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1. Yushchenko Supporters in Ukraine Reject Coalition With Opposition VOA News, 4 October 2007

Leaders of pro-presidential parties in Ukraine have rejected a coalition that would include the rival party of outgoing Prime Minister Viktor Yanukovych.

Yury Lutsenko, the leader of the Self Defense Bloc, which is cooperating with President Viktor Yushchenko's Our Ukraine Party, says the groups favor a coalition with supporters of former Prime Minister Yulia Tymoshenko. But both he and Ms. Tymoshenko Thursday dismissed the possibility of forming a broad coalition with Mr. Yanukovych's Party of Regions.

Their statements came a day after President Yushchenko urged all leading parties to strike a deal on a ruling coalition to end months of political impasse.

Speaking on national television Wednesday, the president said Ukraine will not have political stability until major parties make compromises. His arch-rival Mr. Yanukovych has welcomed the proposal.

Mr. Yushchenko's supporters together won about 45 percent of Sunday's vote. Backers of Mr. Yanukovych, who favors closer ties with Russia, won about 34 percent.

The political stand-off has all but paralyzed the Kyiv government for nearly a year.

Some information for this report provided by AP, AFP and Reuters.

Text available on World Wide Web, URL:
<http://www.voanews.com/english/2007-10-04-voa59.cfm>

2. Timoshenko Is Winner of Yushchenko-Yanukovych Tussle (Update1) By Daryna Krasnolutska and Sebastian Alison Bloomberg, 5 October 2007

The real winner of Ukraine's electoral showdown between President Viktor Yushchenko and Prime Minister Viktor Yanukovych appears to be Yulia Timoshenko.

Timoshenko, a former prime minister fired by Yushchenko two years ago, may be reinstated as the head of government within days after her reconstituted Orange Revolution alliance with him won the most votes in the Sept. 30 election. Talks between Timoshenko and Yushchenko's party will begin today.

The new pact, if it lasts, will strengthen Yushchenko as he aims to steer Ukraine toward membership in the North Atlantic Treaty Organization and the European Union. It may also position Timoshenko, 46, as a presidential candidate in elections due in 2009, ending the Yushchenko-Yanukovych struggle that has defined Ukrainian politics for the last three years.

"The Orange Revolution has been saved by Timoshenko," said Taras Kuzio, research associate at the Institute for European, Russia and Eurasian Studies at George Washington University in Washington. "The elections have given the Orange Revolution another lease of life, they've given Timoshenko another lease of life. For her, it's a sensational result."

Timoshenko's and Yushchenko's blocs may have 228 seats in the 450-seat parliament, according to Yuriy Lutsenko, head of the president's Our Ukraine party. As of 9:20 a.m., 99.98 percent of votes had been counted.

Rigged Vote

Timoshenko backed Yushchenko, 53, during the Orange Revolution that swept him to power, standing with him as street protests overturned a rigged presidential vote that originally gave Yanukovych, now 57, the post. She and Our Ukraine have a common stance on foreign policy and also agree on many domestic issues.

Timoshenko promised on Sept. 10 that she would cut taxes and promote economic growth. Nicknamed "the Oil and Gas Princess" by the press from her time as head of a fuel-trading firm, she wants to build two oil refineries on Ukraine's Black Sea coast. She promises to reduce the former Soviet republic's reliance on Russia for almost all its energy -- an issue that erupted in January 2006 when Russia's gas monopoly OAO Gazprom turned off supplies in a row over pricing.

Timoshenko may also seek to restart a program of state-asset sales that has virtually stalled under Yanukovych's administration.

"There has not been any open privatization since we left office," Timoshenko said on Sept. 13. She has promised to sell the nation's fifth-largest and seventh-largest banks by assets.

A Previous Rupture

It was disagreement over the pace of such asset sales that caused Timoshenko's previous rupture with Yushchenko. As his first premier after his election in 2005, Timoshenko -- once head of one of Ukraine's biggest fuel traders -- ordered investigations into the 1990s sales of commodities companies bought at bargain prices by associates of then-President Leonid Kuchma.

She was fired after investors complained to Yushchenko that her policies might deter foreign investments, and economic growth slowed to an annual 2.6 percent during her stewardship from 12 percent a year earlier.

If she becomes prime minister, "Timoshenko will increase administrative interference in the economy" and the same tensions may flare again, said Katya Malofeeva, chief economist at Renaissance Capital in Moscow. As a result, "the coalition may not last long."

Studying Economics

Timoshenko was born in Dnipropetrovsk, in the eastern Ukraine, and studied economics before beginning her career at the state-run engineering plant there.

After the Soviet Union's collapse in 1991, she became president of Unified Energy Systems, a fuel trader importing and reselling Russian oil and gas. Newspaper reports claimed she made a fortune; she has never commented on her finances.

She was first elected to the parliament in 1996. When Yushchenko became premier in December 1999, he picked her as his deputy for fuel and energy.

"Timoshenko got rid of nasty things in the energy sector," said Walter Zarycky, executive director at the Center for U.S.- Ukrainian relations, in New York. "People remember how very well she did then."

Timoshenko was fired from UES in January 2001, accused of fraudulently importing about 3 billion cubic meters of gas in 1996, illegally transferring \$1.1 billion out of Ukraine and avoiding taxes.

Twice Arrested

She was twice arrested with her husband and father-in-law, who also worked at the company. She said the accusations were orchestrated by tycoons who wanted to reverse her reforms. All the charges were dropped.

Many analysts say that should Yushchenko turn against her again or take back the powers to nominate a premier and approve cabinet appointments that were wrested from him by Yanukovych, she would make a run at the presidency herself.

"Timoshenko sees herself as the country's leader," said Oleksandr Lytvynenko of the Razumkov Center for Economic and Political Studies in Kiev. "If the post of premier gives her more power, she will stick to it. If the constitution is changed and the president has more powers, she will run for the presidency."

Text available on World Wide Web, URL:

<http://www.bloomberg.com/apps/news?pid=20601085&sid=a6kRh9750HgY&refer=europe>

3. Ukraine's Pro-West Allies in Talks **By YURAS KARMANAU** **AP, 5 October 2007**

Pro-Western parties began talks Thursday on forming a governing coalition that would resurrect rule by key forces in Ukraine's Orange Revolution.

Near-final returns from Sunday's parliamentary election pointed to a slim majority for backers of Prime Minister President Viktor Yushchenko and his 2004 Orange revolution ally, Yulia Tymoshenko.

But uncertainly loomed over their coalition talks after Yushchenko urged cooperation with their foe, Prime Minister Viktor Yanukovych, who has strong support from Ukraine's Russian-speaking east and south.

Yanukovych's Party of Regions got the biggest share of votes, but returns showed it would fall short of a majority in the 450-seat parliament even with its potential coalition allies.

Yushchenko had been expected to tap Tymoshenko for the premiership based on an earlier agreement. But he was more cautious Wednesday, urging all three major political forces to exercise "political wisdom" and work together for the sake of national unity and stability.

He suggested that if his party and Tymoshenko's bloc secure a majority in parliament, they should consider giving Yanukovich's forces Cabinet posts, the Interfax news agency reported.

Yanukovich interpreted Yushchenko's words as an invitation into a broad coalition and embraced the idea.

Such an alliance would likely alienate Tymoshenko, who has adamantly ruled out forming a government with Yanukovich's party, and threatened to move into the opposition if it was included in the coalition.

