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## **1. UKRAINIAN COALITION MAY NOT MATERIALIZE**

**By Pavel Korduban**

**Eurasia Daily Monitor, 21 November 2007**

The Ukrainian parliament elected on September 30 will gather for its first sitting on Friday, November 23. It should elect a speaker and start forming a new cabinet. The constitution requires the sitting cabinet of Prime Minister Viktor Yanukovich to step down before the new parliament convenes. Yanukovich, however, stands a high chance of staying on as caretaker prime minister. Increasingly, it appears that Yulia Tymoshenko, the candidate for prime minister from the majority coalition of her eponymous bloc and President Viktor Yushchenko's Our Ukraine People's Self-Defense (NUNS), may fail to muster support for her bid in parliament.

The NUNS-Tymoshenko Bloc coalition numbers 228 deputies, just two more than the 226 votes required to approve a prime minister in the 450-seat legislature. Tymoshenko fears, not without reason, that this may be too small a margin. She has alleged that the rival Party of Regions (PRU), led by Yanukovich, has tried to bribe her and Yushchenko's deputies so they vote against her. "They offer \$15-20 million dollars for betrayal," she told the UT1 state TV. Tymoshenko said that by November 7 her rivals had unsuccessfully tried to bribe 56 deputies from her bloc. The PRU flatly denied the allegation.

Tymoshenko may fail to secure the coveted position even if no single deputy is bribed. Three NUNS deputies have refused to sign the coalition accord that provides for her to become prime minister and the distribution of posts in a new cabinet. These are Vasyl Petyovka and Ihor Kril, who are cronies of Viktor Baloha, the powerful head of Yushchenko's administration, and Ivan Plyushch, secretary of the National Security and Defense Council under Yushchenko. Tymoshenko said in an interview with Inter

that only “technical problems” prevented the three from signing the accord and that they should change their minds after they speak with Yushchenko.

Whether the three spoke with Yushchenko or not, they seem to be determined in their rejection of Tymoshenko’s bid. Plyushch has never concealed that he would prefer a grand coalition including the PRU to a coalition with Tymoshenko. She rejected this idea from the very start of the parliamentary election campaign. Kril has made it clear that he does not like Tymoshenko’s presidential ambitions. He told Inter that a new prime minister should agree not to compete with Yushchenko in the upcoming presidential election campaign, which should start in 2009. It is widely believed that Kril is Baloha’s mouthpiece. However, whether or not Yushchenko shares Baloha’s point of view remains unclear.

Yuriy Lutsenko, leader of Self-Defense, the junior partner of Our Ukraine in the NUNS bloc, has condemned the “too independent and ambitious” threesome, saying that they were discrediting NUNS. He told Kommersant that if “pluralism of opinions” continues in Our Ukraine, his party, in which “democracy is manageable, which means it is effective,” would part ways with “such anarchists.”

Speaking to Channel 5, Lutsenko accused Baloha of using the deputies linked with him in order to undermine the coalition. Lutsenko called on Yushchenko to order the dissenters to sign the coalition accord. Lutsenko, however, conceded that fears of rivalry between Yushchenko and Tymoshenko in the upcoming presidential election are not groundless. He said NUNS and the Tymoshenko Bloc should back a single candidate if they manage to form a stable coalition, and hinted that he may also run for president if Tymoshenko does so.

The votes of Plyushch, Kril, and Petyovka may be decisive for Tymoshenko’s bid, as the Lytvyn Bloc has refused to join the coalition. NUNS and Tymoshenko hoped that the team of Volodymyr Lytvyn, who was parliament speaker in 2002-2006, would be their ally in parliament against the PRU. In that case Tymoshenko would have definitely mustered more than 226 votes for her bid for prime minister. Lytvyn had been reportedly offered the post of parliament speaker in exchange for backing Tymoshenko, but NUNS apparently said no, as that position had been promised to Our Ukraine chairman Vyacheslav Kyrylenko.

In several interviews for the press an offended Lytvyn repeatedly said that he did not want his bloc to be viewed by bigger parties as “a poor relative” called to “finish leftovers from their table.” Moreover, he announced on November 18 that his bloc would not join any coalition whatsoever in the new parliament and that it might refuse to support any candidate for speaker. Lytvyn warned that Yushchenko might be tempted to disband parliament again if there is deadlock over the appointment of a new prime minister. This may help Yushchenko burnish his image as a strong leader for his re-election bid, Lytvyn suggested.

(UT1, November 2, 8; Ukrayinska pravda, November 7; Inter TV, November 11, 18; Kommersant Ukraine; Channel 5, November 16, 18; NTN TV, November 18)

Text available on World Wide Web, URL:  
[http://jamestown.org/edm/article.php?article\\_id=2372609](http://jamestown.org/edm/article.php?article_id=2372609)

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## **2. Ukraine introduces visa-free regime with Bulgaria and Romania – Yatseniuk UNIAN, 21 November 2007**

Ukraine introduces a visa-free regime with Bulgaria and Romania since the moment when the agreement on facilitating the visa registration procedure for Ukrainians, which was signed between Ukraine and EU in Luxembourg on 18 June, 2007, comes into force.

According to an UNIAN correspondent, Foreign Minister of Ukraine Arseniy Yatseniuk claimed this to journalists in the Cabinet of Ministers today.

“After the Ukraine-EU Summit, the question of giving visa-free regime to Romania and Bulgaria was raised. The stance of Ukraine was declared clearly: we give the visa-free regime to Romania and

Bulgaria simultaneously with coming into force of the agreement on facilitated visa regime for Ukrainians. This decision was adopted by the government of Ukraine today”, A.Yatseniuk stressed.

The Minister specified that the rules of entrance and departure for foreigners at the Ukrainian territory are regulated with a respective order of the government. “It is not necessary to adopt a special law to introduce the visa-free regime”, he said.

Constant URL of article:  
<http://www.unian.net/eng/news/news-222770.html>

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### **3. United States to provide Ukraine with \$2.5 million in technical assistance UNIAN, 21 November 2007**

The U.S. Embassy and the Ministry of Interior of Ukraine today signed an agreement under which the United States Government will provide Ukraine nearly \$900,000 in technical assistance for law enforcement and strengthening the rule of law, according to the U.S. Embassy to Ukraine.

This raises the total U.S. investment in Ukrainian law enforcement development to \$2.5 million for 2007.

The projects included in this agreement will assist Ukraine in efforts to harmonize the criminal justice system, including law enforcement agencies, with European norms and standards. This agreement also includes projects to strengthen Ukraine’s capabilities to investigate and prosecute corruption as well as protect intellectual property rights.

