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**1. Ukraine's state-run energy firm near bankruptcy: prime minister
AFP, 3 January 2008**

Ukraine's state energy company Naftogaz is on the verge of bankruptcy and a special commission will be formed to try to save the group, Prime Minister Yulia Tymoshenko said Wednesday, Interfax news agency reported.

"The company is on the verge of bankruptcy," Tymoshenko was quoted as saying at a meeting with the company's new chairman, Oleg Dubina, who estimated the company's losses for 2007 at 5.0 billion hryvnia (1.0 billion dollars.)

"It is difficult to imagine that the country's key energy company has been brought to such a situation that it is necessary to form a government commission with emergency powers ... to try and put its finances in order," Tymoshenko was quoted as saying.

Tymoshenko, a western-leaning populist who replaced Russian-backed rival Viktor Yanukovich as prime minister in late December, has long criticised the management of the country's gas infrastructure.

A key export route for Russian gas to Europe, Ukraine is dependent on Moscow for its gas supply and Tymoshenko has accused her predecessors of agreeing to shadowy deals with Russian partners to appease the Kremlin.

Russia succeeded in forcing higher prices on Ukraine in 2005 after it cut off its supplies to the country.

The move caused disruption to gas supplies to western Europe.

In December, Ukraine agreed on another price rise for 2008, defusing a possible new dispute.

Russian giant Gazprom said Ukraine had agreed to pay 179.5 dollars (122 euros) per 1,000 cubic meters for gas deliveries following talks between Gazprom CEO Alexei Miller and Ukrainian Energy Minister Yury Boiko.

The price in 2007 was 130 dollars.

Text available on World Wide Web, URL:

http://afp.google.com/article/ALeqM5iR3bn_w2L-rskuBlmE7ZlbiRGk_w

2. Ukraine's Naftogaz faces bankruptcy, Eurobond concern
By Sabina Zawadzki
Reuters, 2 January 2008

Ukrainian Prime Minister Yulia Tymoshenko said on Wednesday the state energy firm Naftogaz, in technical default on a \$500 million Eurobond according to sources, is close to bankruptcy.

The new premier, a former gas magnate who has long accused the country's energy sector of corrupt practices, said after a meeting with new Naftogaz head Oleh Dubyn that a government commission will investigate the company's activities.

But she promised any steps taken would not disrupt supplies to Europe -- Russia sends most of a quarter of Europe's gas through Ukraine -- and that the government would take responsibility for any debt Naftogaz is unable to repay.

"I was shocked by the information given to me by the new Naftogaz head. The company is facing bankruptcy," Tymoshenko said after meeting Dubyn, whom she appointed after taking over as premier in December.

"The company's credit-debit liabilities show that the financial health of the company is not ensured."

She also said the country's underground reserves did not belong to Naftogaz but were in the hands of "criminal shady structures".

Tymoshenko's blunt comments about the energy sector during her previous 2005 premiership, led to worsening relations with Moscow and was a factor in a gas pricing dispute which led to a brief supply cut in January 2006 affecting some European states. Since then, she has been keen stress that Ukraine is a stable transit country, despite her criticism of the sector.

"We will not allow any disruptions (to supplies). We will do everything so that stability is felt in Europe and in Ukraine ... We will not take one step that will destabilise the gas market," she said.

TECHNICAL DEFAULT

Analysts familiar with the matter said Naftogaz had been in technical default on a Eurobond due in 2009 since the start of the year after missing a deadline to deliver audited 2006 financial results to bondholders.

Observers have long said that Naftogaz's financial health was in doubt, especially since Russia raised gas prices and a gas transit intermediary between the two countries, RosUkrEnergo, was established.

The observers have said Naftogaz was simply not passing on those higher costs to consumers.

Russia raised gas prices from the start of this year to \$179.5 per 1,000 cubic metres from \$130 last year, already a hike from \$95 in 2006.

Bondholders in November extended the deadline for the audited financial results after the company had asked for "a waiver of possible default".

"Naftogaz is in technical default as they had to file their financials for 2006 by Dec. 31 2007 according to the extended period granted to them by bondholders. Now bondholders may ask the trustee, which is the Bank of New York, to serve them with an acceleration order," said Bear Stearns analyst Okan Akin.

"If this happens some cross default clauses may also come into force and they may need to pay up to \$2.5 billion on various debts," Akin said.

Officials with the Bank of New York declined comment.

The Naftogaz 2009 bond has been yielding over 10 percent in recent weeks, about 370 basis points above Ukraine's benchmark 2013 dollar bond. This is likely to spiral further when fully fledged trading gets underway next week.

The yield had touched a high of over 16 percent early in December but eased after Tymoshenko said on Dec. 18 that the government would "put Naftogaz back on a normal financial footing".

"The Ukrainian government ... has pledged support for Naftogaz. Also there was no government in Ukraine for much of 2007 so I think creditors may be more understanding," Akin said. (Additional reporting by Sujata Rao in London; Editing by Louise Ireland/Richard Hubbard)

Text available on World Wide Web, URL:
<http://www.guardian.co.uk/feedarticle?id=7192461>

3. Ukraine vows to maintain normal gas supply for customers Interfax, 2 January 2008

Prime Minister Yulia Tymoshenko promised on Wednesday that Ukraine would maintain normal supplies of natural gas for its domestic and foreign customers despite national oil and gas company Naftogaz being, in her words, "on the verge of bankruptcy."

"We will prevent any irregularity and will be doing everything to prevent any instability being felt either in Europe or Ukraine," Tymoshenko told reporters after meeting with new Naftogaz chief Oleh Dubyna.

The premier said her government would investigate alleged former shady schemes at Naftogaz but promised that it would be very careful to prevent the inquiry from having any adverse effect on Ukraine's gas trade with other countries, such as Russia, Turkmenistan, Kazakhstan and Uzbekistan. as

Text available on World Wide Web, URL:
http://www.interfax.ru/e/B/politics/28.html?id_issue=11940964

4. Ukraine's Naftogaz on the brink of bankruptcy - prime minister AFX/Forbes, 2 January 2008

KIEV (Thomson Financial) - Ukraine's state gas monopoly Naftogaz is on the brink of bankruptcy, premier minister Yulia Tymoshenko told Interfax following a meeting with the group's new head, Oleg Doubina.

Doubina estimates that losses have doubled to 1 bln usd in 2007 from a year earlier.

Text available on World Wide Web, URL:
<http://www.forbes.com/markets/feeds/afx/2008/01/02/afx4486868.html>

5. Ukraine throws \$2.4 bln lifeline to Naftogaz Reuters, 4 January 2008

Ukraine has thrown a \$2.4 billion lifeline to state energy firm Naftogaz, which analysts say is in technical default on a \$500 million Eurobond, a state budget summary published on Friday showed.

