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**1. It's worth the price**  
**Kyiv Post, 24 October 2007**

At the core of Ukraine's Euro-Atlantic integration goals lies European energy security. Both the EU and US are anxious for Ukraine and Moscow to develop a more transparent energy policy by cutting down on wasteful energy consumption, boosting domestic hydrocarbon production and, first and foremost, by eliminating middlemen, such as RosUkrEnerg, the intermediary that controls the multi-billion-dollar business of supplying gas to Ukraine and exporting it further to European markets. RosUkrEnerg and other intermediaries are widely viewed as suspect structures. Even a top Russian official admitted this month that RosUkrEnerg's role is not clearly understood.

In a speech at a recent Ukraine-EU Relations round table in Washington DC, Deputy Assistant Secretary at the US State Department David Kramer said, "the US and EU can do more to support broader European energy security through dialogue with Ukraine and through efforts to help Ukraine develop a more transparent energy policy and become more energy efficient and a more reliable participant in energy markets. We need to see action on transparency, diversification, and the elimination of middlemen as a path to energy security."

He continued: "Ukraine needs to address the issue of energy security before its independence and sovereignty are threatened. Reforms in the energy sector will make Ukraine a more attractive partner for the EU, the US and other friends of Ukraine."

We agree. Immediate action is called for. It is in Ukraine's and Europe's best interests to ensure transparency and diversification, and most importantly, to finally eliminate the murky middlemen in the energy sector, even if it means paying more for natural gas. The long-term gains of removing such structures far outweigh the short-term pains of paying more for gas.

Ukraine, the country's business tycoons and political elite often pander to Moscow's interests. It's time for them to break their drug addiction to lower prices for gas supplied and manipulated by Moscow – at key moments – for geopolitical aims.

Text available on World Wide Web, URL:  
<http://www.kyivpost.com/opinion/editorial/27656/>

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## **2. Kyiv's central bank mulls currency appreciation to curb high inflation** **By Mark Rachkevych,** **Kyiv Post, 24 October 2007**

As the US Dollar continues its slide, Ukraine's central bank is likely to strengthen the country's national currency, a move that would boost the purchasing power of average Ukrainians while taking a bite out of the margins of export-oriented big business tycoons.

On Oct. 18, National Bank of Ukraine Chairman Volodymyr Stelmakh gave every indication that the Hryvnia would soon be liberalized by giving the national currency more breadth within its current tight corridor. The NBU is likely to appreciate the national currency, a move that would help curb the pinch of high inflationary pressures.

Should Stelmakh's announcement bear fruit, the average consumer paid in hryvnias would benefit from having slightly better purchasing power, and people receiving state pensions or salaries, like teachers and doctors, would feel pressure on their pocket books ease a bit.

But Ukrainians still receiving envelop salaries in dollars under the table would take a hit, depending on how much the US currency falls. Those paid in euros or other strong foreign currencies, such as the British pound, will not be noticeably affected.

Ukraine's large financial industrial groups, the country's largest source of foreign currency thanks to steel, chemical and grain exports, would feel the brunt of currency appreciation. Meanwhile, small and medium-sized businesses would benefit, since they target domestic consumers or import goods.

The official Hr 5.05/US\$1 exchange rate could appreciate to 4.90, according to Stelmakh. The national currency has been trading consistently in a band of Hr 5.00-5.06 to the US Dollar, but could loosen up at a more reasonable range of Hr 4.90-5.1, predicted Oleksandr Klymchuk, an analyst at Kyiv-based investment bank Concorde Capital.

Other analysts predicted the Hryvnia could strengthen further, to a rate of Hr 4.5-4.8 to the dollar.

For example, Oleksandr Zholud, of the International Center for Policy Studies think tank, said that should the Hryvnia appreciate to Hr 4.5 to the dollar, exporting companies that make resource-intensive products with low profitability percentages, such as in the machine building sector, would suffer the most.

Domestic consumers, on the other hand, would benefit directly, but only somewhat, as finished goods in Ukraine have too many middlemen and durable goods that are imported only make up a fraction (10 percent) of the Consumer Price Index, Zholud said. Consumers would mostly benefit indirectly, as the cost of transportation, prices on gas and other factors would eventually translate into more affordable prices.

The IMF has for years urged the Ukrainian government to liberalize its regulation of the Hryvnia.

Currency appreciation is one of the few tools at a national bank's disposal to bite at inflation, which is expected to finish the year at 12.8 percent year-on-year, according to official statistics, and even higher when examining other indicators, such as the Producer Price Index, which is up to 19 percent year-on-year since October 2006.

However, the NBU won't intervene by buying currency unless it has to, allowing the market to take its course instead.

"There have been several months in the last year where the NBU has not intervened in the [foreign exchange] market at all. These prices are set by normal market mechanisms," Stelmakh said back in May. In the last four months, the NBU purchased \$5 billion on the forex market to keep the Hryvnia at its present level.

Still, Klymchuk believes the Hryvnia is significantly undervalued, especially when looking at the purchasing power parity between Ukraine and other countries.

"Many locally produced goods are [still] unjustifiably cheap because the government heavily regulates prices, and because of state monopolies that should instead be privatized," Klymchuk said.

Macroeconomic indicators paint a conflicting picture, said Balazs Horvath, an IMF representative in Ukraine. According to Horvath, Ukraine's current account has deteriorated – which in itself would signal a need for real exchange rate depreciation – whereas very strong capital inflows into the country have supported real appreciation. More foreign money flowing into the country is also increasing the money supply.