This agreement is part of a multi-year, multi-million dollar effort to work with the Government of Ukraine to strengthen the law enforcement sector as a key democratic institution in line with Ukraine's Council of Europe obligations and to expand law enforcement cooperation between our two countries.

Constant URL of article:  
<http://www.unian.net/eng/news/news-222720.html>

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### **4. UN plots Chernobyl zone recovery BBC News, 21 November 2007**

*The UN has said the "emergency phase" is over in the areas affected by the Chernobyl nuclear plant disaster in Ukraine in 1986.*

A resolution has been adopted by the General Assembly in New York.

It calls for continuing attention to "Chernobyl-related needs" but also urges a move to the "recovery phase".

A UN official said the body should now focus on rebuilding self-reliance of the affected population instead of treating them as victims.

The 1986 explosion spewed radioactive fallout over swathes of the then-USSR - including Ukraine, Russia and Belarus - and many other parts of Europe.

More than 330,000 people were forced to leave their homes after the world's worst nuclear accident.

Estimates of the number of deaths linked to the radiation leak vary widely, with the World Health Organization (WHO) putting the death toll at 9,000.

Experts are still studying the long-term effects on health, especially on children.

## Helping communities

Tuesday's UN declaration proclaimed the next 10 years as a decade of "recovery and sustainable development" of the affected areas.

It said the focus should now be on helping the communities to reverse the domino effect of poverty, poor health and fear that had hampered growth in the region.

The General Assembly also requested the UN secretary general to provide a report on recovery efforts in 2010.

The declaration comes on the back of a report by the WHO which found "the health impact of the accident was much less severe than was initially feared", the BBC's Thomas Lane in New York says.

It also said the majority of the affected areas only suffered "low doses of radiation - doses that are close to naturally existing 'background levels'".

This paves the way for the UN to alter its aid structure to the region, namely parts of Belarus, Russia and Ukraine, our correspondent says.

### 'Overcoming stigma'

Before the UN vote, Cihan Sultanoglu, a UN Development Programme (UNDP) official, said that "20 years of treating the residents of those regions as victims has created a culture of apathy".

Ms Sultanoglu said the UN's new role should be "to help rebuild a sense of self-reliance".

UNDP officials argue that "lifestyle issues" - like alcoholism and smoking - now pose a greater cancer threat than radiation for many residents in the affected areas.

The agency is already involved with various assistance projects, including giving advice and loans to small-scale farmers.



Ms Sultanoglu said the radiation resistance of several plants - including a rapeseed used in biofuels - held out hope for an agricultural revival.

Other UNDP officials suggested that eco-tourism might also help the region, our correspondent says.

But they conceded there would have to be plenty of attention to marketing, in order to overcome any "brand stigma" associated with Chernobyl.

Earlier this year, the UNDP made a first shot at this by appointing Russian tennis star Maria Sharapova as a "goodwill ambassador" for the cause.

Text available on World Wide Web, URL:  
<http://news.bbc.co.uk/2/hi/europe/7105273.stm>

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**5. No Visa Regime for Bulgarians in Ukraine**  
**By Blaga Bangieva**  
**international.news.bg, 21 November 2007**

*Ukrainian Government decided to announce no-visa regime for the citizens of Bulgaria and Romania, announced from the Internal Ministry in Kiev.*

From the Ministry remind that the no-visa regime is in collaboration with the agreement for simplified visa regime for Ukrainian citizens in EU countries.

The today's decision was taken after Brussels reminding that the agreement could be active after the Ukrainian visas for Bulgarians and Romanians are cancelled.

Text available on World Wide Web, URL:  
[http://international.ibox.bg/news/id\\_1558907751](http://international.ibox.bg/news/id_1558907751)

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**6. Shell eyes stake in Regal's Ukraine fields**  
**By John O'Doherty in London and Roman Olearchyk in Kiev**  
**FT, 21 November 2007**

Royal Dutch Shell on Wednesday announced that it has signed a preliminary \$410m (£199m) agreement to take a 51 per cent interest in two Ukrainian gas fields controlled by a subsidiary of Regal Petroleum, the Aim-listed oil and gas group founded by Frank Timis.

Under the terms of a non-binding memorandum of understanding, Shell will pay \$50m for a 51 per cent stake in the Mekhediviska-Golotvschinska and Svyrydivske gas fields, Regal's main assets, and invest an initial \$360m to develop the two gasfields 180km northeast of Kiev.

Regal signed the agreement with Shell after ending talks with MND Exploration and Production, a private Czech oil company, who had proposed spending \$330m in exchange for majority control of the Ukrainian subsidiary.

The agreement marks the continued rapid expansion of Shell in Ukraine, which remains heavily reliant on Russian imports but is believed to hold significant hydrocarbon reserves of its own.

Regal's shares over the summer as market speculation suggested that Royal Dutch Shell or JKC Oil & Gas were keen to take on the Mekhediviska-Golotvschinska and Svyrydivske gas fields, Regal's assets in the Ukraine. Regal shares rose 6½p or nearly 4 per cent to 178½p in London on Wednesday.

"The interest of Shell demonstrates the underlying value of our assets in Ukraine and further underpins the future potential in these assets and in the company," said Francesco Scolaro, chairman of Regal.

Shell has moved fast to expand its presence in Ukraine, making it the only world energy major with a significant presence in the former Soviet republic.

In 2006, Shell signed an oil and gas exploration agreement with Ukraine's state-owned Ukrgezvydobuvannya to explore eight licensed areas in the potentially large Dniepr Donetsk Basin. This summer, the group established a downstream presence in Ukraine through a joint venture with Moscow-based Alliance Group to operate 150 Shell-branded petrol retail sites. Shell has also established a domestic natural gas trading company in Ukraine.

"The growth potential from the Mekhediviska-Golotvschinska and Svyrydivske fields is a clear fit with Shell's strategy," said Patrick van Daele, general manager of Shell Ukraine Exploration & Production.

Regal's Ukrainian assets were in recent years at the centre of a complicated court battle. Regal's former joint venture partner, a Ukrainian government agency, challenged the listed company's rights to production sites in Ukraine. The Ukrainian Supreme Court dismissed the claims last December.

Regal's major assets are in Ukraine, but the company also holds prospective exploration licences in Romania, Egypt and Liberia, and holds an oil field investment in Greece.

The company floated on London's Aim junior market in 2002, and its shares rose in value by more than 700 per cent in less than two years before plummeting in 2005 on news that its drilling in Greece's northern Aegean sea had yielded disappointing results.