"It is stated that in 2008 a state guarantee is offered by the government ... if needed under the obligations of Naftogaz on foreign loans taken before Jan. 1 2008, of an amount (equivalent to) the loans but no more than 12 billion hryvnias," parliament newspaper Holos Ukrainy cites the budget as saying.

The country's new prime minister, Yulia Tymoshenko, described the company on Wednesday as facing bankruptcy after years of mismanagement.

Analysts have long been concerned that Naftogaz' financial health has been deteriorating as Russia raised gas prices and a transit intermediary between the two countries, RosUkrEnergo, was established.

They said earlier this week Naftogaz was in default on its Eurobond <UA020207868=> due in 2009, after failing to provide audited financial accounts for 2006 to bondholders within a Dec. 31 2007 deadline.

Although Naftogaz has made no official comment on the bond, its new head, Oleh Dubyn, was appointed by Tymoshenko last month and he agreed with her assessment of the company's situation which she made after their first meeting on Wednesday. Some analysts said should Naftogaz default on this bond, clauses in other debts would force it to pay out \$2.5 billion all in all -- a figure similar to the sovereign guarantee. The Naftogaz 2009 bond has been yielding over 10 percent in recent weeks, about 370 basis points above Ukraine's benchmark 2013 dollar bond. This is likely to spiral further as fully fledged trading gets underway next week.

Yields had touched a high over 16 percent early in December but eased after Tymoshenko said on Dec. 18 that the government would "put Naftogaz back on a normal financial footing". (\$=5.05 hryvnias)
(Writing by Sabina Zawadzki; Editing by David Holmes)

Text available on World Wide Web, URL:
<http://uk.reuters.com/article/oilRpt/idUKL0458378020080104>

6. Ukraine president hails new government's first budget **AFP, 30 December 2007**

Ukrainian President Viktor Yushchenko on Sunday signed off on Ukraine's 2008 budget, which he hailed as proof that the country's razor-tight parliamentary majority was functioning effectively.

"This is the first serious result of cooperation between the president of Ukraine, the democratic parliamentary coalition and the new government," Yushchenko said in comments published on his website.

Yushchenko ally Yulia Tymoshenko secured passage of the budget through parliament on Friday, 10 days after being elected prime minister with one vote to spare in parliament.

Yushchenko's Our Ukraine and the Yulia Tymoshenko Bloc together secured a narrow majority of seats in September elections to unseat their Russia-backed rival Viktor Yanukovich from the prime minister's office.

Tymoshenko said a 2008 budget deficit of 18.5 billion hryvnias (3.66 billion dollars, 2.5 billion euros) would be financed in part by privatisations, the Interfax news agency reported.

The budget envisages income of 215.36 billion hryvnias (42.6 billion dollars, 29 billion euros) and expenses of 235.43 billion hryvnias (46.6 billion dollars, 31.7 billion euros), the news agency reported.

The budget is based on GDP growth of 6.8 percent and inflation of 9.6 percent, Interfax said.

Text available on World Wide Web, URL:
<http://afp.google.com/article/ALeqM5hLAU7OzNxqVHp7ZI11TbPTsUstXQ>

7. Tymoshenko orders financial probe into Ukraine's gas monopoly **The Financial, 3 January 2007**

According to RIA Novosti, Ukraine's newly elected Prime Minister Yulia Tymoshenko ordered on January 2 to set up a commission to check the financial activity of the country's gas monopoly Naftogaz.

Earlier in the day, Tymoshenko said the national oil and gas company Naftogaz was on the brink of bankruptcy and blamed "financial frauds" for the situation.

"These people, their business and their work with Naftogaz should be thoroughly checked" within a month, the premier said.

On December 13, 2007, officials from companies managing assets of Naftogaz' creditors said a technical default could be declared after December 31 if Naftogaz failed to produce the 2006 financial report.

The prime minister said the aim of artificial bankruptcy could be to transfer Ukraine's oil and gas system to dubious companies and pledged government measures to ensure the company's financial restructuring.

Tymoshenko said the government could channel direct budgetary funds into Naftogaz and provide the company with necessary privileges.

Text available on World Wide Web, URL:

http://finchannel.com/index.php?option=com_content&task=view&id=3536&Itemid=51

8. Russian faces extradition from Ukraine - rights group Interfax, 3 January 2007

A Ukrainian human rights group appealed on Thursday for international intervention in the case of a member of the Russian opposition who is allegedly under arrest in Ukraine and faces extradition to Russia, where he may receive "an unfair trial."

Mikhail Gangan, a member of the National Bolshevik Party, which is banned in Russia, and one of the organizers of a so-called "March of Dissent" in the Russian city of Samara, was arrested in Vinnytsya on December 31, the Vinnytsya Human Rights Group said in a statement for the media.

On Wednesday, a Vinnytsya court approved a police appeal to keep Gangan in custody for 40 days.

The Vinnytsya Human Rights Group also said in its statement that Gangan had appealed to the UN High Commissioner for Refugees (UNHCR) and that he was seeking refugee status in Ukraine.

Documents confirming Gangan's appeals were provided to the Vinnytsya branch of the Interior Ministry on December 31 but were not forwarded to the Vinnytsya migration authority, the Group said. Nor, it said, did the Vinnytsya court consider Gangan's appeal to the UNHCR a fact worth consideration.

This means "there are formally no legal obstacles today for M. Gangan's extradition to the Russian Federation, where he may be threatened with an unfair trial," the Group said.

The statement said the Group would appeal the Vinnytsya court ruling with the Vinnytsya Regional Appeal Court.

The Group also urged the Ukrainian State Committee for Nationalities and Religions to give Gangan access to the refugee status seeking procedure and asked the Ukrainian office of the UNHCR to monitor the situation.

The Group also appealed to the European Union, primarily Slovenia as the country that is currently holding the rotating EU presidency, to take control of the matter and "put diplomatic pressure on the Ukrainian government to ensure a fair refugee status acquisition procedure for M. Gangan."

Interfax has been unable so far to obtain comments from any Ukrainian authority.

Text available on World Wide Web, URL:

http://www.interfax.ru/e/B/politics/28.html?id_issue=11940998

9. Security Service of Ukraine prepares operation to combat smuggling activity NRCU, 4 January 2007

The Security Service of Ukraine (SSU) claims smuggling really endangers the country's economics. This is caused by corruptibility of public officials exercising control over observance of the customs legislation. The smuggling, according to SSU representatives, incurs losses to Ukraine for UAH several billion. Main

smuggling places are ports through which about 70 percent of smuggling goods run. Taking into account the scope of the illegal traffic, the SSU prepared a special operation entitled Tsunami aiming to combat the smuggling activity.

