Pynzenyk as finance minister, she vowed to put order in public finances and amend the 2008 budget. Sporting her trademark braid and a somber dark brown dress, Tymoshenko told television viewers there would be no disunity this time between the prime minister, government and president.

Parliament, she said, would proceed with a plan to lift the immunity of members and ministers would be subject to strict standards. Promises to return lost Soviet-era savings to depositors and do away with army conscription would be upheld.

"The ethic of my administration is very simple. Those wishing to work will do so. Those wishing to steal will be held accountable," she said.

"And that is all. There can be no alternative. I am in no way a naive person and understand full well that true order is precisely what is needed for the people themselves."

(Reporting by Ron Popeski; Editing by Michael Winfrey)

Text available on World Wide Web, URL:

<http://www.reuters.com/article/newsMaps/idUSL1855525020071220>

5. Ukraine: Tymoshenko vows new anti-corruption drive Budapest Business Journal, 21 December 2007

Prime Minister Yulia Tymoshenko on Thursday declared a crusade against corruption in Ukraine and promised „no amnesty” to those found guilty of embezzlement or illegal transactions that had benefited them.

Tymoshenko, in her first televised address to the nation since her appointment as premier on Tuesday, pledged to deliver on all her campaign promises - from canceling Ukraine's military draft to paying out billions of hryvnias in failed Soviet bank debts. „I want you to mark today's date on the calendar,” Tymoshenko said in the address aired by Inter, Ukraine's most popular television channel. „This is the day when the government is turning its face towards the people. We begin the process of cleaning the country and I will make sure that dirty money will not be a factor in Ukrainian politics. Lawmakers will not be purchased as cattle on the marketplace,” she said. „Besides, those who paid up to \$30 million to lawmakers [to switch sides in her approval vote], will not have these shadow millions,” Tymoshenko said. The carefully staged address and Tymoshenko's strong remarks were reminiscent of her first arrival as prime minister in early 2005, when she declared a number of initiatives that had later failed.

Two years ago Tymoshenko pledged to redo the privatizations of up to 3,000 companies that she claimed had been illegally sold off by the government in the 1990s. Her government also canceled tax breaks in some regions originally intended for foreign investors. Both measures then tarnished Ukraine's investment reputation and forced many to postpone their investments, while domestic businessmen refused to re-invest their profits. Coupled with weak steel prices on world markets, which reduced Ukraine's main exports, this led to a major slowdown of the economy, which had registered negative growth seven months after Tymoshenko's appointment. This time around, Tymoshenko said her anti-corruption drive would identify - and punish - officials that had embezzled or illegally spent money in the past. „This does not mean we will announce amnesty to all violators of the law,”

Tymoshenko said. „This will not be so.” „I guarantee that we will check every penny spent, every tender, every license sold and every illegal act,” Tymoshenko said. „Let everybody have no doubt that they will be responsible for all their dark and illegal deeds.”

But Tymoshenko also admitted that her government will probably face major opposition in the anti-corruption campaign. „I am not naïve and I know that real order in the country is not needed for anybody, except for the people. We realize what colossal opposition we will face from corrupt structures, oligarch groups, sabotaging middle-level bureaucrats, hired experts and political scientists,” she said. „If they spent millions of dollars to prevent democratic coalition, they will now throw billions to stop our government, to destroy the democratic coalition,” Tymoshenko said. „That’s because they are neither going to clean themselves nor to live in an honest way.” (ukrainianjournal)

Text available on World Wide Web, URL:

http://www.bbj.hu/main/news_34570_ukraine%3A+tymoshenko+vows+new+anti-corruption+drive.html

6. Putin`s letter to Yushchenko not to influence relations between Ukraine and Russia UNIAN, 20 December 2007

Ambassador Extraordinary and Plenipotentiary of RF to Ukraine Victor Chernomyrdin is confident that the open letter of President of Russia Vladimir Putin to President of Ukraine Victor Yushchenko, as well as the statement of the Foreign Ministry of Russia concerning the plight of Russian cultural insitutions in Ukraine, will not influence the mutual relations between business-structures of the two countries.

According to an UNIAN correspondent, he said this today in Kyiv at a session of the Russian Strategic Investors Council in Ukraine.

According to the words of Victor Chernomyrdin, “it will influence people in Ukraine, for who the Russian language is native, and it will not influence the interstate and business relations – we worked, work and will work”.

Constant URL of article:

<http://www.unian.net/eng/news/news-227561.html>

7. U.S. split Ukraine into "pro-Western" and "pro-Russian" – Putin RIA Novosti, 19 December 2007

MOSCOW, December 19 - Russia's president told Time magazine that the United States had divided the Ukrainian people into "pro-Western" and "pro-Russian" sides.

