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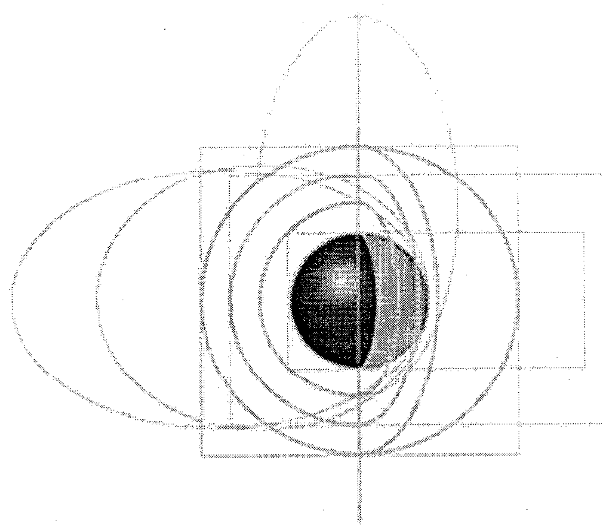

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UKRAINE

TEXT: KEY FACTS

Country name: **Ukraine**

Official name: Ukrayina

Form of state: Democratic republic

Head of State: President Leonid Danylovych Kuchma (since July 1994, re-elected November 1999)

Head of government: Prime Minister Viktor Andriyovich Yuschenko (from December 1999)

Political parties:

Ruling party: Since February 2000, the Supreme Council has been dominated by a loose grouping of centre-right and reformist parties loyal to the president and the prime minister, of which the largest are Narodniy Rukh Ukrayiny (Rukh) (People's Movement of **Ukraine)**, Narodne-Demokratychna Partiya Ukrayiny (NDPU) (People's Democratic Party of **Ukraine)** and Vseukrainske Obyednannya Hromada (Hromada) (All-Ukrainian Solidarity Association).

Main opposition party: The opposition is composed of an alliance between Kommunistychna Partiya

Other political parties: About 80 political parties are registered in **Ukraine,** and parties with significant representation in the Supreme Council include Partiya Zelenykh Ukrayiny (PZU) (Ukrainian Green Party), Sotsial-Demikratychna Partiya Ukrayiny Obyednana (SDPUO) (United Social-Democratic Party of **Ukraine)**, Prohresyvna Sotsialistychna Partiya (PSP) (Progressive Socialist Party) and Ahrarna Partiya Ukrayiny (Agrarian Party of **Ukraine)**.

Area: 603,700 square kilometres (233,089 square miles)

Capital city: Kiev (Kyiv)

Time: GMT plus two hours (GMT plus three hours from late March to late September); Crimea GMT plus three hours

Population: 49.7 million (January 2000 estimate). This represented a decline of 395,500 from January 1999, of which 350,000 was a natural decrease due to a death rate almost twice the level of the birth rate, and a further 45,600 was due to net emigration. The population was estimated to have declined by a further 317,000 by September 2000. The population declined 0.7 per cent per annum 1993-99 and is projected to decline 0.8 per cent per annum 1999-2015. Population density: 87 inhabitants per square kilometre; urban population: 68 per cent of the total (1999). Life expectancy at birth: 67 years; fertility rate: 1.4 births per woman (1999).

Ethnic make-up: Ukrainian (72 per cent), Russian (22 per cent), Belarussian, Moldovan, Polish, Romanian and Tatar (in Crimea). Over 10 million ethnic Russians live in eastern **Ukraine** and Crimea is about 63 per cent Russian.

Religions: The principal religion is Christianity, of various denominations including Ukrainian Orthodox, Autocephalous Orthodox, and Uniate (Eastern rite Catholic under Papal authority). There is a small Jewish minority, and a Muslim minority mostly located in Crimea.