Text available on World Wide Web, URL:
<http://www.nrcu.gov.ua/index.php?id=148&listid=58176>

10. Ukraine premier says state gas firm bankrupt - "no threat to Europe" The Cheers, 2 January 2007

Tymoshenko, Ukraine's newly-elected Prime Minister, said the national gas transport monopoly is bankrupt, but promised European supplies would not be threatened, according to news reports Wednesday.

"Ukrnafta is completely bankrupt, they have absolutely no gas on their balance," Tymoshenko told reporters in Kiev after a meeting with newly-appointed Ukrnafta head Oleh Dubina.

"Apparently, all of the company's reserves have been given to criminal structures ... at prices a fraction of the market value," she said.

Ukrnafta's ability to continue working and shipping gas is critical to European energy supplies, as Europe receives roughly one- third of its natural gas imports from Russia, via Ukrnafta-owned and operated pipelines.

Tymoshenko said a recent inspection of the firm's balance sheet showed Ukrnafta had rented out "to questionable parties ... at giveaway prices" both the contents and usage rights of gas holding facilities owned by the company.

The rental income would not, according to Tymoshenko, generate enough cash to cover the cost of further Ukrnafta operations and so, she argued, threatened to leave the company unable to pay for further transport of gas.

Ukraine's government considers the red ink in Ukrnafta's books to be a domestic issue linked to poor business practices by the previous Ukrnafta management, and supplies to Europe would continue undisturbed, Tymoshenko said.

"We will meet our international obligations, both to supplier countries ... and to Europe," she said.

A pricing dispute between Russian and Ukraine in late 2005 led to a 24-hour reduction in gas volumes delivered to European Union nations, causing price spikes as far away as Italy.

Gas transiting Ukraine en route to Europe would not be tapped to supply the domestic market as the government sorts out Ukrnafta's finances, Tymoshenko said.

The previous Ukrnafta management, ousted when Tymoshenko's coalition took power in December, even transferred from Ukrnafta rights to Ukraine-produced gas, as well as fuel imported from Russia and Central Asia for on-shipment to EU nations, she charged.

"They (the previous management) have destroyed the company," she claimed.

Konstantin Borodin, an energy sector official for the previous government, said Tymoshenko's charges were baseless, as the reservoirs had been rented out to subsidiary companies owned and operated by Ukrnafta, so they had not left effective Ukrnafta control.

Tymoshenko during her election campaign promised a crackdown on corruption in Ukraine, starting with the natural gas industry.

Ironically Tymoshenko, the country's leading reform politician, is often referred to in Ukraine as "The Gas Princess" for the fortune she made and lost importing Russian natural gas into Ukraine during the mid-1990s.

Text available on World Wide Web, URL:

http://www.thecheers.org/news/Europe/news_5976_Ukraine-premier-says-state-gas-firm-bankrupt---no-threat-to-Europe.html

11. ADL Urges Ukraine to Investigate Anti-Semitic Death Threats Anti-Defamation League, 2 January 2007

The Anti-Defamation League (ADL) today called on Ukrainian President Viktor Yushchenko to "speak out forcefully against anti-Semitism" after pamphlets threatening to kill Jews were reportedly distributed in some Russian Orthodox churches in Odessa.

The pamphlets, which called for pogroms and the murder of Jews, were reportedly signed by the "Orthodox public organization of Odessa" and distributed in Russian Orthodox churches by representatives of United Fatherland and the Union of Orthodox Citizens of Ukraine.

"We know the Ukrainian government is committed to using the resources of law enforcement to investigate incidents of anti-Semitism and other forms of hate," said Glen S. Lewy, ADL National Chair and Abraham H. Foxman, ADL National Director. "In the ongoing efforts to strengthen Ukrainian democracy, it is critical that each expression of bigotry be met with official condemnation and that the perpetrators of hate crimes be brought to justice."

In a letter to President Yushchenko, ADL urged his government to "speak out forcefully against anti-Semitism" and to ensure that the incidents are investigated and the perpetrators brought to justice. The League offered to work with the government of Ukraine as it takes public and concrete steps to combat anti-Semitism and xenophobia.

In November, an ADL leadership delegation met top Ukrainian officials in Kiev, including leaders of the national Security Service's Department for Combating Xenophobia and Anti-Semitism.

President Yushchenko has condemned anti-Semitism before. During his state visit to Israel in November, he told the Israeli Knesset of his administration's commitment to fighting anti-Semitism, saying, "We must fight this evil, which can poison any clear source, constantly and uncompromisingly."

The Anti-Defamation League, founded in 1913, is the world's leading organization fighting anti-Semitism through programs and services that counteract hatred, prejudice and bigotry.

Text available on World Wide Web, URL:

http://www.adl.org/PresRele/ASInt_13/5201_13.htm

12. More Anti-Minority Violence Reported in Ukraine Union of Councils for Jews in the FCU, 2 January 2007

Two incidents of anti-minority violence took place in Ukraine in November, according to a monthly report submitted today by UCSJ's Kiev monitor Vyacheslav Likhachyov. On November 3 in Dnepropetrovsk, a group of youths attacked two Asian students, one of whom later required an emergency kidney operation as a result. Police detained four teenage suspects on November 20 and charged them with armed robbery and "group hooliganism." Police officials asserted that the attack was not motivated by ethnic hatred.

On November 4 in Zaporozhe, a mass brawl took place involving up to 300 local youths and foreign medical students, predominantly from India. The violent outburst reportedly came about after some youths, reportedly motivated by racism, attacked Indian students the previous day. Both sides promised retaliation the next day and called for reinforcements. Anti-riot police broke up the brawl, but not before two participants were sent to the hospital. Police reportedly are not taking the incident seriously, terming it "minor hooliganism" and are allegedly considering not even filing charges. Some witnesses offered a different version of events, claiming that the brawl had nothing to do with racism and involved fewer people. However, the rector of the local medical school, Yuri Kolesnikov, told the press that: "Lately, attacks on foreign students, especially Indians, have increased."

Text available on World Wide Web, URL:
<http://www.fsumonitor.com/stories/010208Ukraine2.shtml>

13. Yatsenyuk doesn't pretend to presidential chair ForUm, 4 January 2007

Chairman of the Verkhovna Rada of Ukraine Arseniy Yatsenyuk considers rumors that he is Viktor Yushchenko's successor to the post of the President of Ukraine as nonsense. He stated in an interview with the newspaper "Ukraina Moloda" from January 3.