Yushchenko appeared to be concerned about the prospect of instability if the country — already polarized by regional, historical and linguistic divisions — is governed by one political side. But his statements opened the door to the kind of paralyzing standoff that led him to call the early elections.

Analysts said Yushchenko may be reluctant to invest too much power in Tymoshenko, a potential rival for the presidency in 2009.

Yushchenko and Tymoshenko were the leaders of the 2004 Orange Revolution, when hundreds of thousands of people poured into the streets of Kiev claiming fraud in the presidential election. Yanukovich was initially declared the winner, but Yushchenko won a new vote after a court threw out the initial results.

He then named Tymoshenko as his prime minister, but fired her after seven months. Their bickering helped bring Yanukovich back to power as prime minister last year.

Yanukovich was backed by Moscow in 2004 and is seen as more Russia-friendly. But he has more recently taken a more neutral stance, pledging to integrate Ukraine with the rest of Europe.

Associated Press Writer Maria Danilova contributed to this report.

Text available on World Wide Web, URL:

<http://ap.google.com/article/ALeqM5hqla8iAIRLx1swhkk6Ev0x24TocAD8S2OOGO0>

4. FACTBOX - After Ukrainian polls, which government now? Reuters, 5 October 2007

A parliamentary election in Ukraine, meant to solve months of political turmoil, produced a close finish between "orange" parties -- led by ex-premier Yulia Tymoshenko and the allies of Prime Minister Viktor Yanukovich.

President Viktor Yushchenko, long at odds with the prime minister, backed an "orange" coalition during the campaign but on Wednesday said his rivals should be included in coalition.

Yanukovich welcomed the statement as a step towards a "grand" coalition between his Regions Party and the president's Our Ukraine party. Tymoshenko rejects any such coalition.

With 99.96 percent of the vote counted, Yanukovich's Regions Party received 34.36 percent and his allies the Communist Party 5.39 percent. Tymoshenko's bloc scored 30.72 percent, while Our Ukraine got 14.16 percent.

The centrist Volodymyr Lytvyn bloc scored 3.96 percent.

The following outlines the possible coalition scenarios.

1) "ORANGE" COALITION -- TYMOSHENKO BLOC-OUR UKRAINE

The parties of Tymoshenko and Yushchenko, partners in the 2004 "Orange Revolution" that brought Yushchenko to power and newly reconciled, have said for months they would form a coalition government if they won enough seats.

A tender embrace as the campaign closed indicated that they had put differences behind them and that Tymoshenko could again become prime minister. Yushchenko dismissed her as head of his first "orange" government in 2005.

The two parties received 45 percent of the vote. The authoritative Internet site Ukrainska Pravda said that would produce 228 seats -- two more than the majority required for most votes in the 450-member assembly.

Yushchenko's statement cast doubt on whether Yushchenko still backs an "orange" coalition.

2) "ORANGE" COALITION PLUS LYTVYN

The two "orange" groups, bolstered by the centrist bloc of Volodymyr Lytvyn, which cleared the three percent barrier to win seats. Ukrainska Pravda gives this coalition 248 seats.

Tymoshenko has said an "orange" coalition does not need Lytvyn's support, but observers say any such grouping would be far more stable with the addition of his deputies.

Lytvyn was chief of staff under former president Leonid Kuchma, long denounced by both Yushchenko and Tymoshenko.

He was parliamentary speaker during the Revolution and helped push through a deal to rerun the presidential election after it was annulled by the Supreme Court, including reductions to presidential powers.

Lytvyn has made no commitment to back either side and says he is not interested in any senior job.

3) "GRAND COALITION" This would involve Yanukovich's Regions Party, now allied with the Communist Party, joining with the president's Our Ukraine party. Ukrainska Pravda says it would hold 274 seats.

Western economists favour Our Ukraine joining Yanukovich's party, based in the Russian-speaking east, on grounds it would finally be able to produce institutional and economic reforms.

But analysts in Ukraine say differences in ideology and outlook and the bitter rivalry between Yushchenko and Yanukovich, the man he defeated in the 2004 revolution, are too great for a coalition government to paper over.

Yanukovich has always left open the option of a "grand coalition" and backed the president's latest call.

Yushchenko never publicly rejected it, but Tymoshenko has vowed never to work with the Regions party. This would leave her in opposition ahead of an expected bid for president in 2009.

Many Our Ukraine members are hostile to Yanukovich's party and this coalition would almost certainly split their ranks.

4) "GRAND COALITION" PLUS LYTVYN

The above combination, with the addition of Lytvyn's bloc. Ukrainska Pravda gives this coalition 294 seats.

Some observers suggest it might be to Lytvyn's advantage to remain outside any coalition, offering his voting support on a one-off basis in order not to compromise his independence.

A coalition of the Regions Party, together with the Communists, and the Lytvyn bloc cannot command a majority, with Ukrainska Pravda crediting them with only 222 seats.

Text available on World Wide Web, URL:

<http://uk.reuters.com/article/worldNews/idUKL0423678220071004>

5. Oranges and lemons **The Economist, 4 October 2007**

Yulia Tymoshenko wins, but there are still doubts surrounding her coalition

TWO hours after the polls closed in Ukraine's election on September 30th the opposition leader, Yulia Tymoshenko, strode into a private suite in Kiev's smartest hotel, where European observers were waiting. At that moment Viktor Yanukovich, the incumbent prime minister, appeared on television looking shell-shocked. The exit polls were still coming in, but the first results were reflected on the politicians' faces. "We have the right to form the new government," Mr Yanukovich bleated. "Oh dear," said Ms Tymoshenko, before switching off the television, "he does look like an upset child."

Days later Mr Yanukovich had bounced back. His Party of the Regions took the biggest share of the vote, as it had in March 2006. But the momentum is still running Ms Tymoshenko's way. She is the only politician whose popularity has risen sharply, boosting her party's share of the vote from 22% 18 months ago to almost 31%. With Our Ukraine, the party of President Viktor Yushchenko, taking 14%, there is a tiny majority for an "orange" coalition with Ms Tymoshenko as the most likely prime minister.

Forming that government depends on Ms Tymoshenko and Mr Yushchenko sticking together. On October 3rd Mr Yushchenko called on all three parties to start talks over a coalition. But Ms Tymoshenko promptly said she could not work with Mr Yanukovich, as did some members of Our Ukraine.

The voters' strong support for Ms Tymoshenko suggests that, for all their disillusionment in the past few years, they want reform just as much as they did when they poured into Kiev's Independence Square in the snows of late 2004. The orange revolution that pushed Mr Yushchenko into the presidency instead of Mr Yanukovich turned Ukraine from a corrupt post-Soviet autocracy into a fragile democracy. That Mr Yushchenko's support is now relatively weak reflects not a change of mood but his failure to live up to the orange revolution's promises.

The latest election has restored the divide between the Party of the Regions and the orange coalition. This same line separates a post-Soviet thuggish political culture from a proto-European one. If Mr Yushchenko tries to blur the line by working with Mr Yanukovich, as he did in 2006, he is likely to land the country in a new political crisis.

For all the faults that became evident when she was briefly prime minister in 2005, Ms Tymoshenko has remained consistent. Unlike Mr Yushchenko, she has always rejected the idea of forming a coalition with her opponents. Unlike Mr Yanukovich, she has not tried to change her image with the help of American spin-doctors. In the eyes of millions of Ukrainians, she is still the blonde heroine of the orange revolution and a victim of, not a participant in, the infighting among the president's men.