Some Russian officials have accused Washington of funding the "orange revolution" in Ukraine in 2004 when the West-leaning government came to power after forcing the Moscow-backed rival to hold new elections. Western countries have in turn accused Russia of trying to retain its Soviet-time influence over the former neighboring republics, including Ukraine.

"For some reason, the U.S. decided that part of the Ukrainian political elite was pro-American and part of it pro-Russian, and chose to support those who in their opinion were pro-American - the so called orange revolutionaries," Vladimir Putin said on December 12 in an interview with the U.S. magazine, which declared him "Person of the Year".

Putin, whose second term expires in May 2008, said this division was a mistake. He said a politician who wants to be popular in his country must defend national interests and be a Ukrainian nationalist in a good sense.

"And they are indeed like that: they are neither pro-Russian, nor pro-American, nor pro-European, they are pro-Ukrainian," said Putin whose popularity rating in Russia still tops 70%.

The Russian leader also accused the U.S. of causing a rift among Ukrainians which led to distrust between some political factions and Ukrainians within the country.

"You began to destroy Ukraine with these actions, demolishing its territorial integrity and undermining its sovereignty," the president said.

Ever since the "orange revolution," Ukraine has been torn apart by a power struggle between the "orange" forces and the opposition. The latest early elections on September 30, have not eased the situation with the "orange" forces forming a coalition of 227 seats in the 450-seat legislature, which is unlikely to make the political process easy.

Putin said when it became evident that the situation in Ukraine was becoming unstable, people tried to force Russia to subsidize the Ukrainian economy, and politicized energy supplies. Russia is Ukraine's only energy supplier. It delivers a mixture of Russian and cheaper Turkmen gas to its neighbor.

"If you want to support somebody, you must pay for it. Nobody wants to do that. I talked to a European economy minister. I told him: 'Why don't you pay then?' And he said: 'I am not stupid.' And I said: 'Do I look like an idiot?'"

Putin said Russia had subsidized the Ukrainian economy with low energy prices for 15 years by around \$3-5 billion annually.

Putin denied any ambition to annex Ukraine. He said that out of a population of 45 million in Ukraine, 17 million were ethnic Russians and 80% of those consider Russian their native language, but there is no desire to be part of Russia.

"We do not want to incorporate anyone into Russia because it would be an additional economic burden for us," the president said.

Text available on World Wide Web, URL:
<http://en.rian.ru/russia/20071219/93196085.html>

8. A decade of challenges for Georgia, Ukraine, Azerbaijan and Moldova **By Taras KUZIO** **Kyiv Post, 19 December 2007**

The four nations of the GUAM regional organization – Georgia, Ukraine, Azerbaijan and Moldova – celebrated their 10th anniversary in an event held at New York University. The event was co-organized by NYU, the GUAM country UN missions and the Center for US-Ukrainian Relations. Two of the member countries' ambassadors, the deputy Georgian ambassador and other senior members of the four countries' UN delegations attended the one-day seminar that was planned to discuss different aspects of GUAM .

Discussions to establish a regional group in the CIS began among Azeri and Ukrainian diplomats in Vienna in 1995 and the organization was officially launched in Strasbourg in 1997. Two years later Uzbekistan joined GUAM at the Washington summit was set to celebrate the 50th anniversary of the founding NATO.

Uzbekistan suspended its membership in GUAM in 2002 and formally withdrew from the organization in May 2005 after the international outcry over the Andijon massacre of protestors. Uzbekistan had become increasingly uncomfortable at the growing emphasis on democratic development in GUAM.

In 2006, GUAM renamed itself GUAM Organization for Democracy and Economic Development (GUAM ODED) and established its headquarters in Kyiv, the Ukrainian capital. Azerbaijani President Ilham Aliyev was the GUAM ODED first secretary general. The Kyiv office of GUAM became operational in January 2007 with a relatively small budget of \$500,000.

GUAM countries were brought together by security concerns and common views of the undesirability of transforming the CIS into a supranational organization. Three of the GUAM members have frozen conflicts from the late Soviet era (Transdniestria, Abkhazia, South Ossetia and Nagorno-Karabakh) while Ukraine has Crimea, an area with an ethnic Russian majority and restive Tatars.

Three of the GUAM members also have Russian military bases on their territories. Russia agreed to withdraw its bases from Moldova and Georgia at the 1999 OSCE summit in Istanbul, but has continued to renege on this agreement. The Russian Black Sea Fleet has an agreement to remain in Crimea until 2017. NATO enlargement to Georgia and Ukraine would therefore bring in two countries with Russian bases, a new development for NATO.