"It is nonsense. All these talks about Yatsenyuk-"successor" are only discredits on me," the speaker said.

He notes that these rumors are only one of the methods to create problems for him in relations with different people. "I do not even consider these questions," Yatsenyuk said.

Answering the question whether he agrees, if Yushchenko will ask him, Yatsenyuk has answered: "Our President is young, with first term... Why should he ask me? The Constitution foresees the possibility to be a candidate for Presidential post for the second time."

Text available on World Wide Web, URL:
<http://en.for-ua.com/news/2008/01/04/122719.html>

14. Ukrainian-Russian relations more pragmatic in 2008 New Europe Issue : 7635, 7 January 2008

Ukrainian political experts have forecast that Ukrainian-Russian relations will become more pragmatic in 2008, and that both countries will consolidate their assets.

"In a year or year-and-a-half, the political process in Ukraine will be influenced not by Ukrainian oligarchs, but by the Ukrainian-Russian (financial) alliance, which will more pragmatically build relations with political

forces from the view of support for investing their interests into politics," Director of the Sofia Social Research Centre Andriy Yermolaev told Interfax.

In his opinion, despite numerous statements on Ukraine's moving westward toward European integration, almost all of the financial and industrial groups in the country consolidated their assets with Russian companies in 2007.

Yermolaev said Ukrainian- Russian relations would become more pragmatic in 2008. He said that Ukraine would not just be a partner for Russia in 2008, but also a competitor on the weapons and metals markets, in machine-building and other sectors. Deputy Director of the Razumkov Centre for Economic and Political Research Valery Chaly, in turn, expressed hope that the two countries would hold a meeting of the interstate commission at the highest level and endorse a cooperation plan for next year.

Text available on World Wide Web, URL:
<http://www.neurope.eu/articles/81517.php>

15. Tymoshenko: Ukrainian inflation hit seven-year record Earthtimes.org, 4 January 2008

Inflation in the former Soviet republic Ukraine has hit a seven-year high, Prime Minister Yulia Tymoshenko said at a Friday cabinet meeting. Strong GDP growth combined with record fuel prices and a weakening dollar made for average price rises of 17 per cent in 2007 she said, according to a Channel 5 television report.

Tymoshenko, elected prime minister by a narrow parliamentary majority late last month, blamed the previous government for cost increases, which were seen across the board but particularly at the retail level.

The government needs "to take immediate measures" to halt skyrocketing retail costs to protect consumers, and to fight inflation using all conventional means, Tymoshenko said.

"We will use only (economic) techniques within the guidelines of the World Trade Organization (WTO)," she said.

A populist politician elected on a commitment to eradicate corruption from Ukrainian government, Tymoshenko during term as Prime Minister in 2005 attempted to freeze meat and petrol prices as a vote-getting measure.

International finance organizations criticised her for attempting to manipulate the country's economy, a charge that helped prevent Ukraine's entrance into the WTO despite years of trying.

Ukraine saw hyperinflation exceeding 1,400 per cent during the first half of the 1990s, by many standards the worst inflation in history.

The National Bank of Ukraine in recent years has conducted a tight fiscal policy, tying the national currency to the dollar.

Inflation fell to 23 per cent in 2000, and stabilised at 10 per cent or below since then.

Text available on World Wide Web, URL:
<http://www.earthtimes.org/articles/show/169006.html>

16. Poland Not Increasing EUR 35 Fee For Schengen Visa For Ukrainians in 2008 **Ukrainian News Agency, 3 January 2007**

Although the Ukrainian parliament, the Verkhovna Rada, has yet to ratify the visa facilitation agreement with the European Union, Poland is not increasing the current EUR 35 fee for the Schengen visa for Ukrainian citizens in 2008.

Ukrainian News learned this from a representative of the Polish Ministry of Foreign Affairs.

The representative said the European Union had decided to view the visa facilitation agreement with Ukraine as effective from January 1, 2008, although the Verkhovna Rada had yet to ratify the agreement.

"According to a document we received from the European Commission, the agreement with Ukraine took effect from January 1, 2008," the representative said.

Thus, all Ukrainians will have visas at the reduced fee and many of Ukrainian applicants may enjoy liberalized requirements for obtaining visas.

The Polish Ministry of Foreign Affairs said the European Union in this move demonstrated its good will and the desire to develop good-neighbor relations with Ukraine.

As Ukrainian News earlier reported, on December 18, Ukrainian Ministry of Foreign Affairs said the visa facilitation agreement between Ukraine and the European Union would take effect on January 1, 2008.

Earlier, Poland said Ukrainian would be charged EUR 60 for Schengen visas from 2008 until the Ukrainian parliament, the Verkhovna Rada, ratified the agreement, which was signed in June 2007.

On November 29, the Council of Ministers of the European Union ratified the agreement on simplification of visa regime between Ukraine and the European Union.

Poland joined the Schengen zone on December 21, 2007. Poland charged Ukrainians EUR 35 from December 2007 for Schengen visas.

Text available on World Wide Web, URL:
<http://www.ukranews.com/eng/article/92652.html>

17. Kownacki: Political football won't distract Orlen or Unipetrol **By Cristina Muntean** **Czech Business Weekly, 7 January 2007**

Despite conceding that Poland's changed political situation will soon see him removed from his post as CEO of Poland's oil and petrochemical group PKN Orlen—owner of Czech petrochemical and refining company Unipetrol—Piotr Kownacki talked to CBW about near and long-term prospects in pursuing acquisition strategies, entering Ukraine, increasing gasoline market shares and a range of other decisive matters.

Kownacki was appointed head of Orlen, the largest downstream oil group in Central and Eastern Europe (CEE) and Poland's largest company, almost one year ago, replacing Igor Chalupec. Seen as an ally of former Polish Prime Minister Jaroslaw Kaczynski, Kownacki now faces the chop following the electoral defeat of Kaczynski's government in October 2007. The new administration, under Prime Minister Donald Tusk (Civic Platform, PO), claims it wants to install a less politically oriented CEO.

Admitting the inevitability of his departure, Kownacki criticized the political interference in Orlen's management structure that can affect its stability.

Though some of his comments on Orlen's development strategies were parsimonious, he did say that Orlen plans to increase its retail market share in the Czech Republic by up to 20 percent in the mid-term via acquisitions and service development and targets entering Ukraine via acquisitions. He also said Orlen is ready to sell its stake in Polish telecommunication company Polkomtel, but doesn't plan to list its polyvinyl chloride (PVC) and nitrogen fertilizer subsidiary Anwil—owner of Czech PVC producer Spolana—on the stock exchange as yet because of worsening capital market conditions.