She promises a break with the past that appeals to those who feel let down by successive governments. And she has broad support. Mr Yushchenko draws his vote largely from the west of Ukraine, and Mr Yanukovich from the Russian-speaking east and south. Ms Tymoshenko is less territorial: most of her voters live in central Ukraine, but in this election she has made inroads in both

east and west. The risk of Ukraine splitting down the River Dnieper was always overdone. After this election it looks smaller still.

Ms Tymoshenko avoids the sensitive issue of making Russian a second official language and no longer pushes for early entry into NATO, opposed by the south and east. Like most of her countrymen, she believes that the future of Ukraine lies in the European Union. But, claims Hryhory Nemyria, her chief adviser, there is a distinction. She does not see membership as a reward to be handed out merely for breaking out of the post-Soviet space, or as a source of quick economic goodies. "To her, being part of Europe means modernising Ukraine first," he says. "We can only come as close to the EU as we are ready."

She also promises to clean up chronic corruption and sever the links between business and politics. (Each party in Ukraine is backed by powerful business interests, including her own.) Having made her fortune in murky gas trades between Russia and Ukraine in the early 1990s, Ms Tymoshenko now says she will eliminate all shady intermediaries and make the gas trade transparent. As soon as she emerged as a potential winner this week, Gazprom, Russia's gas giant, started growling about the \$1.3 billion of debt Ukraine owes for gas and threatened to cut off supplies, just as it did in January 2006.

Ms Tymoshenko is the most professional politician in Ukraine, but also the most populist. She has promised within two years to reimburse the savings people lost when the Soviet Union collapsed—a pledge even her advisers say is unrealistic. Her period as prime minister in 2005 was marked by talk of reviewing privatisation deals and capping fuel prices. But she has learnt lessons, says Mr Nemyria, and is now more pragmatic. Whatever she does, though, she will be held accountable by those who voted for her, because Ukraine has since 2004 become a recognisable democracy in which power is granted and taken away on the basis of elections that are broadly free and fair.

That is the biggest achievement of all by this former Soviet republic, and it is appreciated by losers as well as winners. As Yuri Miroshnychenko, a young member of the Party of the Regions, puts it: "There is no absolute power in Ukraine. We can work in opposition and her coming to power is not a tragedy for us. The most important thing is that Ukraine is moving in the right direction. Today it is becoming Europe. There is no way back."

Text available on World Wide Web, URL:

http://www.economist.com/world/europe/displaystory.cfm?story_id=9905490

6. No End to Ukraine's Political Turmoil in Sight, Experts Say
By Anna Arutunyan
Moscow News, 4 October 2007

Talks to build a coalition began Thursday as the final ballots came rolling in following Ukraine's Sunday vote. With 99.95 percent of ballots counted as of Thursday afternoon, the pro-Russian Regions Party led with 34.35 percent, with Yulia Tymoshenko Bloc close behind with 30.73. President Viktor Yushchenko's Our Ukraine followed with just 14.16. percent.

Experts and politicians in Kiev doubt that the former Soviet republic's turbulent democracy will settle down any time soon. "It is unlikely that the problems that Ukrainian society is facing today will be solved by this parliament," Taras Chornovil of the Regions Party told reporters via a video conference with Moscow on Monday.

"Contrary to expectations, the political landscape of post-election Ukraine is not likely to be any smoother," Yevgeny Kozhokhin of the Russian Institute of Strategic Studies wrote in an analysis for RIA Novosti.

The national vote was still a pivotal time for the country, however. "Ukraine is gradually moving from a period of personified politics, when the main question was who occupies certain posts, to a period of priority politics," Grigory Nemyrya of the Yulia Tymoshenko Bloc said. "Finally the question of

Ukraine's strategic priority - integration with Europe - may become a domestic policy issue instead of a foreign policy issue."

One thing was certain, and that was the fact that Yulia Tymoshenko, once dubbed Ukraine's "Orange Princess," had made a remarkable comeback. Members of competing parties in Kiev linked her success to populist tactics, like promising voters to return savings lost during the early 1990s. "That is nearly Ukraine's yearly budget," Chornovil said at the teleconference held at RIA Novosti, "everyone understands this is impossible. But not every Ukrainian voter wants to analyze this."

Moscow-based political analyst Andrei Okara, who came to Kiev to observe the elections, had another explanation for the comeback. "Tymoshenko has transformed into a political brand," he said at the teleconference. "Everyone used populist tactics in these elections. But her success has to do with the energy and sincerity of her message."

As for democracy in Russia and Ukraine, writes Kozhokhin: "The basic political cultures of our two countries are pretty much the same. It makes no sense to try and determine which one of us is closer to the democratic ideal, because both still have to go a long way to reach it."

Text available on World Wide Web, URL:
<http://mnweekly.ru/cis/20071004/55280394.html>

7. Yushchenko seeks to make allies of old enemies **By Haroon Siddique and agencies** **Guardian Unlimited, 4 October 2007**

The Ukrainian president, Viktor Yushchenko, has called for a broad coalition, including former enemies, after a close parliamentary vote.

The move could lead to a split with his orange revolution partner, Yulia Tymoshenko, it was reported today.

The latest results to emerge last night pointed to a slim majority for Mr Yushchenko and Ms Tymoshenko over the prime minister, Viktor Yanukovych.

The prime minister's party had 34.31% of the vote, followed by Ms Tymoshenko's bloc with 30.76%. The pro-Yushchenko party was third with 14.18%.

The president was expected to declare victory for the orange allies and make Ms Tymoshenko the new prime minister.

But, as Russia's threat to cut natural gas supplies added to the tension, he raised the prospect of giving cabinet posts to members of Mr Yanukovych's party, according to the Interfax news agency.

"I have one goal, Ukraine must emerge united following the elections, there must not be two Ukraines," Mr Yushchenko said earlier in a televised speech, as he called on all parties winning seats to hold coalition talks.

The president had indicated last week that Ms Tymoshenko was his only prospective partner, but he appears to have changed his mind amid concerns that erasing Mr Yanukovych from the political picture could provoke instability.

Ms Tymoshenko responded on her website by threatening to go into opposition if the prime minister and president united.

But Mr Yanukovych was quick to embrace his opponent's proposal.

"We don't need to look for enemies, we need to look for allies," he said.

Mr Yushchenko may be reluctant to invest too much power in Ms Tymoshenko, his chief partner in the orange revolution that ushered him to power, because she is a potential rival for the presidency in 2009.

But Andriy Bichenko, an analyst with the Razumkov centre thinktank, based in Kiev, warned that sidelining Ms Tymoshenko could cast Mr Yushchenko as a "traitor" in the eyes of orange revolution supporters.

The pair were the linchpins of the peaceful political upheaval, when hundreds of thousands of people poured on to the streets of Kiev claiming fraud in the 2004 presidential election, in which Mr Yanukovych was declared the winner.

Mr Yushchenko won the vote after a court threw out the initial results and named Ms Tymoshenko as his prime minister.

But he fired her after seven months. Their bickering helped bring Mr Yanukovych back to power as prime minister last year.

Mr Yanukovych, who was backed by Moscow in 2004, has taken a more neutral stance since then, promising to get closer to Europe. But he is still seen as more friendly to Russia.

The post-election manoeuvring has been complicated by Russia's threat to cut natural gas supplies to Ukraine.