Languages spoken:

Official language: Ukrainian Few Ukrainians speak German, English or French. Russian is widely spoken in the east. Ukrainian, Polish and German are spoken more widely in western **Ukraine.**

Labour market and unemployment: In June 2000, the total labour force was estimated at 23.3 million, of whom 20.7 million were in employment, giving an unemployment rate of 11.4 per cent, little changed from an annual average of 11.9 per cent in 1999. However, retirement ages of 60 for men and 55 for women are significantly lower than many western European countries, and some 23 per cent of those over retirement age are still in employment. This that the real unemployment rate among the economically active population is closer to 35 per cent. Moreover, ongoing privatisation programmes in the financial services, energy and hydrocarbons sectors and cuts in military personnel are expected to have increased the numbers of unemployed in 2000, although the Ministry of Labour and Social Affairs forecast net job creation in the manufacturing industry. Overall employment decreased 4.8 per cent year-on-year in the third quarter of 2000. Approximately 49 per cent of the workforce is female. The labour force is well educated, with a literacy rate of almost 100 per cent. Average monthly salaries were US$46 in September 2000, compared to US$42 in September 1999. Total Ukrainian wage arrears fell from a peak of H7.0 billion (US$1.3 billion) in mid-1999 to H5.8 billion (US $1.1 billion) in October 2000. Employment by sector 1992-98 (% of workforce) Male Female Agriculture 24 16

Industry	46	34
Services	31	50

Source: World Bank Development Indicators 2000

Education: The reversal of the Russian dominated education system is the primary aim of the government. Ukrainian is taught in all schools, although the choice to learn it is left to the individual. Increased emphasis has also been placed on Ukrainian history, culture and literature. Literacy is almost universal in **Ukraine;** this reflects the high level of educational participation, with enrolment rates of 87 per cent for primary schools and 42 per cent for tertiary education in 1999. Elementary schooling begins at age six and continues for three to four years, followed by secondary basic education, which lasts until 14, and upper secondary education, which lasts until 17. There were approximately 44,000 schools in **Ukraine** in 1999, divided equally between elementary and secondary institutions. **Ukraine** has large scientific and educational centres in Kiev, Odessa, Lviv (Lvov), Kharkiv and Donetzk, with more than 200 higher educational institutes. There are 10 full university campuses.

Health: The precipitous economic decline since 1991 has significantly lowered living standards in **Ukraine** and adversely affected health. Although high soil fertility enables most Ukrainians to enjoy a sufficient diet, nutrition levels remain lower than optimum and high alcohol and tobacco consumption does little to improve matters. Moreover, lacking adequate funds, many health facilities have closed or reduced their level of service since independence. Thus, although the number of doctors is well above the Organisation for Economic Co-operation and Development (OECD) average, they lack the training, facilities and medicines to provide adequate preventative or primary healthcare. One result of this has been outbreaks of tuberculosis, which reached epidemic levels by 1999, with 55 sufferers in every 100,000, and 114,000 Ukrainians being infected with the most dangerous strain. The World Bank invested US$20 million in 2000 to establish epidemic control projects for tuberculosis and HIV/AIDS. Extensive pollution is one of the more persistent legacies of the Soviet regime which pursued massive industrialisation at any cost. The most obvious example is the Chernobyl nuclear power explosion which increased rates of thyroid cancer, leukaemia and birth defects in the surrounding areas. However all **Ukraine's** cities suffer from pollution, both in the air as well as rivers and agricultural land. The Lviv region has the most polluted water in the country. Only about 55 per cent of the Ukranian population has access to safe water. Public health expenditure was equivalent to 4.1 per cent of GDP in the period 1990-98, with little private healthcare expenditure (1.4 per cent of GDP). These provided 4.5 doctors and 11.8 hospital beds per 1,000 people.