Kownacki also reflected on whether Orlen's political links had caused it to suffer from worsening relations between Poland and Russia. In his opinion, he said, it had not even taken into account the displeasure felt in Moscow when the Lithuanian state decided to sell Mazeikiu Nafta—the company that runs the only oil refinery in the Baltics—to Orlen rather than let another Russian company take it over from the previous owner, the bankrupt Russian giant Yukos. Analysts noted that the sale was quickly followed by an announcement from Russia that it could no longer pipe crude oil to the refinery because of supposed sudden technical difficulties with a land oil pipeline. Kownacki added that Orlen's own crude oil supplies are secured in the mid-term because the world market has enough oil to sell. However, continuing to draw supplies from Russia make the most economic sense, he said. Mazeikiu, meanwhile, is switching to seaborne oil deliveries from wherever it can source them.

Currently, Orlen is 17.32 percent owned by the Polish state company Nafta Polska, 10.20 percent owned by the Polish State Treasury and 72.48 percent by other investors. However, the state has the final say in key strategic decisions through golden share rights.

In 2007, Orlen was ranked 679th on the Forbes 2000 list of the world's largest companies, with sales worth \$12.6 billion (Kč 225.2 billion, € 8.6 billion), profit of \$1.41 billion, assets of \$10.2 billion and a market value of \$6.3 billion. It operates seven refineries in Poland, the Czech Republic and Lithuania with a total processing capacity of 31.7 million tons per year. Its retail network comprises approximately 2,700 outlets offering services in Poland, Germany, the Czech Republic and Lithuania. At the end of the third quarter of 2007, it had 24,192 employees.

Q: The Polish Ministry of the Treasury stated at the beginning of December 2007 that it would like to organize a tender to replace you with a less politically oriented CEO for Orlen. What is your comment on your likely departure?

A: My term in office will finish in June 2008. This is the time when owners usually consider management changes. They can also decide [on a change] at any other time.

Q: Is it normal for the Polish government to maintain golden shares in Orlen and influence the selection of the CEO of a publicly listed company?

A: As far as state ownership is concerned, the situation in Poland is quite normal. It's quite natural to have state co-ownership in a company that deals with national interests such as fuel. In our region, an example is the Austrian company OMV which is co-owned by the Austrian government. Not to speak about the stake the Norwegian government has in its major oil company Statoil. The problem isn't whether the state does or doesn't co-own a company. What can be a problem are the customs and political practices concerning the stability of the company's management. In Orlen, the average time in office of a CEO is less than two years. This isn't good, it doesn't improve the company value and it fuels analysts' criticisms about the stability of the company itself. Please, don't take my words as a plea to the new government not to recall me. I mean it in general and hope that, in the future, the service terms of board members will get longer.

Q: Will your successor be another political appointment?

A: This is a question I can't comment upon.

Q: Can a bad decision by the Polish government impact on the interests of the other Orlen shareholders?

A: PKN Orlen has very strict corporate governance rules as a public company. The Polish government executes its rights via representatives on the supervisory board. I can't imagine a situation when any shareholder would propose a bad solution or project that would harm its own interest.

Q: Have the tense political relations between Poland and Russia impacted on Orlen?

A: No, I don't see any impact from the level of tension between our two countries. For example, earlier this year the Russian company Lukoil took over a network of fuel stations in Poland. These stations were supplied by Orlen and after the change of ownership the contracts remained and everyone is very satisfied with the cooperation.

Q: Then why was the pipeline to your acquired refinery at the Mazeikiu company, Lithuania, shut down by Russia?

A: The pipeline to the Mazeikiu refinery was not closed, but [it was suspended because of] damage. The overall impact on Mazeikiu's economics is not substantial. Nevertheless, we hope that our Russian partners will speed up the repair of the pipeline as it is the most beneficial transport route both for Russian exporters and for us.

Q: How secure are your oil supplies from Russia in 2008 and in the longer term?

A: Oil is generally a very available product and there are no signals that there won't be enough oil on the world markets. We buy oil on the market and transport it in the most economically efficient and possible way. We are committed to Russian oil as long as economic calculations show that it makes sense to purchase it.

Q: Do you think the presidential elections in Russia this year—with President Vladimir Putin expected to hold on to some power by becoming prime minister—will impact on your supply security?

A: I don't think that the presidential elections will be an important event with impact on oil exports. The Russian economy needs to export oil and natural gas. There doesn't seem to be any reason why they would stop exporting oil.

Q: There are talks about completing a pipeline that could bring Caspian Sea region oil to Poland and other parts of Europe without traversing Russia. How are they going?

A: These plans have a history of longer than one year. [In 2007] there was much more political work to realize the importance of this project. Among the countries that have joined this project are Ukraine, Poland, Georgia, Azerbaijan, Kazakhstan and Lithuania. I believe this has improved the chances of the project being realized, as more people are interested in it. The most important thing is to have enough oil to reach Odessa [in Ukraine], which can then be pumped into the pipeline [extending into Poland]. Building the pipeline is not in itself such a complicated or expensive technical demand. It all depends on whether we can guarantee safe supplies of quality oil at reasonable prices. Political declarations confirm that it's going to happen and there will be enough oil for this pipeline. Now we have to wait for these declarations to be transformed into a written, signed business contract.

Q: What is the deadline for this project?

A: It's hard to speak about deadlines because the project must make sense from the economic point of view. At any moment, the situation might turn so that it makes sense right away. In two or three years, Kazakhstan and Azerbaijan will have a great oil surplus that they will have to export. At this point, such a project wouldn't only be attractive, but it would also be a way of how to transport oil in a desirable direction across Europe.

Q: Where do you source your supplies of oil from currently?

A: As a group, the majority of oil we buy comes from Russia via pipelines. It is the cheapest method of transporting oil and for us it makes economic sense. Both the Plock refinery [in Central Poland] and Mazeikiu can be supplied via sea terminals as well. Currently, Mazeikiu is only supplied via the Butinge sea terminal because of the Druzhba northern branch pipeline failure [reported by Russia]. Within all our refineries there are IT tools that are used for optimizing processes. Knowing the price of different types of oil and finished products, we can optimize production and decide what mixture of oil is the best for us. In August, for example, we also processed a certain amount of oil from Columbia in the Mazeikiu refinery.

Q: How much of the oil supply is now coming from Columbia?

A: In August, we processed a large shipment of Columbian oil as a test, but the majority of oil processed in Mazeikiu is coming from Russia by sea.

Q: What is your comment on the results of Mazeikiu in 2007?