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[http://cachef.ft.com/cms/s/0/9992f172-9803-11dc-8ca7-0000779fd2ac,dwp\\_uuid=e8477cc4-c820-11db-b0dc-000b5df10621.html](http://cachef.ft.com/cms/s/0/9992f172-9803-11dc-8ca7-0000779fd2ac,dwp_uuid=e8477cc4-c820-11db-b0dc-000b5df10621.html)

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## **7. Yushchenko: Ukraine's roads are Europe's most corrupt and dangerous Earthtimes.org, 21 November 2007**

Europe's most dangerous roads and greediest traffic cops are in the same place - the former Soviet republic Ukraine, said President Viktor Yushchenko during a televised meeting with law enforcers. Some 7,500 people lost their lives in Ukrainian road accidents in 2006, a 20 per cent increase over 2005. The year 2007 is on track (nearly 7,000 by mid-November) to be even deadlier, making a car trip in Ukraine four times riskier than in France or Belgium, and eight times more dangerous than in Germany, an indignant Yushchenko claimed.

"What kind of statistic is that? It is a direct reflection of the way you work!" the Orange Revolution leader told a glum auditorium filled with the leadership of the country's DAI traffic police force. "You are doing your jobs badly, and unprofessionally ... you should be ashamed."

The Ukrainian president's last visit to DAI headquarters, in July 2005, ended with a furious Yushchenko, a supporter of European politics and standards in Ukraine, declaring the organization dissolved.

Yushchenko's decision to wipe the DAI off the bureaucratic books (it never really worked) came after a notorious June 2005 road trip with Yushchenko at the wheel of an unmarked government sedan. Traffic cops looking to cash in on invented traffic violations halted Yushchenko eight times over a 600-kilometre route.

"The assembled DAI leadership received the president's Monday comments in silence," Ukrainska Pravda reported. A few colonels busily scribbled notes.

Yushchenko during the tirade ticked off several nasty DAI tactics long familiar to most Ukrainian drivers. Police place traffic signs not for public safety, but where they will snare the most unwary motorists.

Speeding law is ignored, but advertising signs are scrupulously controlled by DAI officers, the better to bring ad sign registration fees into the DAI budget.

Extortion of bribes from motorists is not just tolerated, but expected by mid-level police managers as they get a cut.

Korrespondent magazine in an article entitled "The situation on Ukrainian roads is becoming a national disaster" singled out "a total absence of punishment" as one reason Ukraine's traffic police seem so uninterested in enforcing traffic law properly.

A typical fine for a simple traffic violation in Ukraine - for instance running a stop sign or driving with a broken tail light - averages between 2 and 4 dollars.

A drunk driving conviction carries a license suspension averaging six months, but only after a court trial, and if the vehicle is needed for the driver to work, then most judges will throw out the suspension. The fine if assessed averages between 40 and 80 dollars.

"In fact, traffic police have very few tools with which they can influence driver behaviour," argued Evhen Kravets, a traffic police spokesman, in Fakty newspaper. "How can we tell if a particular citizen happens to be doing what a court told him?"

Even avoiding a manslaughter rap after running down a hapless pedestrian has, in Ukraine, its unofficial price. Provided the victim had no important friends or his family money, as little as 5,000 dollars split between the judge and state prosecutor will usually get the case thrown out, according to the Ukrainska Kriminala web site.

Another contributing factor to DAI inefficiency is officer salaries equivalent to 300 dollars a month, producing a 70 per cent annual turnover in DAI personnel, Fakty reported.

"With that kind of salary and retention rate it is naive to expect honest enforcement of the law," Korrespondent noted.

Danger levels on Ukrainian roads are heightened, Yushchenko said, because police corruption extends off the roads.

A driver's license without having to take the test - or indeed knowing how to drive - costs in Ukraine's black market from 200 to 500 dollars. A vehicle inspection without the inspector runs around 50 dollars, depending on the make and age of the auto not being inspected.

The Ukrainian leader at the end of the meeting gave police bosses "six months or else" to show substantial improvement.

The DAI colonels and generals "showed no particular reaction to that demand either," Ukrainska Pravda reported.

Text available on World Wide Web, URL:  
<http://www.earthtimes.org/articles/show/145475.html>

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**8. Gazprom Faults EU Plan**  
**By GREGORY L. WHITE**  
**Wall Street Journal, 21 November 2007**

MOSCOW -- European Union plans to force liberalization of the continent's natural-gas market could lead to a sharp jump in prices, a top executive at Russian gas giant OAO Gazprom, Europe's top import supplier, said.

Alexander Medvedev, deputy chief executive of Gazprom, told a group of foreign reporters yesterday that Russian and EU officials will conduct expert-level talks this month to help work out differences over the EU's plan, which includes a proposal to mandate "unbundling" -- the separation of transport from distribution and production.

But Mr. Medvedev backed off earlier hints from Russian officials that the EU plan might lead Gazprom to suspend or redirect major new gas projects. He said the gas giant is going ahead with its planned investments in new fields, though the EU proposal could affect its plans to build new pipeline and other infrastructure in Europe.

Gazprom, which is the world's largest gas producer and also has ambitions to expand its operations in distribution and marketing in Europe, its largest export market, has sharply criticized the EU plan. Mr. Medvedev said the proposal "will inevitably create a situation where prices will grow" by as much as 50%.

While that would be beneficial for Gazprom as an exporter, he said it would hurt the company's interests in distribution and marketing. "Liberalization...doesn't work in such infrastructural industries as power generation and especially gas," he said.

Gazprom is talking with EU officials about the plan, which Mr. Medvedev dismissed as "very raw, like sashimi," and is hopeful that its views will be taken into consideration.

On other issues, Mr. Medvedev complained that surging costs for supplies, services and equipment are making new projects more expensive. The huge Shtokman development in the Barents Sea, for which Gazprom has a partnership with Total SA and StatoilHydro ASA, will cost "on the order of \$15 billion," though final estimates won't be ready until an investment decision is made. First production is targeted for 2013, he said.

Mr. Medvedev said he's "positive" about talks now under way on finalizing a supply deal to bring Russian gas to China, but refused to forecast when they might be completed. "The ball is in the Chinese court," he said, noting that it would take four years from the time a deal is signed until Gazprom could begin shipments.

The two sides have repeatedly signed agreements on supplies, but a final contract has been elusive, in large part because of differences over price. Mr. Medvedev wouldn't elaborate on what separates the two sides.

He said Gazprom remains opposed to a plan by the Exxon Mobil Corp.-led Sakhalin-1 consortium to ship its gas to China. Under a newly approved Russian gas strategy for that region, that output is earmarked for the domestic market, he said. Exxon has long maintained that there isn't adequate demand locally and that it won't start production of the gas until it has a market.

Mr. Medvedev said talks with Exxon at the moment are "not active," but reiterated that Gazprom is willing to buy the project's entire gas output for sale to the domestic market.