"Over time, the capital and current accounts should rebalance. The labor and capital markets should be flexible to achieve smooth resource allocation, which would raise overall efficiency. In addition, the NBU should use all available instruments to help the process, which calls for exchange rate flexibility," Horvath added.

Oleksandr Shkurpat of Foyil Securities believes the main issue is inflation, largely due to immense pressure from cash inflows into the country.

"Ukrainian companies are taking on foreign debt, FDI continues to pour in and repatriated money is flooding the currency market," Shkurpat said.

This is creating lots of demand, especially for non-tradable goods, such as housing, which can't be satisfied overnight by supply, or other things, like infrastructure, roads, even a simple haircut. This, coupled with monetary aggregates and energy import prices (originating in Central Asia), are other factors fueling inflation.

The upside, said Horvath, is that more investment is coming to Ukraine. Investors can diversify, share risk, and there is increased competition, all of which are good for the continued strengthening of the economy. Indeed, the IMF recently readjusted Ukraine's 2007 GDP forecast to 6.7 percent.

"The NBU cannot stop massive capital inflows. As any other central bank, it can only manage it, aiming to lower vulnerabilities and establish buffers by tightening macro-policies," Horvath said.

"The private sector's dis-saving should in part be offset by increased public sector saving by minimizing the fiscal deficit."

"Expect gradual revaluation. Stelmakh won't make any moves without conducting a thorough economic forecast," Shkurpat predicted.

"It's difficult to say at present what to do [whether to buy Hryvnia or make investments in the Hryvnia]. Timing is important, but expect appreciation in 2008."

Text available on World Wide Web, URL:  
<http://www.kyivpost.com/nation/27667/>

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### **3. Cure needed, not relief** **Kyiv Post, 24 October 2007**

The tragedy of the Dnipropetrovsk natural gas explosion has reminded the country and the world that 16 years into its independence Ukraine still suffers from an inefficient and often deadly Soviet-era infrastructure. But responses to the tragedy show that officials and businessmen still suffer from a Soviet mindset. The central government was right to step in with Hr 94 million (nearly \$19 million) and everyone who made donations, from Lviv to Luhansk, should be commended.

But President Viktor Yushchenko had to personally go to Dnipropetrovsk and shame local officials and owners of the company Dniprogaz before they even suggested bearing responsibility for the tragedy.

In the end, Ukrainian-born Russian billionaire Viktor Vekselberg said that his structures would pay out \$100,000 to each of the families of the 23 people who perished in the tragedy, while surviving victims (18 of whom were still in hospital on Oct. 22) would split an additional \$5 million, according to Ukrainian media reports.

The president also had to ask the businessman to restore natural gas service to all 5,000 buildings that had their supplies cut off as a result of the accident. Yushchenko is right in talking about utility concessions to businesses – market players will be more interested in making utilities efficient and safe, especially if they carry liability.

The country's opaque energy sector needs greater transparency. Massive profits are earned by obscure offshore entities that feed like parasites on the dilapidated state infrastructure. They rarely re-invest in the Soviet-era gas network.

In the short term, the state should consider breaking up privately-owned monopolies of the energy distribution networks. Instead, investors should be lured to produce more energy in the country and offered the chance to sell it down the chain on a transparent market with bidding, such as seen on energy markets in Europe.

When this happens, and a proper corporate culture is established, the state can tender off management of its natural monopoly infrastructure to private interests capable of managing it better.

The solution is in fixing the system, not providing relief: No matter how big the bandages are, they will not return the lives lost on Oct. 13.

Text available on World Wide Web, URL:  
<http://www.kyivpost.com/opinion/editorial/27657/>

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### **4. Ukraine refinery ousted head fails to regain HQ** **By Pavel Polityuk** **Reuters, 26 October 2007**

The expelled head of Ukraine's largest refinery, which is running short of oil since a management dispute, tried but failed on Wednesday night to take over its headquarters, the lawyer of its new head said.

Pavel Ovcharenko, an ex-manager of the Ukrtatnafta company running the Kremenchug refinery, used armed police to oust Sergei Glushko last Friday, leading its key Russian oil supplier Tatneft to cut supplies.

"There was an attempt to capture (the headquarters) but it failed," Ovcharenko's lawyer, Yuri Pocheptsov, told Reuters on Thursday.

"The plant is under the protection of interior ministry troops and Glushko abandoned the plant. Some people were with him (too)."

Interfax Ukraine news agency reported on Wednesday that "unknown people in camouflage" had blocked Ukratnafta headquarters in Kremenchug.

Ovcharenko took over the refinery after a court ruled in August that his dismissal three years ago was illegal.

The government disagrees and said that the "appointment of Glushko in 2004 was in keeping with all necessary procedures." A deputy prime minister on Wednesday called the takeover a "raider's hit" and said it would be resolved in a week.

But Ovcharenko has taken over the plant in practice -- he bought 170,390 tonnes of oil after saying on Tuesday the plant has only enough stock for 12 days on reduced capacity and wants to negotiate up to 350,000 tonnes more from Russian firms.

Tatneft has said it wants the management situation clarified before resuming deliveries. The Russian republic of Tatarstan, which controls Tatneft and owns a 28.8 percent stake in Ukratnafta, has backed Glushko as the legitimate head.