Russia's natural gas monopoly, Gazprom, said it would cut supplies to Ukraine unless it is paid the \$1.3bn (£640m) it is owed this month.

Two smaller parties have also cleared the 3% barrier needed to win seats. But a third party, considered likely to side with Mr Yanukovych, looked set to fall short.

Text available on World Wide Web, URL:
<http://www.guardian.co.uk/ukraine/story/0,,2183488,00.html>

8. Securing an Orange Victory
By ADRIAN KARATNYCKY
The New York Sun, 5 October 2007

The political forces that had made the democratic Orange Revolution of 2004 watched dumbfounded as their bitter rivals, the Russia-friendly Party of Regions, took power by peeling away one of the Orange coalition's parties to create a ruling majority about a year ago.

Now, after a bitter political struggle and stalemate between the "Orange" reformist, President Yushchenko, and the Regions party, the Orange forces have made spectacular comeback.

Ukraine's Central Election Commission shows that as a result of a vote on Sunday, Ukraine will have a narrow, eight vote pro-Western Orange majority in parliament and a government likely to be headed by Yulia Tymosehko.

If the Orange parties succeed in adding the moderately pro-Western party of Volodymyr Lytvyn, they will have a comfortable majority, approaching 50 votes in a 450 seat Rada, Ukraine's national legislature.

The biggest winner is Ms. Tymoshenko, who almost certainly will be the country's prime minister. Her eponymous bloc has captured over 30% of the vote, nearly 10% more than the party won in the legislative elections of March 2006. She ran a brilliant campaign with the best TV spots and a moral message calling for an end to corruption and cronyism.

Mr. Yushchenko has strengthened his hand, as well. His decisive actions this summer forced a new election amid charges that Regions Party officials were bribing dozens of "Orange" deputies to gain a constitutional majority through their defection to the ruling majority.

In June, after a bitter standoff that threatened to degenerate into armed confrontation, Mr. Yushchenko issued decrees that dissolved parliament. Through skillful negotiation with Regions Party moderates, he secured their agreement to take part in what amounted to a snap election.

If Ms. Tymoshenko and Mr. Yushchenko were the winners, Viktor Yanukovich is the big loser. For the third time in three elections, either he or the movement he heads has lost. In 2004, Mr. Yanukovich lost presidential elections to Mr. Yushchenko, but his backers conspired in a massive voter fraud that sparked the Orange Revolution.

In 2006 Mr. Yanukovich lost parliamentary elections to the Orange coalition, managing to gain power because of the political betrayal of the Socialist leader, Oleksandr Moroz, whose party was punished on Sunday by voters and is no longer in the legislature. This time, too, he and his coalition partners have narrowly lost the vote.

For the first time since it attained independence, Ukraine is on the verge of a stable pro-Western majority interested in full integration into the European Union and the Euro-Atlantic community, committed to shaping a unified Ukrainian civic identity, pledging to fight corruption, and eager to reduce reliance on Russia.

Crucially, it will press forward with efforts to ensure energy diversification and to move from over-reliance on Russian energy. Key priorities will, including the completion of an Odessa-Brody-Gdansk pipeline that would bring oil from Central Asia and Azerbaijan through Ukraine to Poland and the EU as well as eliminate the shady middlemen who have made billions of dollars in recent years for simply arranging the shipment of gas from Turkmenistan.

With Ms. Tymoshenko as prime minister, Ukraine's Orange-tinted government also is likely to pursue investment-friendly policies to sustain GDP growth that has averaged over 7% since 2000. In recent months, she moved to the right, jettisoning talk of joining the Socialist International, and stating her party's affinity with Europe's center-right Peoples' parties. She also has added a number of budget-balancing market liberals to her team, who will work cohesively with the center-right economists in the Our Ukraine bloc.

Despite encouraging signs that the Orange Revolution's values are back on top, the country remains deeply divided. The Western-leaning Ukrainian-speaking West and Center are overwhelming Orange with support ranging from between 65% and 90%. In the Russian-speaking East, the Regions Party and its Socialist and Communist allies command between 80% and 90% of the vote.

On election day in the city of Donetsk, a Party of Regions sound truck became an emblem of this cultural and political divide. "Us or them!" it intoned, emphasizing the longstanding regional rift between East and West.

While this divide does not threaten the disintegration of the country, it does threaten to divide it into two non-communicative and hostile camps.

One year ago, President Yushchenko had sought to heal this divide with a "universal" agreement that shaped common approaches to unite the leaders of the Ukrainian state. These commitments were discarded by the Regions' leader, Mr. Yanukovich, soon after he came to power.

Now with power in their hands again, Ukraine's Orange leaders will need to address this divide in three ways:

- First, by promoting national unity through the vision of Ukraine's European identity and its destiny within the European Union, an idea that now has resonance nationwide.

- Second, by reaching out to the Russian-speaking Eastern Ukrainians and providing economic incentives to voluntarily help them become bilingual and learn more about Ukrainian culture.
- Third, by offering key posts to pragmatic technocrats with strong roots and credibility in the East. Ukraine's government must come to resemble the geographic makeup of the country.

The influence of a growing cohort of pragmatic business leaders and politicians interested in promoting national unity and democracy can be enhanced if the new government pursues a rigorous anti-corruption policy that rids the country of mendacious politicians.

Ukraine is on the verge of stability and consolidation. America and Europe must now do everything to ensure that the Orange Revolution's second chance succeeds in shaping Ukraine into a modern democratic state.

Mr. Karatnycky, a senior fellow with the Atlantic Council of the U.S., is president of the Orange Circle, a nongovernmental group working to build support for reform in Ukraine.

Text available on World Wide Web, URL:
<http://www.nysun.com/article/64013>

9. Orange parties ignore call for coalition with Yanukovich Itar-Tass, 5 October 2007

Ukrainian "Orange" parties – the Bloc of former Prime Minister Yulia Timoshenko (YTB) and the presidential Our Ukraine – People's Self-Defense (OU-PS) – ignored the call of President Viktor Yushchenko to form a broad coalition with the Party of Regions led by Prime Minister Viktor Yanukovich and decided to recruit the bloc of former parliament speaker Vladimir Litvin instead.

On Friday the two Orange parties will launch official negotiations to create a parliamentary majority.

On Thursday Yushchenko held a meeting with the leaders of Our Ukraine – People's Self-Defense, after which his call to negotiate with Yanukovich was evidently dropped.

"We have for two our discussed the situation that shaped out after the election. We are inviting the bloc of Vladimir Litvin to join the parliamentary majority," said OU-PS leader Yuri Lutsenko after the meeting.

YTB and OU-PS will jointly have 228 seats in parliament, a mere two seats over the majority hurdle of 226. The Party of Regions will have 174 seats and its ally - the Communists – 27 seats, while Litvin's bloc will get 20 seats.

Also on Thursday Yanukovich met US Ambassador to Ukraine William Taylor on Thursday and said his party had the right to form a ruling coalition, as it won the election, while YTB and OU-PS were second and third.

"A wide coalition will allow stabilizing the situation in the country instead of splitting it by half," he was quoted as saying.

In the meantime, Ukrainian Justice Minister Alexander Lavrinovich said both Yanukovich and Timoshenko-led parties had enough seats to bloc the work of new parliament.

"Theoretically, there is a possibility to block the work of the Supreme Rada, but such a situation is unlikely," he told Tass.