He questioned the economic justification of Exxon's plan to build a dedicated export pipeline to carry the gas to China.

Text available on World Wide Web, URL:

[http://online.wsj.com/article/SB119555173851899090.html?mod=googlenews\\_wsj](http://online.wsj.com/article/SB119555173851899090.html?mod=googlenews_wsj)

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## **9. Russia nearly finishes gas talks with Ukraine, Baltic states-Medvedev Itar-Tass, 20 November 2007**

Negotiations with Ukraine and the Baltic republics on gas deliveries for the period until 2011 are almost complete, First Vice-Premier and Chairman of the Gazprom Board of Directors Dmitry Medvedev told the foreign media on Tuesday.

He said that Ukrainian Fuel and Energy Minister Yuri Boiko had been visiting Russia for the past two days.

"We have to discuss gas delivery terms not only for next year but also for the period until 2011. This is a hard task. Things are not as simple as we would like them to be. The Ukrainian partners and us have different viewpoints. We are trying to help them, but we also need to know how the Ukrainian economy finally switches to market principles in gas supplies," Medvedev said.

"There is a three-year span, and negotiations are underway with Ukraine and the three Baltic republics," he said. "I think we will reach an understanding in the near future. We must ensure the transfer of our partners to market prices and make this transfer comfortable. It is very difficult to balance these two goals, but we are ready to negotiate."

"So far, the negotiations are conventional, and I hope that we will not have problems, which used to have in the past, before this New Year. Our partners want to know what will happen next, and we are trying to help them," he said.

Text available on World Wide Web, URL:  
<http://www.itar-tass.com/eng/level2.html?NewsID=12091966&PageNum=0>

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#### **10. Russia completing talks on gas supplies to Ukraine, Baltics RIA Novosti, 20 November 2007**

Russia is completing talks on natural gas supplies until 2011 to Ukraine and the Baltic states and hopes to avoid problems on New Year's eve, a first deputy prime minister said Tuesday.

"We are in the concluding stage of talks with our partners," Dmitry Medvedev, who is also board chairman of the Russian energy giant Gazprom, said at a news briefing at RIA Novosti.

"So far, the talks have been proceeding without any surprises, and I hope we will not have any problems on New Year's eve, like in the past," he said.

Medvedev also said Russia will not export natural gas from the Sakhalin-1 project until demand in East Siberia and Russia's Far East has been fully satisfied.

Sakhalin-1 project is run under a 1996 production sharing agreement. Exxon Neftegas Limited holds a 30% stake in the Sakhalin-1 production sharing agreement. The other shareholders are state-owned Russian oil company Rosneft (20%), India's ONGC (20%) and Japan's Sodeco (30%).

"As long as we ensure gasification of our regions [Siberia and Far East], we will start exporting excess of natural gas," Medvedev said. "It is quite reasonable."

Text available on World Wide Web, URL:  
<http://en.rian.ru/russia/20071120/88867130.html>

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#### **11. PKN plans no dividend payout from 2007 profit Reuters/ Guardian Unlimited, 21 November 2007**

Polish state-controlled refiner PKN Orlen will pay no dividend from its 2007 net profit due to a lack of free cash flow, Chief Executive Piotr Kownacki said on Wednesday.

PKN Orlen said in a statement its policy was to pay half of its free cash flow in a dividend, barring major acquisitions.

"There will be no free cash flow this year, thus under our dividend policy, there will be no dividend," said Kownacki.

Due to PKN's takeover of Lithuanian refiner Mazeikiu Nafta in late 2006, PKN did not pay a dividend from last year's net profit.

The company has said it plans to expand its international presence, including in Ukraine and Latvia, and increase its market share in Lithuania, Czech Republic and Germany.

"We are in preliminary talks with potential sellers of a fuel station chain in Ukraine, but they are at such an early stage it is too early to talk about target number of stations," Kownacki told reporters on the sidelines of a news conference.

PKN said earlier it was targeting a 20 percent market share in the Czech Republic and Baltic States. In Germany it wants to increase the number of gas stations by about 50 percent to 750.

PKN Orlen's nine-month net profit reached 1.7 billion zloty (\$683.6 million) this year.

(Reporting by Pawel Bernat, writing by Patryk Wasilewski)

Text available on World Wide Web, URL:  
<http://www.guardian.co.uk/feedarticle?id=7093879>

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## **12. MTS places Ukraine on the underperforming list CNews, 20 November 2007**

*According to MTS forecasts, in 2008-2012 the average annual growth rate of its Ukrainian subsidiary will be lower by half than the revenue growth of the group in general. Such forecast is accounted for high competition and the incessant price wars in Ukraine. At the same time MTS is not concerned with the fact that such a situation might arise in Russia in connection with the possible emergence of the other two federal operators, i.e. Sky Link and Tele2.*

MTS has announced its forecasts regarding the company's market development in 2008-2012. If the current tendency preserves, the average annual revenue growth rate of the company (net of Byelorussia and Armenia not consolidated into the total statement of operations) might come to 16%. The total growth within the indicated five years might come to 137%. The voice service segment might grow twice from \$15.6 bln. to \$31 bln. The revenue from additional services might treble from \$2.4 bln. to \$7.1 bln. Besides, in 2012 MTS plans to profit by \$4.5 bln. from the broadband internet market.

MTS Russian business will grow a little bit slower than the group in general, i.e. by 15% on average annually and 132% within the planned period from 2008 to 2012. In five years the revenue from voice services is planned to increase from \$12.5 bln. to \$26.5 bln. The additional service market might grow from \$2.2 bln. to \$4.2 bln. The revenue from the mobile broadband internet in 2012 should amount to \$3.4 bln. The company's revenue in Uzbekistan and Tajikistan is to boom. The expected average annual earnings growth in Uzbekistan is to come to 40%, the total growth in 2008-2012 might come to 660%.

Against the general background in Ukraine MTS will grow slower. According to the company's forecasts, the average growth rate in the mentioned country in the coming five years will not exceed 7%, the total growth in 2008-2012 coming to about 52%. 'The given scenario is the intermediary between the conservative and optimistic, - MTS President **Leonid Melamed** says. – The main reason for such a non positive forecast is that competition in Ukraine is intense, price wars continue, some players despite the low marginality of their business are constantly making aggressive proposals'.

'Astelit and URS (Beeline) are actively waging price wars, - **Maxim Savvativn**, iKS-Consulting Senior Analyst, says. – That is how they expand their market share, but their ARPU is much lower as compared to their competitors'. According to iKS-Consulting, by the end of September 2007 MTS had 19.91 mln. subscribers in Ukraine occupying 37% of the market. According to the subscriber fee, the operator Kievstar was the leader in Ukraine, which subscribed more than 23 mln. users (the market share is 43%). Astelit share is 14%, while URS occupies about 5%.