Ukrainian state energy firm Naftogaz owns another 43.1 percent and 18.3 percent is owned by Switzerland's AmRUZ Trading AG and U.S. firm Seagroup International.

A shareholder's meeting is slated for Nov. 15.

Ukraine's government is likely to be replaced after former premier Yulia Tymoshenko and her allies won a slim majority over the Moscow-friendly Prime Minister Viktor Yanukovich, defeated by President Viktor Yushchenko in the 2004 "Orange" revolution.

Text available on World Wide Web, URL:  
<http://uk.reuters.com/article/oilRpt/idUKL2535224920071025>

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##### **5. EU says no reason to worry about gas supplies from Russia via Ukraine AFX News Limited/Forbes, 25 October 2007**

BRUSSELS (Thomson Financial) - The European Commission said there is no reason to worry about gas supplies from Russia through Ukraine.

The commission is holding a meeting of the gas coordination group today to discuss the dispute over gas supplies between Gazprom and Ukraine, among other matters.

A spokesman told reporters at the meeting, which is still under way, the EU has no reason for concern.

The spokesman said Ukrainian officials attended the meeting, but Russia was not represented, although the country has provided all the information requested by the commission.

The spokesman said the group is also discussing a report from gas transmission operators about gas reserves and transmission ahead of the winter months.

He said 'high reserved levels' of gas will permit the EU to face any potential difficulties this winter.

Text available on World Wide Web, URL:  
<http://www.forbes.com/markets/feeds/afx/2007/10/25/afx4260672.html>

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## **6. Europe unconcerned by Ukrainian gas transit row – EU RIA Novosti, 25 October 2007**

An EU commission spokesman said Thursday Europe has sufficient natural gas reserves to live through a cold winter and is currently unconcerned about Russian gas transiting through Ukraine.

Ferran Tarradellas Espuny was summing up a meeting of the European Commission Gas Coordination Group in Brussels, which focused on the gas row between Ukraine and Russia. The meeting took place on the eve of an EU-Russia summit in Portugal on Friday, which is expected to discuss energy among other issues.

He said the European Commission had received technical and financial explanations from Ukraine and Russia on the situation that developed, following a threat by Russian natural gas monopoly Gazprom October 2 to cut gas deliveries to Ukraine, if Kiev failed to repay in October its debt exceeding \$1.3 billion.

Tarradellas said that Europe had sufficient gas supplies "to survive even a severe winter."

The company and Kiev have since moved to allay European concerns over Russian gas supplies via Ukraine, which were affected in early 2006 during a bitter price dispute between the former Soviet allies.

Gazprom said Monday Ukrainian consumers are settling debts for supplies of Russian natural gas in line with agreements.

Gazprom meets about 25% of the European Union's gas needs. The majority of Russian exports are transited via Ukraine.

Ukraine currently pays \$130 per 1,000 cubic meters for gas pumped from and via Russia. In 2008, the price is expected to appreciate further to \$143-\$180.

Text available on World Wide Web, URL:  
<http://en.rian.ru/world/20071025/85498507.html>

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## **7. Ukraine Court Validates Election Results| By MARIA DANILOVA AP, 26 October 2007**

A court validated the results of parliamentary elections Thursday, opening the way for the formation of a government in this ex-Soviet republic struggling to emerge from prolonged political turmoil.

The move was likely to be welcomed by the two pro-Western Orange Revolution parties led by President Viktor Yushchenko and the charismatic opposition leader Yulia Tymoshenko.

Their main rival, the more Russia-friendly Prime Minister Viktor Yanukovych, was the top vote winner, but fell short of the Orange parties' combined total.

Ukraine's High Administrative Court threw out a lawsuit filed by five parties contesting the vote based on alleged violations. The decision allowed the official publication of the election results and enabled the new parliament to convene.

Yushchenko and Tymoshenko led the 2004 Orange Revolution protests that swept Yushchenko to the presidency. But the alliance fell apart when Yushchenko fired Tymoshenko as prime minister after seven months.

This time, the two have promised to work closely together to bring the country on a solid pro-Western course, conduct anti-corruption reform and raise living standards. An agreement reached between the parties last week would have Tymoshenko return as premier.

Ukrainian politics have been riven by a bitter power struggle between Yushchenko and Yanukovich since the tumultuous 2004 presidential race.

Yanukovich was initially declared the winner, but courts later judged that vote fraudulent and Yushchenko won a repeat election. Their standoff reached its peak earlier this year, when Yushchenko ordered parliament dissolved and called a new vote.

A majority coalition can be officially formed once parliament convenes. The legislature has about a month to convene after the official publication of the election results.

The parties of Yushchenko and Tymoshenko won 228 seats in the 450-member Verkhovna Rada, two seats more than a bare majority.

Yanukovich's Party of Regions had 175 seats.

Text available on World Wide Web, URL:  
<http://ap.google.com/article/ALeqM5hq1a8iAIRLx1swhkk6Ev0x24TocA>

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#### **8. Returns of Ukraine parliamentary polls may be announced on Oct 27 Itar-Tass, 26 October 2007**

The official returns of the September 30 early parliamentary elections in Ukraine may be announced on Saturday, October 27, Deputy Chairperson of the Ukrainian Central Election Commission (CEC) Zhanna Usenko-Chernaya said on Friday after the Supreme Administrative Court had not satisfied the suit filed by five political parties to the CEC.