According to Ukrainian Constitution, the parliament is considered legitimate if 300 lawmakers, or two thirds of the composition, register as deputies. "If a third of elected lawmakers refuses to register, the

new parliament composition will be unconstitutional and the work of the Rada will be blocked," Lavrinovich explained.

"Hypothetically, such a situation may result in a vacuum of power, as Ukrainian legislation does not allow two early parliamentary elections in one year," the minister said.

Text available on World Wide Web, URL:

<http://www.itar-tass.com/eng/level2.html?NewsID=11936079&PageNum=0>

10. Jigsaw puzzle of power after Ukrainian elections Russia Today, 5 October 2007

Less than one percent of votes remain to be counted in Ukraine's parliamentary election. The Party of Regions, headed by Prime Minister Victor Yanukovich, is leading. Coming second is the Bloc of Yulia Tymoshenko, followed by the pro-presidential Our Ukraine - People's Self Defence party. As no party has won a large majority, President Yushchenko has called for a broad coalition.

President Yushchenko seems to have made a u-turn: before the election, he favored the Orange Coalition but when the results came out, he blessed none of the parties for leadership. Slightly confused, all five factions that gained seats entered the running for power. The Party of Regions took first place in this election but without the votes of other competitors, their hands are tied.

"We'd like to see a grand coalition including all four major forces, but the Ukrainian reality shows that even the process of dialogue between all sides will be difficult," Raisa Bogatyreva, Party of Regions representative, explained.

The president's Our Ukraine party is hoping for a combined effort with Yuliya Tymoshenko.

Together, they may have a slight majority over the Prime Minister's team.

The Orange Coalition, however, has its power base in Western Ukraine. People in the East traditionally support the Party of Regions.

"The broad coalition is not natural for Ukraine. It will only continue the dirty games of the last election race. but i am sure we can establish a peaceful relationship with the Party of Region that are likely to be in the opposition," Yury Lustsenko from Our Ukraine Self Defence Block said.

The Communist Party has made it to the parliament too. They are ready to talk business with the Party of Regions to form a united anti-orange camp. Their leader, however, says it won't solve all the problems.

"The President doesn't want a stable parliament. He wants to carry through a constitutional reform in order to ruin the parliamentary order in the country and establish the direct rule," Pyotr Simonenko, Comunist Party leader, commented.

And the biggest surprise of this election is the head of the Labor Party, Vladimir Litvin, who staged an impressive comeback after almost four years out of power. But it's not clear yet where his loyalties are.

If the Orange Coalition is formed, it will have a narrow parliamentary majority of just two or three votes. So it is vital for them to woo dark horse candidate, Vladimir Mr Litvin. Analysts say that his 20 seats may square the circle of this election.

Text available on World Wide Web, URL:

<http://www.russiatoday.ru/news/news/15133>

11. Ukraine president wants "orange" coalition, without PM RIA Novosti, 4 October 2007

Ukrainian President Viktor Yushchenko seeks a coalition of "orange" parties in parliament after the early polls, not a broader alliance with his longtime rival, the prime minister, a leader of a pro-presidential bloc said Thursday.

With official results of the Sunday election still pending, Yushchenko has called on all parties leading the polls to start preliminary talks on forming a ruling majority leaving aside their differences, instead of directly siding with his pro-Western allies as was expected.

"We held discussions with the head of state today, and he welcomed the creation of a democratic coalition," Yuriy Lutsenko, co-leader of Our Ukraine-People's Self-Defense bloc, said adding coalition talks with former Prime Minister Yulia Tymoshenko's party would start on Friday.

Lutsenko said reports about their possible alliance with the Party of Regions led by Premier Viktor Yanukovich, who was overturned as the winner of the 2004 presidential race by "orange revolution" protests staged by Yushchenko and Tymoshenko, were a "provocation."

Flamboyant opposition leader Tymoshenko reiterated on Wednesday that she would not join a coalition with the Party of Regions under any circumstances.

The Party of Regions, supported in the Russian-speaking east and south of the country, said talks with the pro-presidential bloc earlier planned for Thursday did not take place, without elaborating further.

Yanukovich's party is expected to receive the largest number of seats, 175, in the 450-seat Supreme Rada. But the Tymoshenko and Our Ukraine blocs, with 156 and 72 seats respectively, are likely to form a governing majority outseating the current premier. At least 226 seats are required to establish a parliamentary majority.

Yanukovich's allies, the Communists, scored 27 seats, and former speaker Volodymyr Lytvyn's bloc claims 20 seats.

The latter has no clear affiliation. Its members have already held preliminary talks with the Party of Regions, and plan a meeting with the "orange" camp.

Asked whether the pro-presidential bloc would sacrifice the post of parliamentary speaker to Lytvyn to secure his bloc's support, Lutsenko said this would be clear after the talks.

The position of speaker and security portfolios in the Cabinet will go to Our Ukraine-People's Self Defense under a pre-election power-sharing deal with Tymoshenko, who is seeking to regain the premiership.

The "orange" alliance is widely expected to end Yanukovich's dominance in parliament and government, promising a stronger line toward European integration. But given a history of their side-swapping and squabbles over Cabinet posts, concerns persist about a fresh political crisis in Ukraine.

The president dismissed the legislature in April and called snap elections to end a deadlock with Yanukovich. The political foes agreed on the September 30 vote following months of litigation and street rallies.

Text available on World Wide Web, URL:
<http://en.rian.ru/world/20071004/82491318.html>

12. Premier Viktor Yanukovich meets with US Ambassador to Ukraine William Taylor NRCU, 4 October 2007

Political parties in Ukraine face a key task of forming a parliamentary coalition and government, the Premier said during the meeting. "Nothing unexpected has occurred. As we predicted the Regions Party is a winning party and has a right to form the coalition, Viktor Yanukovich noted.

Viktor Yanukovich also noted that the Regions Party has launched talks with other parties on the coalition. We have set up a panel to work thought coalition issues. We offer a wide coalition to stabilise situation in Ukraine, not to divide Ukraine into two halves, he said. In turn, William Taylor noted that the election campaign in Ukraine was fair and now its time to form a coalition. The nation's priorities should be transformed into a government, which will ensure Ukraine's thriving and prosperity, the US Ambassador to Ukraine said.

Text available on World Wide Web, URL:

<http://www.nrcu.gov.ua/index.php?id=148&listid=52842s>

13. Regions Party Eager to Close Ranks with Our Ukraine Kommersant, 4 October 2007

The Regions Party is negotiating with Our Ukraine-People's Self-Defense bloc to close ranks and set up a broad coalition, said Sergey Levochkin, who heads the office of Ukrainian PM Viktor Yanukovich.

Moreover, on October 3, the Regions' Party sent an invitation to Bloc of Yulia Timoshenko urging it to join the coalition, Levochkin pointed out.

"On Thursday, we are going to ink an intention memorandum to set up a coalition, while the negotiations themselves will be held in two stages. At the first stage, we will have to elaborate a coalition agreement that will define the aims of Ukraine's further advance and the principles for building the coalition. At the second stage, the portfolios will be distributed. As the party-winner, we claim the prime-minister's office for Viktor Yanukovich," Levochkin added.