In the EU, integration proceeds in a two-track way with members seeking different levels of integration; one group, deeper with the Euro and a Common Security and Defense Policy, another, seeking to maintain greater national sovereignty over monetary and fiscal policy as well as continued reliance on NATO as Europe's primary security institution.

The CIS is the same as the EU with a fast-track integration group centered on Russia, Belarus, Armenia and the Central Asian states who are members of the CIS Collective Security Organization.

GUAM represents the slow-track group with its members either seeking NATO membership (Georgia, Ukraine) or deep levels of cooperation through the Partnership for Peace Program (Azerbaijan).

A major issue discussed during the one-day New York conference was integration of two of the GUAM members into NATO – Georgia and Ukraine. This would be the most difficult enlargement that NATO had faced, as NATO would cross the “red line” of what Russia considers its sphere of influence, the CIS. Besides Russian military bases in both countries, Georgia also has two frozen conflicts. The bases are not seen as an obstacle by the US, as they relate to bilateral Georgian and Ukrainian agreements with Russia. In the case of the frozen conflicts, NATO views are divided over whether bringing in Georgia would speed up a resolution of the conflicts or permanently freeze them in Russia's favor.

The conference focused on how the frozen conflicts could be re-defined from cases of ‘separatism’ to ‘terrorism.’ Russia was able to convince many countries that Chechnya was a case of international terrorism and this became one factor that improved relations between Russia and Turkey. One speaker argued that Russia has suffered from both terrorism and promoted terrorism in frozen conflicts (as well as in the murder of regime opponents abroad). The Moldovan and Georgian frozen conflicts are further examples of externally inspired terrorism. The Azerbaijani ambassador argued that Nagorno Karabakh was different in that this was a case of a neighboring state annexing territory.

Through continuing to economically subsidize the frozen conflict zones, and by illegally giving their citizens Russian passports, Russia is also contributing to soft security threats to Europe. All of the frozen conflict enclaves are kept afloat by illegal activities that include the distribution of military equipment, narcotics, people and other contraband.

These soft security threats make it imperative that the EU follows the US lead in devoting greater attention to GUAM. The US has supported GUAM since its inception through diplomatic and financial support. The EU has largely ignored GUAM and fails to send its diplomatic delegations to attend GUAM summits.

A speaker at the conference proposed that GUAM act in the same manner as earlier regional organizations, such as the Visegrad group, when dealing with the EU. GUAM countries are included in the EU's European Neighborhood Policy (ENP) initiated in 2003-2004, but the ENP includes countries that are eligible under the 1957 Treaty of Rome for EU membership (i.e., the GUAM group) and those who are not (i.e., Northern Africa and the Middle East).

The conference argued that GUAM should seek to obtain an ENP+ Privileged Partnership that differentiates them from non-geographic European members of the ENP. The Azerbaijani delegation pointed to the similarities and dissimilarities of frozen conflicts in GUAM and those in the Balkans. In

the western Balkans the EU introduced Stabilization and Accession Agreements (SAA) in 1999-2000 with the aim of inducing the countries to not return to civil war. Macedonia became a candidate country for EU membership in 2001 not because it had accomplished any reforms, but as a way of inducing both sides to the civil war to turn to peace negotiations. Three GUAM countries experienced similar conflicts as the western Balkans, but the EU has not offered them SAAs.

GUAM has developed the GUAM+ (Plus) forums with the US, EU and Japan, whose UN diplomatic representations attended the conference. GUAM has strongly lobbied for the "internationalization" of the frozen conflicts to bring in the EU and UN. The Georgian and Azeri delegations to the conference stressed the importance of the EU increasing its intermediary presence in their two frozen conflicts in the same manner as the EU has intervened in the Transdniestrian conflict.

The pending Kosovo declaration of independence came up on a number of occasions as a step that could encourage Russia to use Kosovo as a precedent for the frozen conflict enclaves in GUAM. Views were divided as to whether Russia would go down this route because of its own separatist conflict in Chechnya. NYU Associate Professor Joshua Tucker suggested that Russia preferred "ambivalence," as this would give it greater ability to achieve its strategic goals. Another speaker pointed out that if Kosovo was to be a precedent for the frozen conflicts, then the same precedent could apply to Turkey, Canada, Spain, France and Belgium. The Turkish diplomatic representation promised to raise this issue with Russia.

In May 2006, the Ukrainian Defense Ministry announced plans to establish GUAM peacekeeping forces, which became formalized three months later. In September 2006, the first meeting of GUAM security services and law enforcement officials met in Baku to discuss a common strategy to combat terrorism.