The newspapers "Voice of Ukraine" and "Governmental Courier" should publish the official returns. On Thursday evening the Ukrainian Supreme Administrative Court turned down the suit filed by five parties, as the court did not find violations during the vote counting in the CEC. The court permitted the CEC to publish the official returns of the early parliamentary elections.

The Ukrainian CEC announced the official returns on October 15. The Party of Regions polled 34.37% of the vote, the Yulia Tymoshenko Bloc – 30.71%, the Our Ukraine-People's Self-Defence Bloc – 14.15%, the Communist Party – 5.39% and the Vladimir Litvin Bloc – 3.96%.

The Socialist Party, the Progressive Socialist Party, the All-Ukrainian Party of People's Trust, the Party of Free Democrats and the Communist Party, the only party of all these parties elected in the parliament, contested the election returns.

The court combined the suits of these parties in one case and banned the newspapers "Voice of Ukraine" and "Governmental Courier" from publishing the official returns before the court ruling.

After the official returns are announced the preparation to the first meeting of a new parliament and the formation of a coalition will begin.

Text available on World Wide Web, URL:  
<http://www.itar-tass.com/eng/level2.html?NewsID=12008308&PageNum=0>

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#### **9. Ukraine high court dismisses legal challenge to parliamentary election results By Mike Rosen-Molina JURIST, 25 October 2007**

The High Administrative Court of Ukraine Thursday validated the results of the Sept. 30 parliamentary election [JURIST report] after dismissing a legal challenge by the Communist Party of Ukraine [party website, in Ukrainian] contending the vote was invalid due to alleged violations associated with Ukrainians voting abroad. The coalition [press release] of President Viktor Yushchenko's Our Ukraine-

People's Self-Defense Bloc [party website in Ukrainian] and former Ukrainian Prime Minister Yulia Tymoshenko's Yulia Tymoshenko Bloc [party website, in Ukrainian] won 228 seats in the 450-member Verkhovna Rada [official website, in Ukrainian], while the opposition Party of Regions [party website, in Ukrainian], led by Yushchenko's long-time rival Prime Minister Viktor Yanukovich [BBC profile], won 175 seats. AP has more.

The court's decision could help settle tensions in the Ukraine, which has been engulfed in political turmoil in recent months. A constitutional crisis erupted in April when Yushchenko issued a decree dissolving parliament [JURIST report]. Yanukovich and leaders of the Ukrainian parliament filed a legal challenge before the Constitutional Court of Ukraine [official website; JURIST news archive]. Yushchenko subsequently dismissed three Constitutional Court judges for alleged oath and ethnics violations [JURIST report], and appointed replacement judges [JURIST report] without consulting either Yanukovich or the Justice Ministry. In May, Yushchenko sought a lower court order to block the Constitutional Court from ruling on his April 2 decree following his rejection of the Constitutional Court's authority [JURIST reports].

Text available on World Wide Web, URL:

<http://jurist.law.pitt.edu/paperchase/2007/10/ukraine-high-court-dismisses-legal.php>

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#### **10. UNO agreed to spread information about 1932 to 1933 Holodomor in Ukraine NRCU, 25 October 2007**

*This was disclosed by resident coordinator of the United Nations system in Ukraine Francis Martin O'Donnell.*

We will do our best to reveal the world about the Holodomor in Ukraine. It is only for better for the world to learn the truth about those terrible events, Francis O'Donnell said. According to him, the world keeps on recognizing the fact of genocide in Ukraine. He also reminded that President Viktor Yushchenko intends to announce 2008 the year of memory of Holodomor victims. In turn, Deputy Foreign Minister Volodymyr Khandohiy believes that the world should know about the Holodomor. He believes that the 75th anniversary of the event will assist active discussions of the tragedy.

Text available on World Wide Web, URL:

<http://www.nrcu.gov.ua/index.php?id=148&listid=54061>

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#### **11. Libya intends to consider bill "On 1932 to 1933 Holodomor in Ukraine" at next sitting of parliament NRCU, 25 October 2007**

*Foreign Affairs Secretary of the Libyan Parliament Suleiman Sasi Ash-Shahumi promised Ukrainian Ambassadors to Libya Henadiy Latiy to raise this issue into a question.*

Mr Latiy admitted to importance of spreading truthful information about the 1932 to 1933 Holodomor in Ukraine and hoped the UNESCO states will support the resolution "On Holodomor in Ukraine". According to some data, the death toll of the Holodomor was 7 to 10 million people, 4 million of whom were children. The Holodomor was declared as the genocide against the Ukrainian nation by 11 states.

Text available on World Wide Web, URL:

<http://www.nrcu.gov.ua/index.php?id=148&listid=54058>

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**12. Ukraine court ruling unblocks path to new govt**  
**Reuters, 26 October 2007**

Ukraine's supreme administrative court has rejected claims by some political parties that the commission overseeing the September 30 parliamentary election made procedural mistakes, a court official said on Friday.

The case, brought by several parties who failed to secure the 3 percent of votes needed to get into parliament and by the Communist party, has delayed the formation of a governing coalition.

"The decision was made. An appeal was rejected," the court official told Reuters.

Ex-premier Yulia Tymoshenko, fiery ally of President Viktor Yushchenko during the 2004 Orange Revolution, is poised to form a government after her bloc and his Our Ukraine won a slim majority over Prime Minister Viktor Yanukovich and his allies.