Welfare: The economic collapse has badly exposed **Ukraine's** inadequate welfare services and vegetable plots remain for many the main security net. In mid-2000, the Ukrainian government passed a bill defining the minimum subsistence level at H270 (then US$50) per month. This was followed by the announcement of an increase in minimum and maximum state pensions from H576 (US$106) and H972 (US$179) to H696 (US$128) and H1,296 (US$238) per annum respectively by April 2001. As part of its plan to reduce the fiscal deficit and meet IMF spending restrictions, the government has been forced to alter its social security structure. More targeting of assistance to vulnerable groups is being planned, with reforms to family benefits, sickness benefits and the employment fund. The pension system is being reformed, with preferential pensions being scaled down, although the minimum and maximum pension levels will be raised as of April 2001. There are also plans to increase the pension age gradually. The World Bank established a Social Protection Support Project in 2000, with an initial investment of US$3 million to provide technical assistance for local social security offices. The Chernobyl fund, which has provided investment and greater levels of welfare services in response to the 1986 disaster, is also being wound down. There are an estimated 2.2 million Ukrainians who are eligible for extra social security payments as victims of Chernobyl pollution, and approximately 1,500 of them took part in demonstrations in Kiev in November 2000 to protest against cuts in their benefits.

Currency: Hryvna (H) (plural hryvni) = 100 kopiyka

Exchange rate: H5.44 per US$ (December 2000) (official)

Gross domestic product (GDP): US$23.2 billion (1999 official figure); US $30.8 billion (1999 estimate, including shadow economy); US$22.4 billion (official estimate, January-September 2000)

GDP per capita: US$619 (1999)

GDP real growth: -0.4 per cent (1999); 5.4 per cent (January-November 2000)

Gross national product (GNP): US $37.5 billion (1999)

GNP per capita: US$750 (1999)

Inflation: 22.7 per cent (1999); 23.8 per cent (year-on-year, January-November 2000)

Interest rates: Refinancing rate: 27.0 per cent per annum (September 2000) Money market rate: 32.4 per cent per annum (September 2000) Lending rate: 39.6 per cent per annum (September 2000) Deposite rate: 18.0 per cent per annum (September 2000)

Exports: US $16.2 billion (goods and services) (1999); US$8.9 billion (goods and services) (first half 2000)

Imports: US$15.2 billion (goods and services) (1999); US$8.4 billion (goods and services) (first half 2000)

Balance of trade: US$1.0 billion (goods and services) (1999); US $500 million (goods and services) (first half 2000)

Foreign debt: US$10.1 billion (September 2000)

Current account: US $834 million (1999); US$490 million (second quarter 2000)

Total reserves minus gold: US$812 million (June 2000)

Foreign exchange: US$773 million (June 2000)

Foreign Direct Investment (FDI): US$489 million (1999); US$588 million (January-September 2000)

Hydrocarbons reserves:

Oil: 395 million barrels (54 million tonnes) (end-1999)

Gas: 1.1 trillion cubic metres (39.6 trillion cubic feet) (end-1999)

Coal: 34.4 billion tonnes (end-1999)

Hydrocarbons production:

Oil: 82,000 barrels per day (bpd) (4.1 million tonnes) (1999)

Gas: 16.8 billion cubic metres (596.4 billion cubic feet) (1999)

Coal: 57.8 million tonnes (1999) President Leonid Kuchma secured re-election in November 1999 against the backdrop of continuing economic decline that has plagued the former Soviet republic since it gained independence in 1991. After the vote, Kuchma - vowing to become a 'new' president - brought reformers into the government and pledged to finally move ahead with radical economic changes, which he had failed to introduce during his first term. In general, the end of the election period and improving co-operation between the government and parliament provided a good opportunity for implementing the **Ukraine's** much-needed economic reforms. However, to say that **Ukraine,** even at the end of 2000, has entered a period of long-term political stability would be premature. The parliamentary majority is fragile: its leaders have extensive business interests, and conflicts are bound to arise during the debate of economic bills. Parliament has failed to support several government initiatives, most of them being unpopular measures aimed at eliminating subsidies and other benefits for businesses and certain categories of private citizens.