Text available on World Wide Web, URL:

http://www.kommersant.com/p-11487/Regions_Party_Our_Ukraine_coalition/

14. Yulia Timoshenko's Bloc plans no talks with Regions Party REGNUM, 4 October 2007

Yulia Timoshenko's Bloc plans no negotiations with the Regions Party until the democratic coalition of BYT and Our Ukraine Bloc is formed, and "only after that we are ready to discuss with the Regions Party its rights and duties as the parliamentary opposition," says a statement released today by Yulia Timoshenko's Bloc, a REGNUM correspondent informs.

"Position of Timoshenko's bloc remains unchanged. Our political force is ready to guarantee wide controlling functions to the opposition, even if the opposition is the Regions Party. Now, no negotiations with representatives of the Regions Party are mentioned in the schedule of BYT leaders," the statement runs.

Practically, the BYT statement is a response to Regions Party's proposal about establishing a parliamentary coalition with BYT. "At present moment, the Regions Party has talks about establishing a wide coalition with Our Ukraine-People's Defense." Besides, on October 3, on behalf of the Regions Party an invitation was sent to Timoshenko's Bloc to join the Regions Party and Our Ukraine, said head of the prime minister's staff Sergey Levochkin today.

15. The queen of Ukraine's image machine
By Kathryn Westcott
BBC News, 4 October 2007

Three years after Ukraine's Orange Revolution, Yulia Tymoshenko is being tipped for high office again after dominating an election campaign with the help of one of the slickest image-making machines in Europe.

Her ability to stand out among all the men in the country's power struggles is one that she and her team have honed to perfection.

"Orange princess", "gas princess", "goddess of the Revolution", the "Princess Leia of Ukrainian politics", "a Slavic Joan of Arc" - her nicknames over the years have acquired mythological proportions.

She has cast herself as a fighter for justice, the conscience of the nation, the saviour of Ukraine, and succeeding in looking the part as well as talking the talk.

World-wide recognition

She has become instantly recognisable the world over for *that hair*: the artful arrangement of traditional braids - sometimes dubbed "the Yulia".

The style has been replicated on the catwalks of Milan, in an international perfume ad and, as Ms Tymoshenko proudly boasts on her website, by Kylie Minogue in a recent calendar.

All of this has a serious political message. The style evoking an idealised Ukrainian peasant girl chimes with her uncompromising nationalist views.

Her former image consultant Oleh Pokalchuk - who says he came up with the idea in the early 2000s - explains that the idea was to project Ms Tymoshenko as a Ukrainian archetype.

"It was necessary to work out and implement an image that would block out the image formed by Kuchma propagandists, one of wealth, of envy, hatred," the social psychologist told the BBC News website.

Ms Tymoshenko's stinging attacks on the oligarchs who prospered under the former administration of president Leonid Kuchma has boosted her popularity among many Ukrainians frustrated by years of economic stagnation and corruption.

"I created an image of a modest village teacher. A visual type, clothes and haircut, a retro image evoking memories of childhood and schooldays... simple clothes, simple haircut, a Ukrainian archetype," he says.

Ms Tymoshenko, 46, was born in the industrial city of Dnipropetrovsk, in the mainly Russian-speaking east.

"She didn't speak Ukrainian so well then and it was necessary for parts of the country, where nationalism is a powerful force, that she should appear one of us," says Mr Pokalchuk.

"It was the image of the poetess Lesya Ukrainka, who had a similar haircut and who is a positive image for all Ukrainians. I was looking at a monument of Lesya every day, from my office window, so I didn't have to go far to find the image"

He says her image is constantly being reworked.

Originally, he says, the hair was brunette and the image modest. Now, the hair is lighter - almost the colour of corn - and the clothes "far more sumptuous".

At one point, such was the national interest in her hair that she was provoked into letting it down on national television, in front of millions of viewers.

"Kuchma's people were putting it about that her hair was not genuine," says Mr Pokalchuk.

In an interview with the Jerusalem Post earlier this year, Ms Tymoshenko referred to the amount of interest her hair has attracted:

"Let me state for the record that I invented this hairstyle. And I do it by myself every day. It has been the subject of endless attention in my country. Everybody has something to say about it. But I've noticed that it's catching on in all kinds of fashion circles in Europe. That makes me happy - at least my hair is calling attention to Ukraine."

She has also revealed that it only takes her seven minutes to do.

Slick campaign

The look was key to the former prime minister's slick campaign in the latest election.

The campaign for the Yulia Tymoshenko Bloc (BYT) took white as its colour of choice, a red heart as its symbol.

"Her image-making is very interesting and delicately balanced," says Andrew Wilson an expert on Ukraine at London's School of Slavonic and East European Studies (SSEES).

"She comes across as feminine but forceful, glamorous but national - and instantly recognisable.

"The heart is a political message - hers is the politics of moral principle as opposed to grubby compromise. In a way, she is the heart - the conscience of the nation. It follows on from the way that she campaigned last year," he says.

Some say her peasant look is somewhat misleading. Critics say she made a billion-dollar fortune in the privatisation of Ukraine's oil and gas industry in the 1990s.

"There is certainly a contradiction," says Mr Wilson. "She is a kind of Eva Peron figure - on the side of the poor but in a fur coat."

Ms Tymoshenko's love of expensive, French designer clothes is legendary. But, in the latest campaign, she had incorporated traditional Ukrainian designs into her mainly white wardrobe.

"Image is very important in Ukraine," says Mr Wilson. "It's a very TV-based society, and television was the primary medium of the campaign."

Detractors have scathingly described her metamorphosis as pretentious: a near biblical transformation, her hair wrapped on top of her head like a halo, complemented by flowing white angelic dresses.

But it seems to have worked magic on Ukrainian voters.

BYT's share of the vote - at nearly 31% according to incomplete results - was entirely unexpected, and gives her every chance of forming the next government.

16. INTERVIEW-Ukraine IPOs to reach \$3bln in 2008 - Dragon Capital
By Daisy Ku
Reuters, 4 October 2007

LONDON - Dragon Capital, Ukraine's top investment bank, expects initial public offerings from the country to more than double to \$1.5 billion in 2007 and to reach \$3 billion next year.

The Kiev-based investment bank, which accounts for about one-third of Ukraine's equity capital markets transactions, has completed seven IPOs this year, raising \$500 million in total.

The Ukrainian IPO market began stirring at the end of 2004 when hydrocarbon firm Regal Petroleum went public on the London Stock Exchange.

Last year, Ukrainian issuers raised a combined \$482 million via initial public offerings.

"The pipeline is so full that we need more people to examine the deals," Brian Best, an investment banking director at Dragon Capital told Reuters after attending the Ukraine Capital Markets Forum in London on Wednesday.

He plans to add seven staff members in his department this year, bringing the number of investment bankers at the firm to 20.

"We expect IPO volumes to increase to \$3 billion next year as there will be more \$1 billion plus deals," said Best.

Market watchers are expecting those multi-billion international offerings in the next 12 months.

System Capital Management (SCM), the country's biggest conglomerate and owned by Ukraine's wealthiest man Rinat Akhmetov, is considering a flotation on the London Stock Exchange or the New York Stock Exchange.

Its metals and mining unit Metinvest Holding plans to tap capital markets in London or Warsaw next year.

Serhiy Taruta, chief executive of the Industrial Union of Donbas, announced the firm's IPO plan last January.

Since the "Orange Revolution" uprising in 2004, more than 20 small and medium-sized companies have gone public, many of them on London's Alternative Investment Market (AIM).