The ruling paves the way for the body whose role was challenged, the Central Election Commission, to officially publish the results of the election, restarting the stalled progress towards a new government.

Under the constitution, the first session of the new parliament has to sit within 30 days of the poll results being published, and a government must be formed within 30 days of the chamber's first sitting.

Text available on World Wide Web, URL:  
<http://uk.reuters.com/article/worldNews/idUKL2683927320071026>

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**13. UNO to spread information about Holodomor in Ukraine**  
**ForUm/Trend News Agency, Azerbaijan, 26 October 2007**

United Nations Organization is ready to contribute to spread of information on Holodomor in Ukraine in 1932-33 all over the world. Coordinator of UNO system in Ukraine Francis O'Donnell said that yesterday in Kyiv at a press conference.

"We are ready to do everything on information spread about Holodomor. It will be good if international community knows true information about this tragedy," he said.

At the same time, according to O'Donnell, UNO can formally admit Holodomor genocide only by means of voting by representatives of countries-members.

He has noted that Holodomor is very important but problematic. According to him, more and more countries admit Holodomor in Ukraine as genocide. He reminded that Viktor Yushchenko is going to announce next year a year of Holodomor victims memory.

Text available on World Wide Web, URL:  
<http://news.trendaz.com/cgi-bin/readnews2.pl?newsId=1058639&lang=EN>

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**14. How's it going, province?**  
**By Volodymyr Senchenko**  
**The Ukrainian Observer, 26 October 2007**

Although the Internet seems to have covered all cities, towns and villages and all their residents, there are still certain differences in how those living in the center and those in Ukraine's provinces see social, political and economic processes. These differences are connected with how these people live, not with how much information they receive.

People in many Ukrainian towns and villages have some land to cultivate and livestock to breed and so they have less time to follow social and political developments and understand the causes of a power-struggle involving the country's political leaders. However, their opinions and understanding of what happens in Ukrainian politics is surprisingly objective and exhibits good sense. Their political predictions are more accurate than those made by prejudiced political experts and astrologists. Lots of intellectuals benefit from this provincial wisdom.

The matter is that our intellectuals, like Ukrainian politicians and artists, have bogged down in the swamp of mutual accusations and attacks. Both politicians and artists regard Ukrainians as buyers, voters and taxpayers – as a saluting and applauding crowd. They all work hard to captivate us, take possession of our wallets and direct and control our thoughts and actions. But ordinary people understand that their life is more than just dirty politics or sex scandals involving senile artists.

Sick and tired of such things, many of my friends leave the capital and go where they were born. That is what many intellectuals also do. The famous satirist Mikhail Zhvanetsky often comes to his hometown, Odesa, which he describes as a “refreshing pool and an accumulator.” He says the city gives him strength, energy and inspiration.

When I feel I have got stuck too deep in the urban mud and vanity, I also go where I was raised. My little motherland is a big village lying near industrial giants. This proximity means its residents are quite well informed and well dressed but they work hard in their backyards. I always go there when even Nostradamus would fail to predict what happens next in our young state.

Each time I returned to the village, all my friends came to greet me. Their wives were complaining, thinking we drink vodka during such reunions. When I come home today the ladies do not complain that much, as many of my friends have died and their wives have no one to scold for drinking. Now they know that such meetings are not for drinking but for frank conversations, as we are too old to drink much.

I last visited my village before the September 30 election and all my friends and relatives were tired of watching our politicians struggle for power and hearing their accusations and sensational details and facts.

They spoke about price hikes first. This subject is highly controversial and contradictory. The government says prices in Ukraine are becoming lower but nobody has seen them fall yet. This does not make anyone indignant. We think it is natural for governments to deceive us. We are used to this.

Moreover, there can be no price decrease after such a hot summer – we all saw these scorched fields of barley and corn. The government is assuring us there is enough grain to satisfy the country's needs and also for export. This is true. But there is not enough forage grain and almost no hay and straw. Ukrainian farmers have already started slaughtering their cattle and pigs, often leaving one cow for winter instead of three. This explains why milk prices have grown this year. Milk factories pay two or sometimes even three times more for milk than last year. Ukraine's next government will probably fail to resolve the price problem because nothing and nobody can stop prices from rocketing when there is much demand but little supply. All these products can be imported but the country's debt is growing, as well as this year's trade deficit. By the way, I was surprised to learn my fellow villagers know some economic things rural residents normally do not know. They told me their children in the cities had been hit by inflation. One lady said her offspring, one in Kyiv and the other one in Donetsk, had always taken her potatoes for their families but would have to spend about UAH 1,000 this year because of poor crops.

They recommended that I read websites to learn more about prices and inflation. I was shocked they used the Internet. Despite all these crises and chaos, life goes on. Time is not some ephemeral clock-and-watch thing. Time is changes. The number of cars in Ukraine has doubled over the past five years. The mobile telephone has helped us to forget what standing in line for a telephone for years was. Our children and grandchildren spend much time online, sending letters to those they have never seen and watching prohibited web pages.

Twenty years ago, we finished all conversations about daily problems with one phrase: "Let there be no war." Today we say: "We feel sorry for our state." We are all convinced Ukraine has great potential to live better and become a civilized country. We know nothing will help us but some kind of breakthrough, like that in China. China has shown to the world how a country can benefit from its potential with no oil and gas. China has achieved incredible progress in just two leaps – planned industrialization and then market reforms. There are no such reforms in Ukraine. Now Ukrainians believe without a leap forward their country will not be able to compete in the civilized world soon but will be in one line with some poor African states. Ukraine will inevitably make a breakthrough, but it needs a real leader, a breakthrough leader. We are now trying to find such a leader, particularly among Ukraine's young politicians.