Singing silenced:

In May 2000, several weeks of sporadic violence against ethnic Russians and Russian property in Lviv followed the murder of much-loved Ukrainian composer Ihor Bilozir. He was beaten to death in a cafe by a group of Russian youths who apparently objected to him singing patriotic Ukrainian songs. The revelation that one of those arrested for the crime was the son of a senior police officer in the city led to demands for Russians to be purged from the upper echelons of the Lviv constabulary, while the local council banned the singing of Russian songs in public as an act of retribution. What began as a personal tragedy threatened to escalate into an international incident, as local politicians called for a radical nationwide programme of 'Ukrainianisation' and the Russian government in Moscow expressed concern about infringements of the rights of ethnic Russians in **Ukraine.**:

Economic reforms begin at last:

Ukraine's economy has contracted by more than two-thirds since independence in 1991, amid the government's sluggish efforts to reform its huge but inefficient heavy industry, machine-building sector and agriculture, which account for most of the country's domestic output and external trade. :

In addition, the lavish foreign borrowing **Ukraine** regularly resorted to in 1997-99 in order to compensate for its chronic revenue shortfall brought the country to the brink of default by the end of 1999; further delays in reforms could have catastrophic consequences for the economy.:

Following his re-election, Kuchma and the cabinet of reformist Prime Minister Viktor Yuschenko promised a renewed economic reform drive. The government began cutting its bloated bureaucracy, started reforming the largely state-owned agriculture sector, and vowed to privatise a number of lucrative industrial properties: oil refineries, chemical and machine-building enterprises. Though the government managed to stay on the growth path in 2000, this signalled only a beginning of a long, hard slog towards economic recovery.:

Fateful energy dependence on Russia:

Ukraine's huge heavy industry and machine-building sector evolved in the Soviet era as almost fully dependent on oil and gas supplies from other former Soviet republics, primarily Russia. Their constant availability and cheapness encouraged the country's industrial giants to consume energy in extravagant amounts.:

Things changed after the Soviet collapse, when Russia stopped the senseless Soviet policy of giving away its oil and gas virtually free of charge. **Ukraine's** industries, after the end of the Soviet Union, still required the same enormous volumes of fuel, but now it had to be imported at prices dictated by Russia.:

The Ukrainian government failed to decrease its dependence on Russia by organising energy supplies from other countries, inspiring its huge northern neighbour to start charging draconian prices. Since 1995 **Ukraine** has bought Russian gas for US $80 per 1,000 cubic metres, which is about twice the price western European countries pay for imported gas. Cash-strapped **Ukraine** simply could not afford to pay, amassing more than US$2 billion in unpaid energy bills to Russia by mid-2000. The debts continue to grow while the government tries to persuade Russia to reduce gas and oil prices and restructure the old debts.:

Russia, meanwhile, used **Ukraine's** energy addiction as an efficient pressure tool in political talks and increasingly demanded that the country pay off the debt with controlling stakes in its lucrative enterprises. The government staunchly refused such demands at first, but by the third quarter of 2000, **Ukraine's** options ran out and debt-for-equity swaps were offered. Until it manages to diversify energy imports, **Ukraine's** economy will continue to resemble a hospital patient fed from Russian-maintained tubes.:

Political structure:

Constitution: The 1996 constitution defines **Ukraine** as a sovereign, unitary state answerable to individual citizens, with the protection of citizens' rights as its foremost responsibility. The constitution forbids multiple nationality for Ukrainian citizens. The development and protection of the Ukrainian language is a constitutional obligation, but the constitution also guarantees free use of Russian and other minority languages, and requires the state to promote the study of languages of 'international communication'. The constitution recognises and guarantees the right to local self-government. Local government is based on 24 oblasts (regional divisions) and one autonomous republic (Crimea). The oblasts are further divided into rayons. The Autonomous Republic of Crimea is bound by the Ukrainian constitution and by acts of the Ukrainian Verkhovna Rada (Supreme Council) having constitutional bearing, but has the power to legislate separately on matters such as transport planning, land use and healthcare. In April 2000, over 80 per cent of votes cast supported a series of constitutional reforms proposed by President Kuchma, including the reform of the Supreme Council and a change in the balance of power between the Supreme Council and the president. The turnout was 81 per cent.