A: We can't give an estimate of the whole year results. Shortly after we took over the refinery in October 2006 there was a fire that damaged an important installation. After this fire, Mazeikiu processed about 50 percent of the oil it used to process in full production. We took into account the fact that this status can continue for several months. It turned out that there are possible uses of installed devices that can more or less take over from the burnt installation. The results in February and March this year showed that Mazeikiu was processing about 75 percent of the capacity it was producing before the fire. Later we managed to increase that up to 80 percent. As a result, Mazeikiu Nafta actually had positive financial results for the second quarter of 2007, better than we expected. During 2007 there was a lot of maintenance and modernization going on. Since the end of November, Mazeikiu has been working again following the shutdown and is achieving much better results than ever before. Basically, the refinery will produce more than it used to produce at full speed before the takeover. We are expecting the yearly processing at Mazeikiu to total half a million tons of oil more than before.

Q: Do you plan to buy anything else besides Mazeikiu in Lithuania, in the Baltic states or in CEE?

A: We are focused now on organic growth, but we will monitor acquisition opportunities as well. We especially pay attention to our core markets such as Poland, the Czech Republic, the Baltic states and Germany, where, except for Poland, we seek new retail assets. A new country we are considering entering is Ukraine.

Q: How do you plan to enter Ukraine?

A: Before any deal is done, all alternatives remain open. Our experts monitor potential acquisition targets as well as partnerships or other opportunities on how to enter the market and evaluate economic benefits and risks. I believe you will understand that I cannot be more specific on this in advance.

Q: What feedback do you expect from Russian business entities that might feel challenged by your bids for acquisitions in CEE?

A: Our only goal is to execute our growth strategy in CEE. PKN Orlen was never challenging anybody. In the free competitive market with a limited number of attractive targets, it is natural that several parties always meet in tenders for assets. We were able to win important transactions in the region recently.

Q: What synergies can you obtain from the cooperation of Unipetrol-Orlen-Mazeikiu?

A: If there are several refineries together in one group, we can optimize the synergies with the joint purchasing of oil and other feedstock for production. Starting from the beginning of next year, optimizing the maintenance of these refineries is going to be standard procedure. There is also the possibility to optimize the use of logistics. Another synergy is the exchange of similar products within the group. Mazeikiu is included in all these optimization plans. But many elements of this joint chain are already functioning in our plants. Oil purchasing has already been centralized and it's working very well.

Q: What's your comment on Unipetrol's results in 2007?

A: The strategy of PKN Orlen is to never give estimates of our results, so I can't speak about the results for the entire year of 2007. Yet, for the first half of this year, we had record results in the company's history. In the third quarter, there were shutdowns due to regular maintenance and modernization at some of Unipetrol's facilities, which impacted the results. In addition to that, we had an unexpected incident at the Litvínov, [North Bohemia], refinery that also pulled the figures down a bit.

Q: Orlen stated in its new investment strategy that it would like to increase its retail market share in the Czech Republic up to 20 percent in the mid-term from 13.5 percent in 2007. Yet, analysts say organic growth will be hard and there aren't many retail chains for acquisition. Is your growth target realistic?

A: I believe that if we have a look at the development of the retail market in the last two years, then we can say that our targets are realistic. We are achieving solid growth as we are increasing both the volume and the margin. We are working on improvement of the nonfuel services and the broadening of our service scope. We also benefit from know-how transfer between countries. For example, in late November we opened our first rebranded fuel station in Lithuania. There is a new type of [snack] bar with refreshments that hasn't been introduced in other stations in our network yet. These bars are inspired by the experience from the Czech Republic and later will be introduced also in Poland.

Q: What new services should Benzina gasoline station clients in the Czech Republic expect?

A: In the Czech Republic we are in the middle of rebranding and upgrading the Benzina network. All the premium stations operating under the new brand Benzina Plus offer modern and tasteful catering. The concepts are called Café Minute or Bistro Minute and they are applied in relation to the size of the particular station. Beside some of the biggest stations there are, or will be, full service restaurants operated by specialized partner companies.

Q: Can you tell me more about these services?

A: Besides the upgrade of the gastronomy and the overall modernization of both outdoor and indoor premises we have also introduced premium fuels Verva 100 and Verva Diesel. They sell very well. Benzina also runs regular on-site inspections, and franchisees that do not meet standards regarding service quality and customer care are being replaced.

Q: Do you count only on new services to achieve your growth?

A: We don't exclude acquisitions of fuel stations in the Czech Republic if they make sense for our business.

Q: What acquisitions do you plan for Unipetrol in the Czech Republic?

A: We are definitely interested in the development of our Benzina fuel station [network]. This is one of the possibilities that we are considering using. We are monitoring the market, so when an acquisition possibility for our core business appears, then we will try to carry it out.

Q: How probable is that in 2008 Unipetrol will make new fuel station acquisitions?

A: I can't give you a percentage probability, but the financial situation of Unipetrol is good, so there is nothing to prevent us from acquisitions if their price and returns meet our expectations.

Q: How much money do you have for acquisitions in the Czech Republic in 2008?

A: It's difficult to say because the possibility of acquisitions should be discussed for the whole group. Our investment rating and financial situation are good. It depends on the market opportunities, because if the project is good there are a lot of possibilities for how to finance it.

Q: How do you plan to finance these acquisitions, from your own profit or via bank loans?

A: As I said earlier, all alternatives are open.

Q: What impact will more expensive credit both in Poland and in the Czech Republic have on your business?

A: As a strong international company, we have our own capital as well as good access to external resources.

Q: What are your expectations for oil prices, refining margins and the Brent/Ural oil price differential?

A: Our view on the macroeconomic situation in the mid-term perspective is stated in our recently announced strategy. We expect that the price of oil will stagnate or go down and that refining margins will stay more or less at the same level. As for the Brent/Ural differential, there will be a small decrease. These are our assumptions for the next five years.

Q: Do you intend to sell Orlen's Polkomtel telecommunications stake?

A: Yes. We had it in the plan for 2007, now we're putting it in for 2008. Unfortunately, our activity depends on a different arbitration between two other stakeholders of Polkomtel and it's very difficult to say when it's going to end or give our deadline for selling.

Q: When do you intend to make the initial public offering (IPO) of your Polish PVC and fertilizer subsidiary Anwil?

A: We are still working on that idea, but market conditions have worsened since we initiated the Anwil IPO concept.

Q: What is the current stage of your arbitration over Unipetrol assets with the Czech agrochemical holding Agrofert?

A: The arbitration is progressing normally. PKN Orlen is convinced it is right in this dispute. Yet, we have a conservative approach, so we have also created an appropriate reserve [in case a court decides on any

damages]. Besides this case, Unipetrol has settled its dispute with Deza, a part of Agrofert group. The only thing left [to resolve] is the arbitration between PKN Orlen and Agrofert.