My village friends also told me they had been shocked by last summer's yellow phosphorus spill near Lviv. Deputy Prime Minister Kuzmuk described this derailment accident as "Chornobyl number 2." The Chornobyl subject is very sensitive for Ukrainians and so Kuzmuk soon denied his own words and demonstratively ate fruit and vegetables at the derailment scene to show they are safe. A few days later, however, as soon as the children from the contaminated zone were evacuated, journalists attacked Kuzmuk, lambasting him for unprofessionalism and negligence. My fellow villagers think Kuzmuk was right when comparing the accident to the Chornobyl disaster.

I think it is more important to pay attention to some truly fundamental things. Provincial residents do not care much about power struggles and political battles. They no longer believe words, either in newspapers or on TV. They believe actions and also often look at the appearance of this or that politician, saying "He is a real man" or "Her braid makes her very beautiful."

Text available on World Wide Web, URL:  
<http://ukraine-observer.com/index.php?c=279>

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#### **15. Iran, Ukraine review expansion of mutual ties Islamic Republic News Agency, 26 October 2007**

Iran's Ambassador to Kiev Musa Kazemi conferred on Thursday with Ukraine's Deputy Foreign Minister Yuriy Kostenko on issues of mutual interests.

According to the Press Bureau of Iran's embassy in Kiev, at the meeting, the two sides reviewed issues concerning expansion of mutual economic and commercial cooperation as well as designation of Iran as the observer at the organization of Black Sea Economic Cooperation (BSEC).

In the meeting, the Iranian ambassador also submitted to the Ukrainian deputy foreign minister a written message from his Iranian counterpart Manouchehr Mottaki for his Ukrainian counterpart Arseniy Yatsenyuk.

The organization of Black Sea Economic Cooperation was established in 1992 with the aim of expanding mutual and multilateral economic cooperation among member states.

Georgia, Russia, Ukraine, Turkey, Greece, Bulgaria, Azerbaijan, Albania, Armenia, Serbia, Moldova and Romania are members of the (BSEC).

Text available on World Wide Web, URL:  
<http://www2.irna.ir/en/news/view/menu-236/0710250793175958.htm>

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#### **16. Lutsenko Conditions His Return Ukrayinska Prawda, 26 October 2007**

Our Ukraine – People's Self-Defense (NU-NS) leader Yuriy Lutsenko maintains that he will agree to the possible Interior Minister post only after he has known the name of the Prosecutor General.

He said this in his interview with *Gazeta po-kievski* newspaper on Thursday.

"I insist on the President's introducing candidates for law enforcement agency chiefs. If he proposes to me an office of the Interior Minister (IM) like in 2006, I will not give him an immediate answer as the first thing I will have to know is who the Prosecutor General will be," stated Mr. Lutsenko.

"It is what my response will depend on," he added.

At the same time, Mr. Lutsenko underscored that he was 'psychologically' willing to become the IM.

"I would like to renew the team which had once started to reanimate the police," he stressed.

Mr. Lutsenko also pointed out that there was no divergence in views between NU-NS and BYuT. "Everybody wants to find a conflict between us. Believe me there is none. We can negotiate," he underlined.

As for the position of Our Ukraine member Yuriy Yekhanurov, Mr. Lutsenko informed that the former stated in private talks that he would support Mrs. Tymoshenko as the PM if her candidacy was 'explicitly' introduced by the President.

Mr. Lutsenko mentioned, however, that Mr. Yekhanurov was 'playing his own game' in the course of Bankova Street line.

All in all, he added that before the public announcement of a coalition when he was one hour and a half late for the press conference, there had been no doubt at Bankova Street that the coalition should comprise NU-NS and BYuT and Mrs. Tymoshenko should be the PM.

Permanent Link: <http://www.pravda.com.ua/en/news/2007/10/26/9255.htm>

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### **17. Yushchenko Is Anxious About Tax Avoidance Ukrayinska Prawda, 25 October 2007**

President Viktor Yushchenko expressed anxiety about the situation with paying taxes and charges to the State Budget by enterprises with foreign investments and their affiliated companies.

It is about mandatory payments which are to be charged during imports of crude oil to Ukraine.

This is what President Viktor Yushchenko wrote in a letter to Prime Minister Viktor Yanukovich, according to the President press service.

Mr. Yushchenko stressed that the State Budget is damaged because when importing goods such affiliated companies gave custom officers tax anticipation bills with a 30-day repayment period and after completion of this period show tax officials court decisions on exemption from all mandatory payments including VAT.

The court decisions also exempt affiliated companies from taxes and charges from offtake operations in Ukraine's customs territory. The companies, however, gave their contractors way-bills on VAT that enables the latter to decrease their VAT tax commitments thus actually devastating the Budget.

"This, in turn, leads to unequal competition conditions for participants of the oil and oil product market," emphasized the Head of State.

He claims that in order to regulate the situation it is necessary to ban to apply the Law on VAT (in particular, the regulation regarding issue of tax anticipation bills to the sum of VAT tax commitment) to operations on imports of crude oil to Ukrainian customs territory.