Form of state: Democratic Republic

The executive: The highest executive authority rests with the president, who is directly elected for a five-year term and nominates the prime minister and regional governors, whose appointment is subject to the approval of the Rada. The president has the power to appoint the cabinet, although the Rada must approve it. Members of the cabinet do not necessarily need to be drawn from the Rada. The president may rule by decree and did so in 1998, during deadlock in the legislature. However, under normal circumstances the prime minister shares some executive powers with the president and both can propose and approve legislation. This creates the potential for conflict between the two executive branches. If put into practice, the constitutional amendments approved by referendum in April 2000 would give the president the power to dissolve the Rada and call fresh elections if a majority government could not be formed within one month or if a budget was not passed within three months.

National legislature: The Verkhovna Rada (commonly called the Rada) is the legislature and its 450 members are elected for a five year term: 225 by proportional representation (PR) and 224 in single-seat constituencies (in addition to the speaker). Only parties that obtain over 4 per cent of the vote are allocated PR seats. The Rada elects a speaker and plays an active role in proposing and enacting legislation. The constitutional amendments approved by referendum in April 2000 would limit the immunity of Rada members from prosecution, reduce the number of deputies to 300 and possibly create a second chamber, although President Kuchma indicated that he did not regard the third reform as a priority.

Legal system: The legal system is based on a civil law code and, since the collapse of communism, has been engaged in an ongoing process of reform. The Constitutional Court is the highest interpreter of the constitution, and is permitted to carry out judicial review of legislation. There are 18 Supreme Court judges, six each appointed for a nine year non-renewable term by the president, the Rada and a congress of Ukrainian judges. The Supreme Court is the court of final appeal for civil and criminal cases originally heard in the lower courts. Its judges are appointed by a plenary session of existing Supreme Court judges. The lower courts are organised according to both geography and legal specialisation. The constitution encourages trial by jury and forbids the creation of emergency courts. Judges are granted legal immunity, and can only be dismissed by a verdict of the Supreme or Constitutional Courts, or by an order of the Rada. The death penalty was abolished in March 2000.

Political situation:

Background: **Ukraine** first accepted Russian control in the 1650s, as an alternative to invasion by the Poles. Although some parts of **Ukraine** were initially annexed by the Poles, by the end of the eighteenth century, the whole of **Ukraine** had been taken over by Russia. 1917 The Bolsheviks consolidated control over **Ukraine,** until the incorporation of the republic into the Soviet Union. The Russians retained direct control of eastern **Ukraine** from 1918 until the country's independence from Russia in 1991. The city of Lviv (formerly Lvov) near the western border was seized from the collapsing Austro-Hungarian Empire. 1920s Russia lost control of parts of western **Ukraine** to Poland, Czechoslovakia and Romania during the civil war between the Bolsheviks and counter-revolutionary forces supported by western European armies. Soviet dictator Josef Stalin initiated a system of collective agriculture which forced Ukrainian farmers to render fixed quantities of produce to the authorities. These quotas were unrealistic, creating famine conditions during which over five million Ukrainians were estimated to have died. 1945 Following the Soviet victory in the Second World War, Russia regained control of the lost areas of western **Ukraine.** 1954 Responsibility for the government of Crimea, an autonomous republic within **Ukraine,** was transferred from Russia to **Ukraine** as part of reforms initiated by Nikita Kruschev after Stalin's death. 1986 In April, a safety test carried out at Reactor Number Four of the Chernobyl nuclear power station caused a massive atomic explosion, the worst nuclear disaster ever, which destroyed the reactor and spread dangerous levels of radiation over 2,600 square km of **Ukraine** and Belarus, as well as producing a toxic cloud which affected countries as far away as the UK due to the prevailing wind. 1991 Under pressure from the opposition parties, in particular Narodniy Rukh Ukrayiny (Rukh) (People's Movement of **Ukraine),** the government gradually moved towards independence. Political power was transferred from the government of the former Soviet Union to Ukrainian national authorities in Kiev. At a referendum in December a majority voted for independence, leading to a declaration of independence and the recognition of **Ukraine** as an independent state by the international community. Leonid Kravchuk won the presidential elections in December. 1992 Disagreements over economic policy saw the resignation of **Ukraine's** first prime minister, Vladimir Fokin, who was replaced by Leonid Kuchma. 1993 Arguments over economic policy and labour strikes led to the resignation of Kuchma, and Yukhlym Zvyahilsky assumed the prime ministerial post. 1994 Kuchma returned as the main challenger to Kravchuk in the March presidential elections, finally defeating Kravchuk in the run-off. Kuchma attempted to swing the balance of power between the presidency, the cabinet and parliament in favour of the presidency, in order to reduce opposition to his economic programme, with mixed success. 1996 A new constitution adopted in June gave the president the power to appoint a government formed by deputies in the Rada. 1997 Valeriy Pustovoitenko became prime minister in July. 1998 Parliamentary elections saw the Kommunistychna Partiya Ukrayiny (KPU) (Communist Party of **Ukraine)** emerge as the largest single party. 1999 Kuchma was re-elected president in November. He appointed reformist independent deputy Viktor Yuschenko as prime minister. 2000 In an April referendum, over 80 per cent of voters supported President Kuchma's proposals for constitutional reform, designed to increase the powers of the presidency.