The mass pro-Western "orange" protests helped overturn a rigged presidential poll. Last year, Astarta-Kyiv, one of Ukraine's biggest sugar producers, became the first Ukrainian firm to list on the Warsaw Stock Exchange, raising \$30 million for a 20 percent stake sale.

In the past 12 months, Ukraine equities outpaced the average dynamics of emerging markets, with Ukraine's leading PFTS index rallying 157 percent.

Best expects more mid-sized deals to come as Ukraine heads for World Trade Organisation admission.

Analysts expect some 60 companies to float in the next two years.

Ukrainian agriculture and food holding company Myronivsky Khlipproduct, for example, announced in December it intended to sell off about 20 percent of its stake in a \$150 million international IPO.

Dragon Capital is working on three to four private placement deals this year, aiming to raise a combined \$300 million.

"Investor appetite is still strong for Ukraine deals. The credit crisis doesn't have a huge impact, as investors look for high yields and fast growth," said Best.

Text available on World Wide Web, URL:

<http://uk.reuters.com/article/oilRpt/idUKL0431708620071004?pageNumber=3>

17. Yanukovych: We propose wide coalition ForUm, 4 October 2007

Prime Minister Viktor Yanukovych claims that it is very important for Ukraine to form coalition and government. He said at the meeting with Ambassador Extraordinary and Plenipotentiary of the United States of America to Ukraine William Taylor. ForUm reports, referring to the press service of the government.

"We should form parliamentary coalition and government as soon as possible," Yanukovych said.

"Nothing unexpected has happened. As we have expected, knowing the people's mood, the Party of Regions has won," Viktor Yanukovych said, commenting the results of the parliamentary elections. "It means that the party-winner, according to democratic principles, has the right to form a coalition."

"Today we have begun consultations with parties-winners, in particular, created a working group and represented our proposals. We propose a wide coalition which can give a possibility to stabilize the situation but not divide our country," Viktor Yanukovych said. He expressed confidence that the People's deputies of the Verkhovna Rada new composition have an opportunity to form such coalition.

William Taylor congratulated Ukrainian people and the Party of Regions on holding good elections. "The election campaign was fair and now it is time to form the coalition. It is necessary to transform the people's vote into the power which will bring Ukraine to prosperity," the U.S. Ambassador noted.

Text available on World Wide Web, URL:

<http://en.for-ua.com/news/2007/10/04/164735.html>

18. Democracy, Soviet-style The Economist, 4 October 2007

The Russian people are readier for democracy than Vladimir Putin will allow

THE timing was surely no accident. On October 1st newspapers in Moscow were idly speculating over who might be Ukraine's prime minister after yet another indecisive election. This was the moment when the Russian president, Vladimir Putin, chose to announce that he would head the pro-Kremlin United Russia party's list in the general election in December, adding that it was "entirely realistic" that he might become prime minister when his presidency ends in March.

This tale of two prime ministers speaks volumes for the state of democracy in the two neighbours that sprang from the former Soviet Union in 1991. Mr Putin's slide into autocracy since he became Russia's president in December 1999 is well documented, as are his background in and his zealous promotion of the Russian secret service. In nearly eight years in the Kremlin he has crushed opposition, stripped

regional governments of their autonomy, reasserted state control of Russia's energy resources and eliminated most independent media.

Yet thanks to the stability that he has brought, and even more to oil-and-gas-fired growth, Mr Putin remains extremely popular with ordinary Russians. Indeed, the only real question among Moscow's chattering classes this year has been how he will retain his grip on power after next March, since the constitution sets a limit of two consecutive terms for a president. Now that question has been answered (see article). Wary of a crude constitutional change, and keen to avoid unflattering comparisons to the presidents-for-life of central Asian ex-Soviet republics, Mr Putin will find a placeman to stand for president (perhaps the man he just plucked out of obscurity to be his own prime minister, Viktor Zubkov). He himself will then take the post of prime minister, which he held briefly in 1999, probably with enhanced powers. After a decent interval, he could then return to the Kremlin as president.

Nowhere in these manoeuvrings is there a trace of democracy as understood and practised in the West: it is far more reminiscent of the old Soviet Union. Mr Putin's supporters maintain that Russians are not ready for liberal democracy, preferring their tradition of a benevolent dictator/tsar. They contrast the stability and prosperity of the Putin years with the chaos and poverty of the Yeltsin years. Some go further, echoing Mr Putin's view that, even if nobody wants to return to communism, the collapse of the Soviet Union was still the greatest geopolitical catastrophe of the late 20th century.

The Ukrainian model

Many Russians also point gleefully to the chaotic politics of Ukraine as just what they want to avoid. In fact Ukraine offers them a proud example. It is true that the country's politics has been messy since the "orange revolution" of late 2004 propelled Viktor Yushchenko into the presidency, ahead of Russia's preferred candidate, Viktor Yanukovich; that Ukraine's wealthy business clans have too much political influence; and that corruption is entrenched (as it is in Russia).

Yet the election on September 30th was still a thoroughly democratic and unpredictable affair, more honestly conducted than any before it. After some hard bargaining, it seems likely to produce a new orange coalition government (see article). There is no longer serious talk of the country breaking apart: all political parties want to move closer to Europe. Unlike Russia, Ukraine now has independent media, a real opposition and the prospect of a genuine presidential contest in 2009. It also has a fast-growing economy that is likely to get into the World Trade Organisation before Russia does.

What can the West do to promote the democratic cause in the post-Soviet space? The answer in Russia is: not much. Mr Putin is sensitive to outside criticism, but not enough to make him more democratic. Western economic leverage over Russia is limited. Indeed, the bigger risk is that the Russians' stranglehold on gas supplies to Europe is putting more leverage into their hands. Tellingly, the Russian energy giant, Gazprom, this week again threatened to cut supplies to Ukraine.

But the West could do more to foster and encourage fledgling democracies in places such as Ukraine and Georgia, through better trade access, more favourable visa arrangements and stronger support in the face of Russian bullying. The European Union would also do these countries a huge favour if it were willing to hold out the prospect, however distant, of their becoming members. This has worked wonders in central and eastern Europe, and in the Baltics—there is no reason why it should not do so in other bits of the former Soviet Union. Above all, the successful establishment of working democracy in countries like Ukraine offers the best hope of one day luring Russia down the same road.

Text available on World Wide Web, URL:
http://www.economist.com/opinion/displaystory.cfm?story_id=9905563

19. Ukraine's orange team returns
By Ariel Cohen
The Washington Times, 4 October 2007

On Sunday, Ukrainians flocked to vote in the early parliamentary elections. The Organization for Security and Cooperation in Europe found the votes free and fair despite fears of fraud.

The decision to hold early elections was a compromise between President Viktor Yushchenko, the leader of Our Ukraine-Self Defense bloc, known by its Ukrainian acronym NUNS, and Prime Minister Viktor Yanukovich, who heads Ukraine's Regions party. Under the Ukrainian constitution, if a single political party does not receive a majority of the seats in the Verkhovna Rada (Parliament), a coalition must form the Cabinet of Ministers.

After the March 2006 elections, the pro-Western "Orange Coalition," which led the country's democratic revolution in 2004-2005, headed by Mr. Yushchenko and former Prime Minister Yulia Tymoshenko and her BYuT bloc, was unable to successfully form a parliamentary majority.