Mr. Yushchenko demands that the PM make government agencies verify the court decisions on exemption of aforesaid enterprises from all mandatory payments and protest illegal decisions according to the law.

The President sent the copy of his letter to Prosecutor General Oleksandr Medvedko.

His office should analyze the court decisions and “take adequate measures for protection of the state’s interests”.

The Prosecutor General should report on the issue by November 20.

Permanent Link: <http://www.pravda.com.ua/en/news/2007/10/25/9252.htm>

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### **18. Suprun intends to run for post of President of Ukraine UNIAN, 26 October 2007**

People – Democratic Party leader Ludmyla Suprun intends to run for at the next presidential election.

According to an UNIAN correspondent, she said this at the news conference in UNIAN.

“I will take part”, said L. Suprun, answering the question of journalists whether she puts her candidacy for the post of the President of Ukraine.

She noted that the issue on participation in the presidential election was discussed today at our party’s meeting, including the session of the Political Executive Committee and the Political Council of the Party.

Constant URL of article:  
<http://www.unian.net/eng/news/news-218857.html>

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### **19. Moroz has everything ahead UNIAN, 25 October 2007**

The Socialist Party of Ukraine is not going to unite with other parties of the social – democratic direction. Leader of the party Oleksandr Moroz said this.

According to the press service of the Socialist Party, O. Moroz noted that “information on uniting of the SPU with other parties of the social-democratic direction – is inventions”.

He added, that “this issue has not been discussed in the party. I see no reasons for this”.

O. Moroz said that the session of the political council of the SPU will take place on Saturday, where it will be taken a decision concerning the convocation of the convention. He thinks that the convention will likely to take place in the middle of November. He notes that during the convention they will speak about the results of the early election to the Verkhovna Rada of Ukraine.

According to his words, “in the conditions of man-made legal chaos the party could not overcome the contraction of administration resource, which was directed against it”. “This is a defeat at the current level of struggle, but everything is ahead”, noted O. Moroz. He thanked “hundred thousands of our adherents”. “They will not be disappointed. They will begin to see clearly soon and defrauded by power and well-known political adventurers”, said the SPU leader.

Constant URL of article:  
<http://www.unian.net/eng/news/news-218708.html>

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## **20. Katerynychuk: NU-NS and BYuT Are Rather Disputing Than Splitting Ukrayinska Pravda, 25 October 2007**

*The Our Ukraine-People's Self-Defense Bloc (Nasha Ukrayina-Narodna Samooborona, NU-NS) member Mykola Katerynychuk rules out the possibility of splitting the Yulia Tymoshenko Bloc (BYuT) and NU-NS coalition.*

He stated this on Thursday, according to the NU-NS press service.

Mr. Katerynychuk re-assures that presently the coalition partners are disputing over some issues but this will unlikely have a serious impact on important decisions.

"All NU-NS members support formation of a democratic coalition. The hysteria about serious differences within the two blocs is the Party of Regions' information attack."

Mr. Katerynychuk stressed that currently the coalition agreement is passing the public expertise and welcomed any criticism. "The democratic coalition will be formed because the majority of Ukrainian citizens want this. Some differences between the coalition partners are a sign of democratic approach to formation of a coalition."

Mr. Katerynychuk noted that he as a NU-NS member will support Yulia Tymoshenko's initiatives in the event of her responsibility. He also expressed readiness to resist the Party of Regions' attempts to block the Verkhovna Rada rostrum.

"The anti-crisis coalition has already demonstrated their 'effectiveness'. It triggered a crisis in pricing and 13-14% inflation that is why I think that the coalition's name contradicted its deeds."

Permanent Link: <http://www.pravda.com.ua/en/news/2007/10/25/9253.htm>

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## **21. Fastidious disgust but firm measures By Halya Coynash maidanua.org, 25 October 2007**

The Eurasian Youth Union raised its ugly head in Ukraine on Friday, with the desecration of Ukrainian State emblems on Mount Hoverli in the Ivano-Frankivsk region. After photographing their "heroic deeds" on their mobile, the three culprits sped out of the country in the direction of Russia. One would like to stop here. Any attempt to analyze the possible motivation of this motley gang confronts serious difficulties. Rather like trying to write a dissertation on Tom and Jerry in the light of post-structuralism.

On the other hand, the act provoked outrage among many Ukrainians and calls for severe punishment, some measured, some a little radical, it must be said. There were also the predictably inadequate knee jerk reactions from, for example, the Communist Party. Perhaps of equal importance is the dilemma that such organizations, even when home-grown, and this one is categorically not, present for the laws of the country.

The SBU [Security Service] claims to have identified the culprits who are presently believed to be in Russia. They may or may not end up being prosecuted. The laws in this case are clear enough, although the chances of a prosecution are slim.

What however, if anything, does one do with the organization as a whole? At the moment there is a temporary ban on it in Kharkiv, sought by the Prosecutor on the grounds of its extremist slogans, calls to violence and its alleged involvement (it claimed responsibility itself) for the vandalizing and unlawful moving of the monument to the Ukrainian Resistance Army [UPA] fighters in Kharkiv. On 23 October the Ministry of Justice website informed of a ruling issued by the Bakhchysarai District

Court in the Crimea forcibly disbanding the Bakhchysarai District Youth Organization "Eurasian Youth Movement".