According to Leonid Melamed, marginality is unlikely to grow in Ukraine in the coming years, at the same time MTS is sure to avoid marginality slow down. The company management hopes the situation in Russia will not become similar to Ukraine because of new federal operators to emerge, i.e. Sky Link and Tele2. 'I believe, the emergence of another competitor with prudent policy might not

affect the situation in the Russian market, - Mr. Melamed highlights saying he does not believe the Big Three might become the Big Five.

'Only one large operator is likely to emerge on the market due to M&A, - Maxim Savvatin says in his turn. – In particular, it is likely to receive Svyazinvest assets and GSM-frequencies won by Summa Telecom'.

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MTS (Mobile TeleSystems) is the largest mobile phone operator in Russia and the CIS. Together with its subsidiaries, the Company services over 72.86 million subscribers. The regions of Russia, Belarus, Turkmenistan, Ukraine, and Uzbekistan, in which MTS and its associates and subsidiaries are licensed to provide GSM services, have a total population of more than 230 million. MTS completed its IPO and listed its Level III ADRs on the New York Stock Exchange in July 2000, under the symbol MBT. The Company's shares have been listed locally on MICEX since November 2003, under the symbol MTSI. The Company's GDRs are also traded in Europe. The free float of the Company's shares is approximately 46.7%. MTS is 52.8% majority-owned by Sistema, the largest private sector consumer services company in Russia and the CIS. The company's consolidated revenues in the first quarter of 2007 reached \$1,741 mln.

Text available on World Wide Web, URL:

<http://eng.cnews.ru/news/top/indexEn.shtml?2007/11/20/275887>

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### **13. Libya Eyes Cultivating Wheat in Ukraine Alarab online, 21 November 2007**

Libya plans to invest in the production of Wheat in Ukraine on a surface of 100.000 hectares, in order to provide for the totality of its requirements.

This project aims at ensuring to Libya wheat self-sufficiency.

This agricultural project was on the top of the talks held in Kiev between Seif Al-Islam Gaddafi, the son of the Libyan Leader Mouammar Gaddafi, and the Ukrainian Prime Minister.

During the official visit to Kiev, Seif Al-Islam also examined with Ukrainian officials in charge the possibility of an agreement to supply Kiev with Libyan oil.

Libya, where agriculture is severely inadequate due to the scarcity of fertile ground and the lack of precipitations, imports the totality of its requirements of wheat, each year, from the United States, Europe and Australia (more than one million tons are imported each year).

The country on the other hand has enormous crude oil reserves which account for approximately 97% of the total export earnings, 75% of the income of the government and 54% of the GDP.

Text available on World Wide Web, URL:

<http://english.alarabonline.org/display.asp?fname=2007%5C11%5C11-21%5Czbusinessz%5C980.htm&dismode=x&ts=21/11/2007%2002:13:42%20%C3%A3>

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### **14. Ukrainian energy minister discussing gas deliveries in Moscow Interfax, 21 November 2007**

Ukrainian Fuel and Energy Minister Yury Boyko is in Moscow holding talks about gas deliveries to Ukraine, Alexander Medvedev, deputy chief executive of Russia's Gazprom (RTS: GAZP), told reporters.

Medvedev said that Boyko arrived in Moscow on Monday. "Talks are in progress and they are going fairly well," Medvedev said.

"Next year's gas prices will be fixed only if a price formula can be agreed upon. That formula will reflect European prices," Medvedev said.

Commenting on one suggested price of \$160 per thousand cubic meters, Medvedev said: "That price was aired not by myself but by the Ukrainian delegation, as a price that is acceptable to Ukraine."

Text available on World Wide Web, URL:  
[http://www.interfax.ru/e/B/politics/28.html?id\\_issue=11913887](http://www.interfax.ru/e/B/politics/28.html?id_issue=11913887)

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#### **15. Ukraine's draft budget features specific gas price RosBusinessConsulting, 21 November 2007**

Ukraine's draft budget for 2008, approved by the nation's government today, sets the price for imported gas at \$160 per 1,000 cubic meters. Currently, Gazprom and Ukraine are still hammering out gas pricing for 2008 and for the mid-term. On November 19-20, Ukraine's Fuel and Energy Minister Yury Boyko paid another official visit to Moscow. According to earlier reports, Gazprom's Deputy CEO Alexander Medvedev said the gas holding was considering signing a comprehensive agreement with Ukraine until the end of 2007. On November 15, the parties announced that they had finalized price-setting principles, but disclosed no further details.

Text available on World Wide Web, URL:  
<http://www.rbcnews.com/free/20071121142001.shtml>

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#### **16. Ukraine govt revises inflation, growth forecasts Reuters/Guardian Unlimited, 21 November 2007**

Ukraine's government on Wednesday revised sharply upward its inflation forecast for 2007 to 14.5 percent from 7.5 percent previously and altered its 2008 forecast to 9.6 percent from 6.8 percent.

A government resolution issued at a cabinet and disclosed to reporters by Economy Minister Anatoly Kinakh also boosted the 2007 economic growth forecast to 7.0 percent from the previous 6.5 percent.

He said the economic growth forecast for 2008 was lowered to 6.8 percent from 7.2 percent.

Inflation in 2007 has far exceeded expectations, with the cumulative figure for 10 months standing at 11.7 percent.

Consumer prices rose by 2.9 percent month-on-month in October.

The central bank and the economy ministry had long conceded that inflation would be well above the original forecast.

The economy ministry had also acknowledged before Wednesday's cabinet meeting that growth next year would be affected by anticipated higher prices for imported Russian gas.

The government resolution included a proposal to parliament to draw up a 2008 budget with a deficit of 16.5 billion hryvnias, or 1.86 percent of gross domestic product. The deficit had originally been set at up to 2.6 percent of GDP.

The proposal called for budget revenues next year to total 206.3 billion hryvnias.

"In drawing up indicators for the 2008 budget, account was taken of a forecast increase in the price of gas imports to \$160 per 1,000 cubic metres," the resolution said.

Ukraine is negotiating a price for gas next year - currently at \$130 per 1,000 cubic metres, up from \$95 in 2005.

The government of Prime Minister Viktor Yanukovich is to formally step down this week when parliament reconvenes after a September election.