An intriguing question discussed during the conference was the possible addition of Belarus as a fifth GUAM member. Seton Hall University Associate Professor Margarita Balmaceda argued that Belarus was forced to adopt a more multi-vector foreign policy after relations with Russia deteriorated during the 2007 gas crisis. If Belarus was to join GUAM, the organization would include a corridor of countries stretching from the Baltic to the Black Seas that would greatly enhance the success of the energy corridor.

Finally, GUAM was positively contrasted to the CIS. The former was portrayed as a forward-looking organization still in its infancy, whereas the CIS was an organization united on the basis of the past. More unites GUAM members than does that of the 12 countries of the CIS. Inter-GUAM and inter-CIS relations are also very different, as seen in how Russia has used the energy weapon in its relations with Belarus and Ukraine, a very different strategy to that of Azerbaijan taking up the shortfall in the supply of gas to Georgia caused by its inability to pay Russia's massive increased gas prices that were raised to Western European levels.

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Text available on World Wide Web, URL:
<http://www.kyivpost.com/opinion/oped/28041/>

**9. 76 volunteers of Peace Corpse to stay in Ukraine for two years to teach English in schools
NRCU, 19 December 2007**

This is the 33rd group of the Peace Corpse's volunteers since 1992, date of establishment of the Peace Corpse in accordance with an agreement between Leonid Kravchuk and George Bush.

The program of the Peace Corpse envisages English classes, development of oral English in the youth,

support the government's aims, notably Ukraine's accession to the WTO. Over 2,000 volunteers have arrived in Ukraine and performed teaching in 1,000 Ukrainian cities and towns.

Text available on World Wide Web, URL:
<http://www.nrcu.gov.ua/index.php?id=148&listid=57381>

10. For Schengen Outsiders, A New Isolation
By Claire Bigg
RFE/RL, 20 December 2007

HRODNA, Belarus -- A woman stands in a bustling train station in this Belarusian border town, laden with parcels. Fresh from a short jaunt to Poland, she recounts the highlights of a successful shopping run.

"I brought Christmas trees for the celebrations. I've also brought tangerines and pears," she says breathlessly. "Tangerines in Poland cost 90 zloty. That's about 1,800 rubles in our currency. In Belarus they cost 4,000 rubles."

Cross-border shopping is a time-honored tradition in Hrodna, located just 15 kilometers from Poland and 30 kilometers from Lithuania.

With both Poland and Lithuania joining Europe's travel-free Schengen zone on December 21, Belarusian shoppers are rushing across the border to stock up on cheap goods.

"The trains are packed -- not with people, but with goods," said a man returning from a trip to Poland. "I was surprised to see that many were carrying car tires; I hadn't come across that before. The carriages look like cargo trains. People shift their merchandise, count it, hide things in their clothes. Everyone buys vodka and cigarettes in duty-free shops, hides them and transports them into Poland. People act as though it were their last chance."

In some ways, it is.

The December 21 expansion of the Schengen zone brings visa-free travel up to the very border of the former Soviet Union. For people inside the zone, there are numerous benefits. For people outside, however, the new system may feel like a new Iron Curtain slamming down.

Out Of Line

The enlarged Schengen zone will include nine of the youngest European countries -- Hungary, the Czech Republic, Estonia, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. For many, joining Schengen marks a symbolic step in their transition from oppressed Communist states to full-fledged EU nations. Membership also comes with major perks -- unhindered travel and free circulation of goods throughout the 15 other Schengen member states, from Portugal to Greece to Finland.

But countries lying on the other side of the new Schengen border are far from thrilled. Many Belarusians, Ukrainians, and Russians worry that this expansion will translate into fresh travel restrictions to Europe.

Friso Roscam Abbing, a spokesman for EU Justice and Security Commissioner Franco Frattini, says the European Union's newest borders have certainly been tightened over the past few years. "This has been very carefully planned," Abbing says. "For years and years, [EU] member states have invested, with the support from us, from the European Commission, hundreds of millions of euros in enhancing the external border security control."

In Ukraine, one result of the Schengen zone's expansion is the cancellation of previous bilateral agreements that allowed Ukrainians to obtain free-of-charge visas to Poland, Slovakia, and Hungary. The price of visas to all Schengen member states, on the other hand, will be cut by more than half.

Some categories of Ukrainians -- such as those with family in Europe -- will also soon enjoy a simplified visa regime to the Schengen zone.

Borys Bazilyevskiy, the head of the Ukrainian Foreign Ministry's consular office in Kyiv, says the new visa rules will come into force with or without approval from the parliament, the Verkhovna Rada. "The Ukrainian president has submitted the visa agreement to the Verkhovna Rada for ratification as a priority issue," Bazilyevskiy says. "We also informed the European Commission that we have completed the process of implementing the agreement in Ukraine. As the European Commission has decided, this pact will enter force on January 1."