Government: The overwhelming support shown by voters in April 2000 for President Kuchma's proposed constitutional reforms theoretically strengthened the position of Kuchma and his allies in the government of Viktor Yuschenko. In particular, the power of the president to call new elections if the Rada fails to pass a budget within three months should prevent any repeat of the frequent deadlocks over past budgets, which were sometimes delayed for the entire fiscal year to which they were intended to apply. The centre-right alliance in the Rada has gradually formalised, with a number of parties discussing possible mergers to consolidate the position of reformists. However, the coalition's dominant party, Narodniy Rukh Ukrayiny (Rukh) (People's Movement of **Ukraine)**, remains fractious and majority support on controversial issues such as the approval of constitutional amendments necessary to put into practice the results of the April 2000 referendum is by no means assured. A series of scandals also threatens to tarnish the reputation of an ever-growing number of government ministers.

Domestic politics: The Ukrainian government remains prey to deep political cleavages on crucial issues of economic policy and the nature of Ukrainian statehood. Among ethnic Russians in eastern **Ukraine** and Crimea there are growing demands for closer co-operation with Russia. The situation in Crimea is compounded by communist domination of the autonomous republic's Supreme Council, creating constant obstacles for economic reforms pursued by the Ukrainian government and threatening to cause a serious rift between Kiev and Sevastapol. In May 2000, the Crimean Supreme Council attempted to dismiss Crimean Premier Serhiy Kunitsyn, who is loyal to Kiev. The move was abandoned, as legal advisers warned that it would be contrary to the Ukrainian constitution, but in September the communists withdrew from the Crimean cabinet and Crimean communist leader and Supreme Council speaker Leonid Hrach again called for Kunitsyn's removal. Kuchma's response to this problem has been to work with the Crimean Tatar community, a significant Turkic minority who resent the pro-Russian line of the communists. In August 2000, Kuchma circumvented the Crimean Supreme Council by signing an agreement directly with Tatar political leader Mustafa Dzhemilev, promising to work for the social advancement of the Tatar minority. Leonid Hrach immediately condemned the move as unconstitutional and a threat to Crimean autonomy. Kuchma's victory in the April 2000 constitutional referendum appeared to reinforce the position of economic reformers in the Rada. The 2001 budget, drafted by Yuschenko's cabinet in September 2000, was approved by the Rada at the end of November with only mild threats from President Kuchma to dissolve the Supreme Council. This was in stark contrast to the 2000 budget, which was enacted two months late in February 2000. A bill to privatise the state telecommunications company Ukrtelekom also passed without incident in August 2000, and president and prime minister appeared to be fully in tune over the necessity of maintaining the drive to reach a balanced budget. Even ex-president Leonid Kravchuk, formerly Kuchma's bitter rival, signalled his support for necessary economic reforms in mid-2000. On the other hand, an ominous split developed between Kuchma and Yuschenko over the issue of energy sector reform. As both public and private liquidity are low in **Ukraine,** a complex and frequently opaque system of barter payments had developed between the Ukrainian state power utilities, their domestic customers and their Russian fuel suppliers. This created ample opportunities for the misappropriation of funds and corrupt award of contracts, and foreign investors and the International Monetary Fund (IMF) warned that the introduction of cash settlement would be an essential prerequisite to the process of privatisation in the energy sector, which is due to begin in 2001. The transformation appears to have offended the influential oligarchs in **Ukraine** and Russia, depriving them of a lucrative source of shadow income. Unfortunately, some of these vested interests are thought to be close to President Kuchma and his National Security Adviser Yevhen Marchuk. In addition, President Kuchma also showed concerns about **Ukraine's** ability to pay Russian suppliers in cash, with approximately US$2 billion already owed to Russian hydrocarbons companies like Gazprom. From mid-2000, Kuchma's condemnation of the policy became increasingly strident. However, Yuschenko has the constitutional authority to continue the legislation without presidential approval. In June 2000, faced with conflicting demands from the Rada and the presidency, fuel