A coalition of parties linked to the 2004 "Orange Revolution" which swept President Viktor Yushchenko to power has clinched an agreement in principle to form a new government. (\$=5.05 hryvnias) (Reporting by Natalya Zinets, Writing by Ron Popeski)

Text available on World Wide Web, URL:  
<http://www.guardian.co.uk/feedarticle?id=7093422>

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**17. MTS Ukraine launches wireless broadband network**  
**By Pallavi B**  
**Digital Media Asia, 20 November 2007**

MTS Ukraine has launched its commercial wireless broadband network using third-generation (3G) CDMA2000 1xEV-DO Revision A (Rev. A) equipment supplied by Alcatel-Lucent. The new network, deployed in the 450 MHz spectrum band, is aimed at providing MTS Ukraine's subscribers in major Ukrainian cities with a variety of 3G mobile data services.

As part of this project, Alcatel-Lucent supplied its CDMA Modular Cell 4.0 Compact base stations for the 450 MHz spectrum band, CDMA2000 1xEV-DO Radio Network Controllers (RNC), a base station operation controller and a network element management system as well as packet core network equipment.

Alcatel-Lucent also provided network design, planning, deployment, operation, personnel training, and maintenance services, including remote technical support, repair, and local spares provisioning.

Its partner in the project Kvazar-Micro - an international IT company that provides products, solutions and services in Eastern Europe and the Commonwealth of Independent States (CIS) — managed the overall network integration.

Text available on World Wide Web, URL:  
<http://www.digitalmediaasia.com/default.asp?ArticleID=28023>

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**18. Regal and Shell sign Ukraine JV understanding**  
**Reuters, 21 November 2007**

LONDON, Nov 21 (Reuters) - Oil and gas explorer Regal Petroleum Plc said on Wednesday it had reached a memorandum of understanding (MOU) with Shell to develop its MEX-GOL and SV gas fields in Ukraine, after it said a previous MOU with Czech-based MND Exploration and Production had lapsed without terms being agreed.

Regal said Shell Exploration and Production Ukraine Investments would buy -- subject to due diligence -- a 51 percent stake in Regal's subsidiary, Regal Petroleum (Jersey) Ltd, for \$50 million in cash and pay the first \$360 million of the capital expenditure to develop the fields.

(Reporting by Chris Wills, editing by Elizabeth Fullerton)

Text available on World Wide Web, URL:

[http://investing.reuters.co.uk/news/articleinvesting.aspx?type=smallCapsNews&storyID=2007-11-21T072253Z\\_01\\_WLB3457\\_RTRIDST\\_0\\_REGALPETROLEUM-SHELL.XML](http://investing.reuters.co.uk/news/articleinvesting.aspx?type=smallCapsNews&storyID=2007-11-21T072253Z_01_WLB3457_RTRIDST_0_REGALPETROLEUM-SHELL.XML)

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### **19. Ukraine's KDD plans AIM float ShareCast, 21 November 2007**

LONDON (SHARECAST) - KDD Group, the holding company of one of Ukraine's leading real state investment and development groups, plans to float on London's Alternative Investment Market.

The group, which holds a diversified portfolio of real estate projects including offices, residential complexes and retail centres, said it intends to use the net proceeds from the offering primarily to finance the construction of its eight current projects and fund additional acquisitions of properties and land plots.

"Our admission to AIM will allow international investors to participate in potential growth opportunities in the Ukrainian real estate market," said KDD's president Petro Slipets.

"We believe that our focus on developing large, groundbreaking projects, which combine global best practice standards and cooperation with leading international firms, makes KDD a unique investment," he added.

The group did not comment on the timing or financials of the offer, but said that the total estimated aggregate market value of its projects was \$908.2m as at 30 September.

KDD has appointed ING and Renaissance Capital as joint-global coordinators and bookrunners in relation to the offering. ING has also been appointed as the nominated advisor.

Text available on World Wide Web, URL:

[http://www.sharecast.com/cgi-bin/sharecast/story.cgi?story\\_id=1756728](http://www.sharecast.com/cgi-bin/sharecast/story.cgi?story_id=1756728)

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### **20. KDD Group seeks London AIM listing AFX News Limited/Forbes, 21 November 2007**

LONDON (Thomson Financial) - KDD Group NV, a holding company for one of the Ukraine's leading real estate companies, is seeking a listing on the Alternative Investment Market (AIM) through an international offering of shares.

The group, which has a property portfolio valued at about 908.2 mln usd, has a diversified portfolio of real estate projects comprising offices, residential complexes, retail centres and mixed-use projects.

No further financial details were disclosed, but the group plans to use the proceeds of the offering to finance the construction of eight projects and to fund further acquisitions and land purchases.

'Our admission to AIM will allow international investors to participate in potential growth opportunities in the Ukrainian real estate market,' said KDD president Petro Slipets.

KDD has appointed ING (nyse: IND - news - people ) and Renaissance Capital as the joint-global coordinators and bookrunners for the offer.

Text available on World Wide Web, URL:

<http://www.forbes.com/afxnewslimited/feeds/afx/2007/11/21/afx4362603.html>

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## **21. International 75th commemoration exhibition "Holodomor 1932-1933 to be held in Kyiv ForUm, 20 November 2007**

International 75th commemoration exhibition "Holodomor 1932-1933" to be held in Kyiv at Ukrainian house on November 20 - December 6, 2007.

Ukrainian President Viktor Yushchenko will participate in the formal opening of the exhibition on Wednesday, November 21.

The Administration of President Viktor Yushchenko is in charge of the exhibition which is under the direction of Ivan Vasiunyk, First Deputy Head of the Presidential Secretariat, and Vasyl Vovkun, production and artistic director.

The international commemorative and educational exhibition will feature four individual Holodomor presentations which will be displayed for seventeen days in the Ukrainian House in the center of Kyiv.

Historical and educational presentations will be made by the:

[1] Ukrainian National Institute of Memory, Ihor Yukhnovsky, Director;

[2] Ukraine 3000 International Charity Fund, Kateryna Yushchenko, Head of the Supervisory Board;

[3] Security Service of Ukraine (SBU), Valentyn Nalyvaichenko, Acting Chief;

[4] Holodomor Through The Eyes of Ukrainian Artists Collection, Morgan Williams, Sigma Bleyzer, Founder and Trustee.

The National Institute of Memory will display their newly created set of sixty-four panels/posters that tell the story of the Holodomor in documents, historical data, testimonies, photographs and other historical information.

The Ukraine 3000 International Charity Fund will display a large number of posters about the Holodomor created by students and artists this year in response to a Holodomor poster contest organized by the Ukraine 3000 Fund. People attending the exhibition will be able to vote for the posters they think are the most outstanding.

The Security Service of Ukraine (SBU) will display their set of over 60 panels/posters created from material in their archives about the Holodomor such as historical decrees, letters, government documents, photographs, and other items from the SBU archives.