As the result, Oleksandr Moroz, leader of the Socialist Party of Ukraine, who initially supported the Orange forces, defected to the Yanukovich camp, forming the Anti-Crisis Coalition with the Party of Regions and the Communist Party of Ukraine. Mr. Yanukovich then proceeded to gnaw on Mr. Yushchenko's presidential powers, painting the president into the corner and triggering the recent elections.

The election results, still too close to call, are a sign of increased political competition and a tribute to Ukraine's democratic development. The "orange" blocs — Mrs. Tymoshenko's BYuT and Mr. Yushchenko's NUNS — both received more support than pre-election polls anticipated.

BYuT's performance was particularly surprising: more than 30 percent of the popular vote, up nearly 10 percent from the March 2006 elections. Mrs. Tymoshenko's increased popularity, particularly in central and eastern regions, which previously supported Mr. Yanukovich, will not only give her legitimacy as prime minister but place her in an excellent position for the 2009 presidential elections. However, Mr. Yanukovich promised to scuttle the elections by dissolving his party, if the outcome is not to his taste.

The necessity to form a new coalition has led Mr. Yushchenko to negotiate again with Mrs. Tymoshenko, who outperformed Mr. Yushchenko's Our Ukraine/People's Self-Defense by more than 2:1. Relations between Mr. Yushchenko and Mrs. Tymoshenko have been strained since Mrs. Tymoshenko was fired as prime minister after being accused of mishandling the economy.

Still, Mrs. Tymoshenko may return as prime minister after the impressive electoral performance Sunday. While some have predicted a Yushchenko-Yanukovich coalition, but only 6 percent of Ukrainians polled support such an outcome.

With pro-democracy forces returning to power in the Rada, it is hoped the next Cabinet can address several key issues. Ukraine has experienced significant political turmoil since the Orange Revolution, often leaving the government paralyzed and unable to address important policy issues.

In particular, the Ukrainian parliament should pass substantial constitutional reforms to prevent further institutional crises. Among the constitutional changes needed for a stronger democracy in Ukraine are clearly defined delineation of power for the president and prime minister and between various ministers.

Ukraine may benefit greatly from a shorter time limit for forming a government and approving the candidacy of the prime minister. The country's political system also needs well-defined grounds and procedures for dissolving the Rada by the president, and a more accountable and precise organizational chart for "power" ministers, including law enforcement, interior, security services and defense.

Ukrainians also hope for economic reforms in line with free-market principles. Ukraine's economy

suffered considerably on the Party of Regions' watch, seeing price controls on some commodities and excessive and arbitrary regulations of sales of crucial commodities such as natural gas and grain.

Mrs. Tymoshenko's prior performance as prime minister drew lots of criticism from within and outside the country, but her surprising achievement last Sunday may give local and foreign investors hope for a liberalized, investor-friendly economy.

While talk of full NATO and European Union membership remains premature, Washington is expected to continue supporting Ukraine's Euro-Atlantic agenda. More hands-on engagement from the EU would be welcome.

Though Ukraine remains highly divided on the key foreign policy issue of NATO membership, it is hoped the renewed power of pro-Western forces will break the country's political deadlock and allow the government to make significant strides, including Ukraine's final negotiations for World Trade Organization membership.

Much of the new coalition's success will be determined by how committed it is to actively pursuing anti-corruption reforms. Unfortunately, some of Mr. Yanukovich's close Cabinet associates were on the corruption A list. President Yushchenko has also failed to fulfill his campaign promise to "put the bandits in jail." Some of his supporters were uncomfortably close to the highly lucrative and opaque oil and gas trade. As the result, Ukraine's energy security suffered, while key pipelines, such as Odessa-Brody-Gdansk, remained unfinished.

Finally, the murder of journalist Georgiy Gongadze, a catalyst in the Orange Revolution, remains unsolved, as has the related "suicide" of Yuri Kravchenko, who was interior minister during Leonid Kuchma 1994-2005 term as president.

Ukraine's powerful oligarchs continue to protect their financial interests by funding all political parties. Without full commitment to fighting corruption, Ukraine may remain in a limbo of postcommunist transition.

Ukraine's democratic breakthrough, increasingly rare in the former Soviet bloc, is challenged by a system entrenched in high-level corruption. Transparency and executive competence are essential role for the future of democratic governance in Ukraine.

Ariel Cohen is senior research fellow at the Heritage Foundation and senior adviser to the U.S.-Ukraine Business Council.

Text available on World Wide Web, URL:
<http://washingtontimes.com/article/20071004/COMMENTARY/110040026/1012>

20. Ukraine, Lithuania discuss preparations for energy summit Itar-Tass, 4 October 2007

Ukrainian President Viktor Yushchenko had a telephone conversation with his Lithuanian counterpart Valdas Adamkus on Thursday to discuss preparations for the energy summit to take place in Vilnius on October 10-11.

The conversation was held on the initiative of the Lithuanian president, the presidential press service reported.

Yushchenko and Adamkus expressed satisfaction with preparations for this summit. The leaders of the two countries noted that key issues were expected to be in the focus of the summit. Important documents are due to be signed on the results of the high-level forum, including an agreement on energy cooperation between Azerbaijan, Georgia, Lithuania, Poland and Ukraine that will regulate issues related to the Odessa-Brody-Plock-Gdansk oil transport project.

Text available on World Wide Web, URL:
<http://www.itar-tass.com/eng/level2.html?NewsID=11935486&PageNum=0>

21. Gazprom says Ukraine cut gas consumption this week Reuters, 4 October 2007

MOSCOW - Russia's Gazprom said on Thursday that Ukraine has significantly cut gas consumption in recent days without saying whether the reduction was linked to its threat to cut off supplies over unpaid debts.

The Russian gas export monopoly said in a statement that Ukraine had cut gas consumption by almost 23 percent in the first three days of October.

Gazprom said Ukraine consumed 122.1 million cubic metres on Oct. 3, down from 142.9 million cubic metres on Oct. 2 and 158.1 million on Oct. 1.

Gazprom, the world's largest gas producer, which supplies Europe with a quarter of its gas needs via Ukraine and Belarus, said on Tuesday it might reduce gas supplies to Ukraine if the country failed to repay a \$1.3 billion debt for earlier deliveries.

On Wednesday, Gazprom said Ukraine had pledged to redeem the debt before Nov. 1.

Gas consumption may fluctuate depending on the daily needs of different industries.

Text available on World Wide Web, URL:
<http://uk.reuters.com/article/oilRpt/idUKL0422767020071004>

22. Erste to Spend 400 Mln Eur in Ukraine –Report Reuters, 4 October 2007

VIENNA - Austria's Erste Bank der oesterreichischen Sparkassen will spend 400 million euros (\$563 million) upto 2010 to expand its branch network in Ukraine, an Austrian newspaper quoted its head as saying on Thursday.

Daily newspaper WirtschaftsBlatt reported Chief Executive Andreas Treichl as giving the investment forecast on Wednesday. Treichl had been scheduled to speak at a closed Merrill Lynch investor conference in London on Wednesday.

Erste bought Ukraine's small Bank Prestige in January in its first foray into the former Soviet Union. It said at the time it would spend \$300 million by 2010 on its expansion there, which includes a tenfold increase of branches to 400.

Text available on World Wide Web, URL:
http://investing.reuters.co.uk/news/articleinvesting.aspx?type=bankingFinancial&storyID=2007-10-04T120155Z_01_L04544580_RTRIDST_0_SP_PAGE_012-L04544580-OISBN.XML