These concessions come at a cost for Ukraine. In exchange for a preferential visa regime, it has signed a readmission agreement with Schengen countries. This means all migrants illegally entering the Schengen zone via Ukraine will be deported back to Ukraine -- regardless of their country of origin.

Migration Fears

Russia, too, has pledged to accept all migrants reaching Europe via its territory without proper documents within the next three years. Authoritarian Belarus has yet to pen such a deal with its Western neighbors.

In Belarus, like in Ukraine and Russia, there are fears that Schengen's expansion will open the floodgates to a new wave of illegal migrants and asylum seekers pouring in from a range of troubled regions -- such as Iraq and Afghanistan -- on their way to Europe. Belarusian officials have lambasted the European Union for what they denounce as its failure to help Belarus handle this migration flow.

"The European Union is not helping us," says Alyaksey Begun, the deputy director of the Belarusian Interior Ministry's migration department. "We sent a letter this year to the European Union calling for increased cooperation in combating illegal migration and human trafficking. As far as I know, this letter has yet to be answered. The Belarusian migration organization does carry out programs with EU assistance. But there are no agreements between countries. The European Union is not paying Belarus enough attention."

The readmission agreements currently being penned along what will soon become Schengen's eastern border have also raised concerns. Human rights watchdogs have pointed to the danger of effectively placing a country like Ukraine on the frontline of the fight against illegal migration and human trafficking toward Europe.

In a report published two years ago, Human Rights Watch documented widespread violations against migrants and asylum-seekers stranded in Ukrainian border camps, ranging from overcrowding to physical abuse and extortion.

(RFE/RL's Ukrainian and Belarusian services contributed to this report)

Text available on World Wide Web, URL:

<http://www.rferl.org/featuresarticle/2007/12/1194534d-a5a5-4f64-b65c-a00bbb6633d3.html>

11. FM Ohryzko Reaffirms Ukraine's Aspirations for NATO Membership VOA News, 21 December 2007

Ukrainian Foreign Minister Volodymyr Ohryzko says his country wants to gain NATO membership as soon as possible, while maintaining good ties with Russia.

Ohryzko told foreign ambassadors in Kiev Ukraine understands that its movement toward NATO entry will be a gradual process. But he reaffirmed his country's determination to pursue European

integration. He also stressed that the European Union should not consider Ukraine simply as a neighbor, but as an integral part of Europe.

The Ukrainian official said his country seeks pragmatic, equal and predictable relations with Russia. He said his country must be ready to move on a decision on the future of Russia's Black Sea Fleet ahead of talks with Russia on the issue next month.

Current bilateral agreements allow the Russian Navy the use of bases on Ukraine's Crimean Peninsula, including the port of Sevastopol, until 2017.

Russia pays \$93 million a year in rent for Crimean bases.

Some information for this report was provided by AFP.

Text available on World Wide Web, URL:
<http://www.voanews.com/english/2007-12-21-voa51.cfm>

12. FM: Ukraine hoping for prompt entry into NATO membership plan Xinhua, 21 December 2007

Ukraine's Foreign Minister Volodymyr Ohryzko said Friday that his country wants to join the NATO's (North Atlantic Treaty Organization) Membership Action Plan as soon as possible.

"I would like to stress our desire to join the NATO's Membership Action Plan as soon as possible," Ohryzko said at a meeting with foreign ambassadors accredited in Ukraine.

"I think that Ukraine's possible neutral and nonaligned status makes no sense in a situation where other nations are forming a single global security zone," he added.

The foreign minister said Ukraine has acknowledged the advantages of the pan-European architecture of collective security.

However, Ohryzko pointed out that it is premature at this stage to speak about Ukraine's possible joining of NATO.

"All necessary stages of annual Ukraine-NATO action plans must be completed first," he said.

Text available on World Wide Web, URL:
http://news.xinhuanet.com/english/2007-12/21/content_7290940.htm

13. It is early for Ukraine to enter NATO - foreign minister ForUm/Trend News, 21 December 2007

Foreign Minister of Ukraine Volodymyr Ohryzko claims that today it is too early to speak about Ukraine's joining NATO. He stated on Friday at a press conference in Kyiv.

"One cannot seriously speak about joining NATO, because we must go through all stages preceding this event," the Minister said.

At the same time, Ohryzko notes that Ukraine can considerably speed up this process, by implementing annually plans of cooperation with NATO and using the mechanism of the Action Plan concerning NATO membership.

Ogryzko assures that Ukraine will use all possible mechanisms and forms of cooperation with this organization. The joining the Action Plan concerning the NATO membership is one of the steps.