The Holodomor Through The Eyes of Ukrainian Artists Collection, will display over 100 original art works. The original artworks will include oil on canvas paintings, black and white drawings, linocuts, print on board poster art and other graphical materials.

Many of the artworks were created between 1989 and 1993, the first years artists in Ukraine were ever allowed to deal with such subjects as the major crimes of communism. Some of the poster art will include works by students at the Art Academy in Kyiv created in 2006 and 2007 under the direction of Professor Vitaliy Shostia, a program sponsored by the Holodomor Education and Exhibition Art Collection.

High school students from the Poltava Oblast will also have some Holodomor works on display. Movies and documentaries will be shown throughout the seventeen day exhibition. Books about the Holodomor will also be on display. The exhibition will be the largest Holodomor exhibition ever held in Ukraine and is open to the public.

Ukrainian President Viktor Yuschenko has called on the international community and governments around the world to condemn the crimes committed by the Stalin regime and to declare the Holodomor of 1932-1933 as a genocide against the Ukrainian people.

"The crimes of the Stalin regime - the 1932-1933 famine-genocide in Ukraine, the major terror of the 1930s - should be fully condemned by the international community. It is the duty of all countries, political and public forces that accept the values of democracy," Yuschenko said.

Action Ukraine Report (AUR) #889, Article 2

Text available on World Wide Web, URL:  
<http://en.for-ua.com/analytics/2007/11/20/120058.html>

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## **22. Russian Foreign Ministry should read more books about history - Ukraine`s MFA UNIAN, 20 November 2007**

The statement of the Russian Foreign Ministry's Department for Information and Press about Holodomor is contrary to historical facts.

According to an UNIAN correspondent, top deputy Foreign Minister of Ukraine Volodymyr Ohryzko said this to journalists today.

He turned attention to the fact that the "statements, made today by the RF Information Department, are not true, and are contrary to the elementary historical knowledge".

V. Ohryzko pointed out that he has intent to summon the councilor at the Russian Embassy to Ukraine in order to give him a clear view of the situation concerning smashing up the exhibition, devoted to the Ukrainian Holodomor of 1932-33, in Moscow on 17 November.

In his turn, Ukrainian Foreign Ministry's spokesman Andriy Deshchytsia emphasized that "to exchange statements about that-time events is absolutely tactless, because we humiliate ourselves by doing so".

He stressed that Ukraine has determined its position concerning the recognition of Holodomor of 1932-33 as an act of genocide against the Ukrainian nation. "Solely within the frameworks of a friendly and partner advice, I would like to advise our Russian colleagues, including that of the RF Foreign Ministry's Information Department, to read books about history", he added.

As UNIAN reported earlier, on November 17, 7 representatives of the Eurasian Union of Youth (EUY) smashed up the exhibition in memory of Holodomor [Ukrainian Great Famine of 1932-33] exhibition in the Ukrainian cultural center in Moscow. EUY believes that the exhibition stirred up hatred between Russia and Ukraine.

The Ukrainian Foreign Ministry assessed these actions as illegal, provocative, and anti-Ukrainian.

On 19 November the Department for Information and Press of the Russian Foreign Ministry disseminated a commentary, reading that the announcement of the famine of 1932-33 in Ukraine as an act of genocide "is a one-sided distortion of history in favor of modern market's political-ideological guidelines". The Russian Foreign Ministry emphasized that "the theme of hunger of 30ies in the Soviet Union, the victims of which were people of many nationalities, in particular, Ukrainians, Russians, Kazakhs, and other nations, more and more becomes a topic of different speculations by certain political circles in Ukraine". The Russian MFA is confident that should the Ukrainian great famine be recognized as an act of genocide, it "will insult the memory of victims of other nationalities, who died because of hunger in the former USSR", reads the commentary of the Russian Foreign Ministry's Information Department.

By different estimates, from 7 to 10 millions of Ukrainians died during the Great Famine of 1932-33, which was a result of Stalin's policy against those who resisted his plans (Ukrainian farmers). Stalin decided to sacrifice a considerable part of this group in order to eliminate the opposition to his projects and to frighten the rest of the Ukrainian nation into accepting the role of cogs (as he liked to call them) of the great socialist mechanism.

Constant URL of article:

<http://www.unian.net/eng/news/news-222615.html>

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### **23. Ukraine and Russia Argue on Holodomor Case Ukrayinska Pravda, 20 November 2007**

Ukrainian Ministry of Foreign Affairs (MZS) considers tactless to debate with Russian Ministry on the occasion of Holodomor in 1932-33.

Andriy Deshchycya, the Head of MZS press service, claimed this during the briefing and added that there is no more question of Holodomor recognition in Ukraine, because it has been already recognized. This is according Obkom referring to Ukrainian news agency.

"I want to give a friendly piece of advice to my Russian colleagues so they would read historical books. To break windows is not an approach, an approach is to study history," he said.

It is known that Russian Ministry of Foreign Affairs blamed Ukraine for speculation of Holodomor case and claimed that it offended other nations who were the victims of famine.

In its turn, MZS of Ukraine will officially present its stands on actions that happened in Ukrainian cultural center (devastation of exhibition dedicated to Holodomor) and application of Russian Ministry of Foreign Affairs about Holodomor in Ukraine.

Permanent Link: <http://www.pravda.com.ua/en/news/2007/11/20/9460.htm>

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### **24. RF does not recognize Holodomor as genocide in Ukraine ForUm, 20 November 2007**

Foreign Ministry of the Russian Federation considers that announcement of the Holodomor 1932-1933 as genocide towards Ukrainian people is "one-sided perversion of history to play up to modern market policy-ideological directions."

It is said in comments of department Foreign Ministry of the RF concerning hooligan actions of the representatives of Eurasian union during exhibition, dedicated to victims memory of the Holodomor in Ukraine 1932-11933, taken place on November 17 in Moscow. Foreign Ministry of Russian condemned such actions of representatives of the Eurasian union.

At the same time, Foreign Ministry of the RF noted that subject of famine of 1930s in the Soviet Union, victims of which were people of many nationalities, including Ukrainians, Russians, Kazakhs and other peoples of USSR, becomes a subjects of possible speculations from some political circles in Ukraine.

According to Foreign Ministry, "announcement of tragic events of those years as act of genocide towards Ukrainian people is one-sided perversion of history to play up to modern market policy-ideological directions. It insults memory of victims of other nationalities killed in 1932—1933 in the USSR."

As a reminder, President of Ukraine Viktor Yushchenko in November 2006 submitted a draft bill "On the Holodomor 1932-1933 in Ukraine" that defines the Holodomor as genocide against Ukrainian people. It was adopted by the VRU.