Q: What is the value of the reserve you created for this arbitration?

A: We do not consider the claims of Agrofert to be realistic and rightful, therefore I am not going to talk about them. Since the very beginning, we have been fully provisioned against Agrofert's claims.

Q: Do you see any deadline for ending this arbitration?

A: Such proceedings are never fast, and I am not able to estimate how long they could take.

Q: How risky is this arbitration for Orlen?

A: People who know court proceedings usually say that there is always a 50-50 chance of winning or losing. But seriously, this dispute is something I have inherited. I am not involved personally; it is in the hands of our lawyers.

Q: What are your economic expectations for 2008 and the mid-term?

A: I cannot give any specific forecast. However, if we look at the trends of recent years, we can be optimistic.

Text available on World Wide Web, URL:
<http://www.cbw.cz/phprs/2008010702.html>

18. Trade between Belarus, Ukraine 19.5% up in January-November 2007 National Legal Internet Portal, 3 January 2008

In January-November 2007 the trade turnover between Belarus and Ukraine expanded by 19.5% to a total of \$2,663.3 million, BelTA learnt from representatives of the trade and economy department of the Embassy of Belarus in Ukraine.

Over the eleven months Belarus' export to Ukraine swelled by 12.8% to make up \$1,278.1 million, while the import soared by 26.4% to \$1,388.2 million.

The last year's trade turnover between the two countries may exceed \$3 billion. In 2006 the mutual trade approached \$2.5 billion.

Text available on World Wide Web, URL:
<http://law.by/work/EnglPortal.nsf/0/A254E19473FC5257C22573C5004BA83D?OpenDocument>

19. Ukraine billionaire wins control of Consolidated Reuters, 3 January 2008

MELBOURNE - Ukrainian billionaire Gennadiy Bogolyubov on Thursday won control of the hotly-contested Australian manganese miner Consolidated Minerals Ltd <(\$1.1 billion A\$1.3 to bid the upping after month a>

Bogolyubov's private Palmary Enterprises Ltd said it now holds more than 232 million shares, or 90.02 percent, of Consolidated, which controls about 10 percent of the world's manganese, used to harden steel.

Consolidated has been a takeover target since early last year, when another private group, Pallinghurst Resources, launched a friendly offer that soon turned hostile after competing offers poured in.

During the foray, which also saw a bid by Consolidated's former managing director Michael Kiernan's newly-formed Territory Resources Ltd. , Consolidated's market value more than doubled. Territory dropped out in October. (\$1=A\$1.13) (Reporting by James Regan)

Text available on World Wide Web, URL:
<http://www.guardian.co.uk/feedarticle?id=7193935>

20. Ukraine Irks Russia With Push to Mark Stalin Famine as Genocide **By Daryna Krasnolutska and Halia Pavliva** **Bloomberg, 7 January 2008**

Maksym Kravets remembers watching hunger kill his father, then his mother.

Kravets, who was 14 when famine struck Ukraine in 1932, says he survived by eating a dog. About a third of the 1,000 people in his village, Lozova, perished as Soviet leader Josef Stalin cut off food supplies to force peasants onto collective farms.

“A special group of people was in the village taking away all the food we had,” says Kravets, now 89, sitting in his kitchen in Kamyanets-Podilsky, 300 kilometers (186 miles) from where he almost starved to death. “There were cases when people ate their dead children and parents.”

The yearlong famine, which killed at least 7 million people, is now the focus of books, exhibitions and documentaries marking the 75th anniversary. Ukraine's government is asking the United Nations to recognize the disaster as an act of genocide, worsening already frosty relations with Russia, which says the famine resulted from drought.

Russian nationalists vandalized an exhibit at the Ukrainian embassy in Moscow in November. While the Russian government didn't condone the attack, it called Ukraine's depiction of the famine a “one-sided falsification of history.”

“It's completely impossible to treat it as genocide,” says Dmitry Peskov, spokesman for Russian President Vladimir Putin. “What happened there happened not only in Ukraine but in many parts of the former Soviet Union.”

State of Denial

Ukraine's famine was kept out of official history until 1991, when the country of 47 million won independence. It is recognized as genocide by countries including the U.S.

“Russian society is, broadly speaking, still in a state of denial about the crimes of the communist past,” says Robin Shepherd, a senior research fellow at the Royal Institute of International Affairs at Chatham House in London. Putin and his government see the drive to label the famine genocide as “an insult to Russian pride.”

Ukraine didn't do much to put the famine on the historical map until the pro-European Union President Viktor Yushchenko took power in the 2004 Orange Revolution. Ukraine commemorated the victims for the first time two years ago.

Yushchenko now plans to make it an offence to deny the famine was an act of genocide. Violators would be subject to as much as two years in jail and a fine of 5,100 hryvnia (\$1,020). The move would mirror Germany, where it's a crime to deny the Holocaust.

Political Battle

Communist Party leader Petro Simonenko says Yushchenko is "stirring up hatred" as Ukrainian and ethnic Russian politicians battle for control of the government.

Putin openly supported the pro-Russian candidate in the 2004 presidential election before the result was overturned as rigged by a Ukrainian court. Russia is opposed to the policies of the Orange coalition now in government, which is seeking closer ties to the North Atlantic Treaty Organization and the EU.

The anniversary events started Nov. 24, when thousands of people gathered in Kiev and on the main squares of other cities.

"The main killer was the totalitarian communist regime," Yushchenko told the crowd in the capital. "Fear is at the root of today's political and social problems."

In 1929, Stalin decreed that all agricultural workers had to join collective farms, bringing with them their livestock and tools. They were to plant and harvest together, so that the state could ship food to industrial areas. Some farmers resisted leaving their land, and many were sent to labor camps. Those who remained risked death from starvation.

Grain Seized

Across the Soviet Union, more than 10 million people died from hunger during the collectivization drive, according to research by historian Robert Conquest. The majority of the deaths were in Ukraine, the second most populous republic in the Soviet Union and the largest grain producer after Russia.

Stalin wrote in August 1932 to one of his politburo members expressing concern that Ukraine wasn't complying and must be forced into submission. "If we don't fix the situation in Ukraine immediately, we may lose Ukraine," he wrote. The letter was published by Russia's Nezavisimaya Gazeta in 2000.

While the harvest was poor because of drought, as much as half of the grain was shipped out, says Vasyly Marochko, head of the Center for Ukrainian Genocide Studies in Kiev.

"The 1932 harvest was swept away completely," says Halyna Mendzyak, who was 9 and lived in Mynkivtsi, western Ukraine. "When they put it in rail wagons, an orchestra was playing with slogans like 'Let's give all grain to our state!'"