Text available on World Wide Web, URL:

<http://news.trendaz.com/index.shtml?show=news&newsid=1098855&lang=EN>

14. Less Than 25 pct of crucial investor information disclosed by Ukraine cos - S&P AFX/Forbes, 21 December 2007

MUMBAI (Thomson Financial) - Standard & Poor's Governance Services said less than a quarter of of crucial investor information disclosed by Ukrainian companies.

In a survey of its Transparency and Disclosure (T&D) of the 36 largest Ukrainian companies, S&P said the level of transparency among these corporates was generally low -- at 23.9 pct.

This indicator significantly lags the foremost global practices in this area and compares unfavourably even with our Transparency Index for 30 of the largest Ukrainian banks: 41.0 pct.

'In our opinion, the main reason for such a low Transparency Index value is the lack of sufficient market motivation for such disclosure,' S&P said.

Text available on World Wide Web, URL:

<http://www.forbes.com/markets/feeds/afx/2007/12/21/afx4466563.html>

15. Netto heads for the Ukraine Talking Retail, 21 December 2007

Danish-owned supermarket giant Netto, which has 181 UK stores, has announced plans to open in the Ukraine.

Netto says it will be the first discount retailer from western Europe to have operations in the country.

The Dansk Supermarked-owned chain believes it could open more than 1,000 stores in the Ukraine.

Richard Lancaster, Netto's UK managing director, said: "We see big potential and many opportunities in the Ukraine. The country has a population of almost 50 million, all of whom have increasingly substantial purchasing power."

Development pace would be faster than in the other European countries in which Netto has a presence, the company said.

It hopes to have up to 30 stores ready to open before the business becomes fully operational in 2009. These will be followed by a further 25 a year, on average.

Netto is set to open a minimum of 25 more stores a year in the UK in 2008 with similar plans in place for Germany and Sweden. Poland will get another 50 stores per year.

Said Lancaster: "This year we opened 20 new UK Netto stores. With research showing us that our shoppers' purchasing is on the increase, as is the amount they spend with us when they visit, we are very confident in the future of our business at home and abroad."

Text available on World Wide Web, URL:

<http://www.talkingretail.com/news/7970/Netto-heads-for-the-Ukraine.ehtml>

**16. UPDATE 1-Bank Hapoalim to buy Ukrainian bank for \$136 mln
Reuters, 20 December 2007**

Israel's Bank Hapoalim POLI.TA said on Thursday it had agreed to buy a 75.8 percent stake in Ukraine's OJSC Ukrainian Innovation Bank (Ukrinbank) for \$136 million, valuing the whole bank at \$180 million. Ukrinbank focuses on services to small and medium-sized businesses as well as private customers and has about 30 branches throughout the country, Hapoalim, Israel's largest bank, said. "The acquisition will help our customers in Israel and abroad to exploit opportunities in Ukraine, one of the most important countries in Eastern Europe with tremendous business potential," Dani Dankner, chairman of Bank Hapoalim said in a statement.

Hapoalim's acquisition in Ukraine is part of its strategy to increase its international activities to one third of its total banking operations, the bank has said.

"One of the most important objectives of Hapoalim's multi-year strategy is to increase its international involvement in all banking activities, establishing the bank as a global bank, active worldwide, including in emerging markets," Dankner said.

In late November, Hapoalim received regulatory approval to acquire control of Kazakhstan's Demir Kazakhstan Bank through Turkish subsidiary Bank Pozitif Ve Kalkinma Bankasi Anonim Sirketi, in which it had bought a majority stake in February.

Completion of the Ukrinbank acquisition is subject to regulatory approval in Israel and Ukraine.

Clal Finance Batucha Analyst Yuval Ben Zeev said the bank's international strategy might boost its bottom line in the long run.

"The Turkish bank was a good investment, and the deal in Ukraine also has great potential, though it will take time to see how it will affect the bank," Ben Zeev said.

Hapoalim's shares were flat at midday in Tel Aviv, compared with gains of 0.5 percent in the broader bourse.

Ukrinbank was founded in 1989, is the country's oldest private bank, and is ranked 43rd out of the 150 banks operating in Ukraine in terms of its total assets and shareholders' equity, which totalled \$280 million and \$85 million at the end of the third quarter. (Reporting by Sergio Tjong-Alvares, Editing by Erica Billingham)

Text available on World Wide Web, URL:

<http://www.reuters.com/article/rbssFinancialServicesAndRealEstateNews/idUSL2027449920071220>

**17. UKRAINE - Israeli largest bank Hapoalim acquires 76 percent of Ukrinbank
Israel-Times, 20 December 2007**

USD 136 Million deal has been signed with Ukrainian Innovation Bank or Ukrinbank, giving Hapoalim controlling interest.