On November 1, 2007 UNESCO adopted a resolution "On memory immortalization of victims of the Holodomor in Ukraine"

11 countries recognized the Holodomor as genocide against Ukrainian people.

Text available on World Wide Web, URL:  
<http://en.for-ua.com/news/2007/11/20/143804.html>

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## **25. Day of mourning after Ukraine mine disaster AP/USA Today, 20 November 2007**

DONETSK, Ukraine (AP) — Just outside the gates of the vast Zasyadko mine, men accustomed to digging coal took up a grimmer job Tuesday — digging graves for colleagues killed in post-Soviet Ukraine's worst mining disaster.

A methane blast ripped through tunnels thousands of feet below ground Sunday, killing at least 90 people.

Flags flew at half-staff nationwide Tuesday. Hope of finding anyone still alive underground virtually vanished; 10 miners remain unaccounted for.

"Of course, this is a mournful day for all of us — we are digging graves for our dead comrades," mine electrician Stanislav Omelyanenko said at a cemetery just outside the grounds of the mine.

At that cemetery and others, 17 of the victims were buried Tuesday.

Zasyadko, one of Ukraine's biggest and best-known mines, has been the site of repeated accidents in the past decade. Ukraine's mines, regarded as among the world's most dangerous, are an important element of the country's economy.

The previous highest death toll in a Ukrainian mine was 81 killed in an explosion in the Luhansk region in 2000.

The bodies pulled from the area where the remaining miners were believed to have been trapped were burnt, indicating that others could not have survived, Mykhailo Volynets, the head of the Independent Trade Union of Miners, said Monday.

"Unfortunately, there is no hope," Volynets said.

Tuesday was declared a day of mourning across the nation of 47 million. President Viktor Yushchenko, who visited Donetsk on Monday, ordered a government commission to investigate the accident and called for an overhaul of the coal mining sector.

More than three-quarters of Ukraine's roughly 200 coal mines are classified as dangerous because of high levels of methane, the concentration of which increases with depth. Mines must be ventilated to prevent explosions, but some rely on outdated ventilation equipment.

Deputy Prime Minister Andriy Klyuyev said that wasn't the case at Zasyadko.

"This is one of the most advanced mines, and it has the most modern methods of protection against methane," Klyuyev said. "Unfortunately, the deeper the mine, the more problems we encounter."

Experts say Ukraine's mines are dangerous largely because they are so deep, typically running more than 1,000 meters (3,300 feet) underground. Most European coal beds lie at a depth of 500-600 meters (1,650 to 2,000 feet).

Safety violations and negligence add to the problem.

Volynets said that Ukrainian mines routinely neglect safety rules and workers are paid by the amount of coal they extract, not by the hour. He said miners routinely disable gas detectors that monitor the level of methane in order to continue work.

There is growing appetite for Ukraine's rich coal reserves, particularly with natural gas prices rising. The government has called for production to increase by one-third, to 80 million tons this year.

Zasyadko is one of the best-paying mines in the country, and miners say there is high competition to get hired. One mine official said a typical miner at Zasyadko can earn about four times the country's average monthly wage of \$258; maintenance workers bring home about twice the monthly average wage.

Miners, however, still complain the pay is not proportional to the risk they take. The mine has seen several fatal accidents in recent years — 13 people were killed last year in an explosion, 20 in 2002 and 54 in 2001.

Since the Soviet collapse, more than 4,700 miners have been killed in Ukraine.

Text available on World Wide Web, URL:  
[http://www.usatoday.com/news/world/2007-11-20-ukraine-mourning\\_N.htm](http://www.usatoday.com/news/world/2007-11-20-ukraine-mourning_N.htm)

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**26. USA ready to provide financial aid to families of Donetsk miners killed in blast at Zasyadko mine  
NRCU, 19 November 2007**

*This was voiced by US Ambassador to Ukraine William Taylor in a telephone talk with Ukrainian Foreign Minister Arseniy Yatsenyuk. The Ambassador expressed condolences on the part of the USA to families and relatives of miners killed in the blast at the Zasyadko mine.*

The Ambassador said his country is ready to promote the SAR operation. On his turn, the Ukrainian Foreign Minister said the decision to grant relief to the families will be estimated by Ukraine as not only a humanitarian aid, but also as confirmation of friendly and partnership relations between the countries.

Text available on World Wide Web, URL:  
<http://www.nrcu.gov.ua/index.php?id=148&listid=55492>

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**27. AIDS on the rise in Russia, Ukraine  
NEWS.com.au, 21 November 2007**

AIDS has gained ground in Russia and Ukraine where drug use by injection remains the number one cause of new HIV infections, the United Nations' AIDS report for 2007 said overnight.

The number of new HIV cases was also on the rise in Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan and in Uzbekistan. The latter now has the largest epidemic in Central Asia, according to the annual AIDS report.

Of the 150,000 people newly infected with HIV in the former Soviet Union, 90 per cent were in two countries: Russia and Ukraine.

Russia accounts for 66 per cent of all new infections in the former Soviet Union, confirming the steady worsening of the AIDS pandemic following a period from 2001 to 2003 when AIDS was on the decline.

"The HIV epidemic in the Russian Federation continues to grow, although not as rapidly as in the late 1990s," said the report.

Injecting drug use remains the main mode of HIV transmission, but infection through unprotected heterosexual sex is increasing steadily in Russia, according to the report.

The total number of people living with HIV in the former Soviet Union has climbed to 1.6 million, a 150 per cent increase from 2001.

In Ukraine, new HIV diagnoses have more than doubled since 2001, reaching 16,094 last year and exceeding 8700 in the first six months of 2007, the report said.

Southeastern Ukraine and the capital Kiev continue to be the most affected regions.

One in four prostitutes in the coal mining city of Donetsk is HIV positive, while infection rates among intravenous drug users in some southern Ukrainian cities can reach close to 90 per cent, according to the report.

AIDS is also progressing in Moldova, where HIV infections doubled between 2003 to 2006. and in Azerbaijan, where half of those living with HIV were infected in 2005 and 2006.

Uzbekistan is grappling with Central Asia's worst AIDS crisis, with HIV infections skyrocketing from 28 cases in 1999 to 2205 in 2006. A third of drug users in the capital Tashkent are HIV positive, according to the report.

There was a sharp increase in the number of HIV cases in Kazakhstan after more than 130 children were infected in a hospital in the south of the country last year.

UNAIDS estimates that 55,000 people died of AIDS-related diseases in eastern Europe and Central Asia in 2007.

Text available on World Wide Web, URL:

<http://www.news.com.au/story/0,23599,22795766-23109,00.html>