Kravets says peasants in his area refused five orders to collectivize their farms in the years before the famine began. His parents finally went to work on a state farm in 1932, leaving him alone in their house.

When two aunts came to his parents' home to check for survivors, they found only his emaciated body. Kravets recalls hearing them say he wouldn't last the night before they walked away, leaving the door ajar.

"A dog then entered and started to lick me, so I got up very slowly, tied him to a bed with a towel and then took an axe and killed him," he says. "I still can't understand where I got the energy. I was eating that dog for several days."

Text available on World Wide Web, URL:

<http://www.bloomberg.com/apps/news?pid=20601085&sid=akRdu1cuBPKg&refer=europe>

21. KIEV (Ukraine): modernity and greed can upset an outpost of the Empire Tenerife News, 2 January 2008

The USSR used to rule fourteen republics, divided into many non-Russian speaking peoples, always indignant that Mother Russia should turn out to be a brute with a huge moustache and a liking for killing – mass killing wherever feasible. Of these non-Russian nations, the biggest and most nationally conscious was the Ukraine. In 1982 her population was already 70 million. Under both the tsars, and later the Politburo, the Ukraine drew special attention, usually of the grisliest kind.

Even under modern conditions, with tsars long assassinated and Stalin and Lenin in their mausoleums, the Ukraine is virtually divided into west and east. The West stretches from Kiev westwards towards the Polish border. It used to form part of the old Austro-Hungarian Empire, and was more 'europeanized' Ukrainians in the West read and write in Roman letters, not Cyrillic script. Most are Catholic. In the East, where the countrymen have lived for centuries under the thumbs of Russian tsars, and if they are religious at all, it is Orthodox.

Since the fall of the Berlin Wall and the 'end' of communist rule (most of today's politicians were members of the Party once) the Ukraine has become free to hold democratic elections and become as rich as everybody else – not necessarily through honest toil. Westerners have come from the USA, and from the rest of Europe, not to mention Japan and China and India, to join in the beanfeast, and in many cases honest toil has not been their guiding inspiration either. Make a very quick million bucks and get out is more like it.

In the Ukraine, you could be a tall, spotty youth with a backpack and a Wisconsin accent who showed up in Kiev and lived under a bridge for a short while. Then you cornered a positive source of income in an otherwise unused hole in the markets, and within ten years you find yourself spotless, dressed by Savile Row, with three or dachas and this year's Bentley Continental. Your huge fortune might come from a media empire publishing neo-liberal economic news and forecasts. Your magazines and cheap pamphlets get their facts from The Economist and the Wall Street Journal.

You could have been Robert Fletcher, an American who became a 'millionaire's mentor', instructing Ukrainians how to get rich quick for huge fees. He published a magazine too, called, with promising grammar – The Rich's Club. He went too far, tried to get out of the country on a false passport and got banged up.

In Kiev, the Catholic religion has been mostly replaced by 'markets-and-mass-consumption'. As a result, what appeared to be growth and development has been enormous – and a catastrophe. Unlike the West, Ukraine has not enough watchdog financial journalists publishing advice in a daily column; there is hardly enough watchdog media; where are the American or British armies of eagle-eyed lawyers expert in dragging potential marketeers from court to court wrapped in a mile of red tape? The Ukraine's elite are mostly coarse ex-peasants who were there first, with their armament factories, and their franchise to sell Kalashnikovs.

Kiev, that is ancient Kiev, is fast vanishing beneath a grotesque building boom, turning what Russians used to refer to as their 'most pleasant big city' into a brick and cement jungle of ill-designed skyscrapers and easily collapsible blocks of flats. As the court system doesn't work – never has – any young tycoon with good connections in the town hall can find himself a nice, large, unused carpark and convert it into a

low neighbourhood of little charm, with a, unattractive but money-spinning skyscraper of a mere 26 storeys in the middle.

As the chief status symbol of the newly rich is a motorcar, hundreds of thousands of German, Japanese, Scandinavian and home grown cars now litter the streets and create traffic havoc. The less intelligent, Slivovitz-fuelled citizens tend to drive down pavements in SUVs. Most citizens of Kiev carry a handy handkerchief fixed to their nose in downtown Kiev, where air pollution nearly rivals Pekin's.

This dark picture of what is happening in the Ukraine is not relieved by the fact that city politics here is as corrupt as any other European state. The get-rich-quick merchants are hand in glove with city hall, especially where building interests are involved. Kiev's real estate is now as expensive as in Madrid, Rome or London. One of the negative results of this is that small-time try-your-luckers cannot now exist – as they did at the beginning of the boom – and indeed at the beginning of this article. Prices are so high they cannot live here and look for the quick buck. The chap who wants to open a small shop selling bric-a-brac and cheap jewellery can't because he can't afford the rent. In this way street life is dominated by huge cafeteria chains, fast-food outlets and clothing shops by the dozen. As a leading journalist said recently, "the result is a streetscape of increasing mediocrity – at Paris prices".

Older citizens tend to look on all this zing and muck with resignation. The average middle-aged Ukrainians spent all their lives - and their parents before them - in the Soviet queue for bread and never entered a car. Younger Ukrainians are frustrated by the lack of superstructure, higher education, and opportunity. As one put it, "who wants to live in what is now a less than viable city, a laboratory for the imposition of the money culture?"

And yet, and yet, in the West the Ukraine is seen as a great success. As the people struggle through another general election without actually killing each other, Westerners crow about capitalist wonders. In Brussels the Euro-Deputies clap Ukrainians on the back and praise their 'maturity' and 'evolving democracy': anything to keep the capital flowing, in and out of the state. How interesting it is that whenever a liberal or populist Ukrainian politician suggests re-nationalising industrial property robbed by oligarchs, Brussels and Washington shriek, "hands off!" as if an immediate regression to Stalinism has been proposed.

The Prime Minister is Viktor Yanukovitch, happy to spend a lot of time and money meeting with Western leaders. He knows what he is about. He has disconnected politics from the economy. Meanwhile, younger Ukrainians are leaving the country by the thousand, fed up with the money culture, and bewildered because the values they might have been taught at school have disappeared. They are surrounded by new crime and old bad air. Who can blame them? Europe's only problem is finding room for yet another dissatisfied immigrant from Eastern Europe. In London you can now hardly find an Englishman. In Madrid and Barcelona it is almost better to know Bulgarian or Chechen than Spanish or Catalan.

Text available on World Wide Web, URL:

http://www.tenerifenews.com/cms/front_content.php?client=1&lang=1&idcat=9&idart=7492