Founded in 1989, Ukrinbank is ranked the 43rd out of 150 banks. With 30 branches and 100 affiliates in the country, the establishment provides services mainly to businesses with small and medium size, and to private customers.

Danny Dankner, Chairman of Bank Hapoalim, commented: "The acquisition will help our customers in Israel and abroad to exploit opportunities in Ukraine, one of the most important countries in Eastern Europe with tremendous business potential."

Text available on World Wide Web, URL:

<http://www.israel-times.com/business/2007/12/ukraine-israeli-largest-bank-hapoalim-acquires-76-percent-of-ukrinbank-3533/>

18. Customer sophistication ends easy times for e-businesses

By Volodymyr Mashchenko

Kyiv Post, 19 December 2007

Yuriy Gagen is head of the marketing and advertising department with the MATRIX.UA electronic commerce company where he has worked since 2003. Kyiv-based MATRIX.UA began operating in 1999 as a pioneer of electronic commerce in Ukraine. The company currently has 60 employees that run an online store offering some 10,000 items for purchase, including mobile phones, computer accessories, office equipment and household appliances.

The company works with leading distributors and cooperates closely with the regional offices of global electronic giants such as HP, Apple, Western Digital, and General Electric.

In his interview with the Post, Gagen noted the majority of Internet shops in Ukraine lack the reliability and resources needed to effectively run an e-business.

KP: What tendencies are guiding the development of Ukraine's young e-commerce market? In what direction is the market evolving?

YG: Today's e-business in Ukraine is experiencing a rapid upsurge for several reasons. First, a tremendous number of people become new users of the Internet every day. They are getting to know the Internet as a unique means of communication, an excellent and a very convenient source for all kinds of information and a nearly inexhaustible source of entertainment. Generally speaking, our potential client base grows as the number of new Internet users increases in Ukraine. On the other hand, lots of young and ambitious people these days have started to hastily create websites without a clear idea of the issues they are likely to run into and what kind of financial means and other resources they should have in order to start and organize an Internet shop. As a result, the market currently includes several hundreds of Internet shops that are lacking resource bases, knowledge of business ethics, experience in working with clients and no understanding of service quality.

KP: From mobile phones to laptops to toys, what are the most popular e-commerce goods and products?

YG: Undoubtedly, cell phones, personal computers, computer equipment and various household electronic appliances garner the most demand.

KP: Regarding e-commerce clientele, what demographic groups are the most frequent customers?

YG: Today every electronic shop attracts the type of clients it is looking for, and vice versa. Unfortunately, a large group of unreliable clients has appeared in Ukraine's e-commerce sector thanks to the myth which can be summarized as "Internet goods are always cheaper." These people look for the lowest market prices and are ready to sacrifice fast delivery, quality service and even supplier reliability in order to save a few hryvnias. These clients are unreliable for several reasons. First, there is a high probability that a company may be wasting its time making a delivery since unreliable customers sometimes refuse payment, claiming they have found a cheaper product. Secondly, these customers often return products for a variety of reasons. Client loyalty is also an issue in these cases, since unreliable clients are less likely to become regular customers and are more likely to shop around for the lowest price.

But there is another group of customers. They work high-stress and well-paying jobs but have little time for shopping. These customers were the first to test the benefits and drawbacks of Internet purchases. Clients in this group, which we consider our primary target, value quick responses to their

needs, professional consultations, warranty and post-warranty assistance and have faith that products will match their orders.

Our clients are primarily people who value their time and who appreciate suppliers that keep their word.

KP: What are the major challenges facing e-commerce companies and what obstacles prevent e-businesses from expanding faster in Ukraine?

YG: Challenges include relatively low incomes and the absence of a culture of “remote purchasing” which results in a certain lack of trust in e-business. Another important problem is the large number of tiny Internet-shops launched without sufficient financing and without an understanding of the consequences of ignoring client requests or providing poor service quality. Regretfully, once people have a negative experience with these types of e-businesses, they will likely not give e-shopping another chance.

KP: How tough is e-commerce competition and which niches remain relatively vacant?

YG: E-sales of cell phones and accessories and computer appliances are the most saturated sectors. The number of e-shops dealing with these types of goods in Ukraine is simply astonishing, especially when you take into account the fact that only around 20 of them actively work on the market, provide real services, have regular staff, permanent office premises and possess material bases and resources sufficient to run a contemporary business. Therefore, there is still enough room for new players in every niche of e-commerce in Ukraine. I have to warn those interested that the times are gone when it was possible to launch an Internet business and achieve high turnovers relying only on enthusiasm and little start-up capital. Running an Internet shop today requires significant financial investments and effective management.

KP: What are your thoughts on the future of Ukraine’s e-commerce market? What factors will define its continued development?