The court ruling was passed under administrative proceedings on 27 September 2007, and has already come into force. The notification on the Ministry's site indicates that the branch of the Union in question gained legal status by informing of its creation on 7 November 2006 and was added to the region of civic organizations under No. 33. The reason for its dissolution would appear to be repeated infringements of legislation by holding mass events outside the area where it is supposed to be functioning, that is, the Bakhchysarai district.

It seems more than a coincidence that this should be reported now for all that the court ruling easily preceded this present foul action. If we think of the Union's actions on many occasions, clearly legal measures of, shall we say, "containment" seem called for. On the other hand, the law on civic organizations remains flawed and it does not seem a constructive solution to apply a norm requiring that organizations only function where registered since this could create a dangerous precedent. The Eurasian Youth Union has become vociferous in expressing its muddled stand which is pro-Russian and against an independent Ukrainian state. It possibly has more in its programme, but I'm baffled if I can find it.

It would be difficult to doubt the Eurasian Youth Union's commitment to acts of vandalism and its calls to violent measures in pursuing its ends. We are charitably assuming, of course, that it has any other goals besides vandalism and destruction. The means it uses are quite simply unacceptable in any democratic country and must be prevented. It would seem more constructive, however, especially at this time when the Union has demonstrated its prowess so graphically, to address this directly, rather than simply finding excuses for preventing the activities of a civic organization.

*Halya Coynash - Kharkiv Human Rights Protection Group*

Text available on World Wide Web, URL:  
<http://eng.maidanua.org/node/783>

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## **22. UAOC Bishop condemns recent anti-semitism in Ukraine Calls for Annual Holocaust Memorial Day BRAMA, 25 October 2007**

Bishop Paul Peter Jesep, who serves as Director of Public Affairs and Government Relations in the United States by Appointment to His Beatitude Metropolitan Myfodii of Kyiv and All Ukraine of the Ukrainian Autocephalous Orthodox Church Kyiv Patriarchate (UAOC), Ukraine's third largest Orthodox Church, issued a personal statement calling on the government of President Viktor Yuschenko to designate an annual, national Holocaust Memorial and Awareness Day to help address the rising trend of anti-Semitism.

"The rise in anti-Semitism against Ukrainian citizens must be aggressively addressed," Bishop Jesep said. "Whatever efforts that have been made have failed. There is not only a legal need to punish hate crimes, but also an ongoing need for vigilance that changes cultural and societal attitudes," said Bishop Jesep.

Referring to recent attacks against Ukrainian-Jewish citizens in Zhitomir, Sevastopol, Cherkassy and Uzhgorod he added, "These sins cannot be tolerated by either the government or the Church. All Church leaders have a moral duty to forcefully speak out against this evil. Although passage and rigorous enforcement of anti-hate crime laws is critical to addressing the problem, the Church and government must work together to address the sociological issues as well."

"One of several ways to address cultural and societal anti-Semitism is to call for an annual Holocaust Memorial and Awareness Day," Bishop Jesep said. "The Holocaust was not just a crime against the Jewish people. It was a crime against the entire Ukrainian nation. It was a crime against humanity. It was a moral crime against sisters and brothers equally loved by the same God. Ukrainians, regardless

of their faith, must take the time to remember and understand the horror of the Holocaust and what it meant for their nation and for all humanity."

Text available on World Wide Web, URL:

[http://www.brama.com/news/press/2007/10/071025bishoppaulpeterjesep\\_anti-semitism.html](http://www.brama.com/news/press/2007/10/071025bishoppaulpeterjesep_anti-semitism.html)

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**23. UkrTatNafta Refinery Faces `Financial Crisis,' Tatneft Says  
By Greg Walters and Daryna Krasnolutska  
Bloomberg, 24 October 2007**

AT UkrTatNafta, Ukraine's second- biggest oil refinery, is facing a ``technical and financial crisis" in the wake of an armed seizure of the facility on Oct. 19, Russian oil producer OAO Tatneft said.

The refinery has come under the de facto control of its former chief executive officer, Pavel Ovcharenko, Tatneft said in a statement posted on its Web site. The oil producer, which owns shares in the refinery, said it would consider all of Ovcharenko's management decisions illegitimate and invalid.

``These events can only be characterized as a forcible and illegal seizure because they were carried out on the basis of forged court documents and in the company of armed men," Tatneft said in a joint statement with the government of Tatarstan, the oil-rich Russian region where it's based.

UkrTatNafta was seized last week by more than 50 men, Tatneft Chairman Rustam Minnikhanov, who is also prime minister of Tatarstan, said in a statement on the government's Web site on Oct. 20. Tatneft, the region's government-controlled oil producer, cut off oil supplies to the refinery pending clarification of the situation, the company said yesterday.

UkrTatNafta purchased domestic oil yesterday and has enough reserves for the next 15 days, Konstantin Borodin, a spokesman for Ukraine's Fuel and Energy Ministry, said in a phone interview today. He said the refinery bought about 1.25 million barrels of crude from VAT Ukrnafta, Ukraine's biggest oil producer. The plant refines about 300,000 tons of oil, or 2.2 million barrels, a month, Borodin said.

Tatneft has been fighting for control of the refinery with Ukraine for years. Ukraine regained control in July after state- run NAK Naftogaz Ukrayny won a court ruling over a disputed 18 percent stake.

Text available on World Wide Web, URL:

[http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aOoQGGK\\_GvnY](http://www.bloomberg.com/apps/news?pid=newsarchive&sid=aOoQGGK_GvnY)

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