YG: The market will continue to develop, grow and mature. A lot of Internet resources are currently stuck in “idle mode” and are not expanding. They will simply have to drop out of the race or will be acquired by larger retail companies looking to increase their sphere of influence and extend their sales markets. I also expect that European retailers will soon enter the Ukrainian e-commerce market. Technologically, Internet shops will increase their mobility in order to provide a more comfortable shopping experience with the aid of mobile phones. When it comes to the demand for certain goods and business trends, we do not expect any major changes within the next few years.

Text available on World Wide Web, URL:
<http://www.kyivpost.com/business/industglance/28036/>

19. Ukraine's Steel Output Expected to Increase by 7.8% y/y in 2008
By Andriy Ivasiuk
Millennium Capital, 18 December 2007

Accordingly to the Association of Secondary Metals, Ukraine's steel output will increase in 2008 by 7.8% y/y based on companies' plans announced. The figures are preliminary and are subject to correction.

We have a positive view on Ukraine's steel sector for 2008 and forecast an output growth of 5%-7% y/y. The coke issue remains to be the main challenge for the industry in 2008.

More information available on World Wide Web, URL:
<http://www.mcapital.com.ua/news.php?id=558054>

20. Cabinet Intends to Dismiss Management of Naftogaz Ukraine
By Peter Keller
Millennium Capital, 20 December 2007

The newly-appointed Cabinet of Ministers intends to replace the management of the national joint-stock company Naftogaz Ukraine. Prime Minister Yuliya Tymoshenko announced this to the media.

Naftogaz Ukraine is with 50% + 1 share the majority shareholder of Ukrnafta < UNAF UZ USD75.97 UR > while Pryvat group is the largest minority shareholder, with 42%. These shareholders had ongoing conflicts last year about managing UNAF. The media have constantly reported that Yuliya Tymoshenko and Pryvat group have close ties. We expect therefore that with the newly-appointed management of Naftogaz Ukraine, Pryvat group will have fewer problems regarding cooperation and we see therefore this news as positive for UNAF.

More information available on World Wide Web, URL:
<http://www.mcapital.com.ua/news.php?id=558066>

21. Ukraine: Ministry of Agrarian Policy insists on the renewing of grain export
Agrimarket Consulting, 20 December 2007

According to the Minister of Agrarian Policy of Ukraine Yuriy Melnik, the Ministry of Agrarian Policy would further insist on the soon renewing of grain export.

Commenting the price increasing on the world market of wheat up to the new historical records (367 USD/t - editor), the Minister noted that the current situation cannot be the obstacle for refusal from export.

As we informed before, the Ministry of Agrarian Policy offered to renew the grain export since December 15, 2007, but the decision was not accepted because of long-term formation of the new Government.

Let us remind you that the Government of Ukraine has introduced the quotas for grain export since July 01, 2007, in the volume of 12.000 tonnes, considered by the market participants as prohibitive. In November 2007, the Cabinet of Ministers took the decision to prolong the effect of the quotas till the end of 2007, and to permit the export of 1.2 mln tonnes of grain since January 01 till March 31, 2008.

According to the preliminary data, this year Ukraine harvested about 29 mln tonnes of grain against 34.3 mln tonnes in 2006. The experts estimate the export potential of Ukraine for 2007/08 season at the level of 4-5 mln tonnes.

Text available on World Wide Web, URL:
<http://www.agrimarket.info/showart.php?id=53578>

22. Helping Children With Special Needs in Dnepropetrovsk, Ukraine
Chabad.org, 19 December 2007

Staff and children from Dnepropetrovsk, Ukraine's Special Needs Education Resource Center visited the local Ohr Avner-Levi Yitzchak Schneerson Day School last week to expose the school's students to children with special needs. The visit occurred on the last day of Chanukah.

The resource center is a joint project between the Beit Chana Women's Pedagogical College and the Jewish community of Boston in the United States. Visits between the center and the Chabad-Lubavitch affiliated Ohr Avner school occur regularly so that children in both programs can interact.

Students in Ohr Avner's primary grades prepared a special concert program for their guests. Afterwards, the teachers and youngsters from the resource center put on their own Chanukah play. The children then joined together in singing songs and a group art project.

"It is important to tell children that life is not all full of joy, but there also exists illnesses that bring with them challenges connecting with one's peers and surrounding world," explained Anna Kaplunskaya, one of the event's coordinators. "Our pupils must understand that children with special needs need love and attention from their peers."

At the end of the gathering, the Ohr Avner students presented resource center staff with the charity funds they collected over the past couple of months.

Text available on World Wide Web, URL:

http://www.chabad.org/news/article_cdo/aid/614524/jewish/Promoting-Interactions-Between-Children.htm