Timoshenko, prompting constant speculation during November [illegible] dismiss both Timoshenko and Yuschenko once the two pro-Western ministers had succeeded in winning renewed loan agreements with the IMF. In reality, the IMF remains reluctant to support **Ukraine** owing to the scandal involving the misuse of IMF funds and misreporting of national reserves by the Ukrainian central bank in 1997-98. A report by independent auditors released in September 2000 found that the central bank had inflated its reserve figures by incorporating IMF loans, in order to woo foreign investors to buy government debt stocks. The central bank governor at the time was Yuschenko himself, although he repeatedly denied any wrongdoing. Potentially even more serious is the ever-growing number of government ministers implicated in the financial scandals involving former prime minister Pavlo Lazarenko. His trial began in the US in June 2000, and his indictment included a charge of accepting bribes from Ukrainian energy technical services company Unified Energy Systems (UES) in 1994-95. The company was at the time run by Yuliya Timoshenko. In August 2000, her husband Oleksandr, who remains a member of the UES board of directors, and another UES director Valeriy Valkovych, were arrested on embezzlement and bribery charges in connection with the Lazarenko case. To add to these arrests, in October Yevhen Marchuk claimed to have evidence that Yuliya Timoshenko was siphoning some of the new cash revenues of state energy company Energoatom into offshore accounts and awarding contracts to fake companies using her emergency powers. These allegations, although possibly politically motivated, cast serious doubt on Timoshenko's reputation as a reformer dedicated to transparency in the energy sector. By November, Prime Minister Yuschenko was also facing an accusation that he had misused funds from state-owned bank Oschad to cover energy sector debts. Alongside the growing crisis over corruption, there were worrying signs of a gradual return to suppression of the media by President Kuchma. In September 2000, Ukrainian journalists joined with the Rada committee on freedom of speech to demand an end to the growing presidential practice of bringing cases for defamation against any newspaper which criticised government policy. A number of newspapers had been driven to bankruptcy by this procedure, and a bill was proposed which would limit claims for defamation to H2,550 (US$469). Just days later, journalist Hryhoriy Gongadze, editor of Pravda Ukraniy which had regularly exposed corruption among associates of President Kuchma, disappeared and was later found murdered. The case took a particularly sinister turn at the start of December, when the leader of Sotsialistychna Partiya Ukrayiny (Ukrainian Socialist Party) Oleksandr Moroz released a tape which he claimed had been sent to him by a whistle-blower in the Ukrainian secret service, apparently containing a recording of Kuchma and interior minister Yuriy Kravchenko ordering Gongadze's death, together with other evidence of their involvement. Inevitably, the presidential staff responded by opening libel proceedings, but a further worrying precedent was created by the refusal of the state-owned printing press, Presa Ukrayiny, to print or distribute one newspaper which tried to publish details of the Moroz allegations. As of December 2000, it was unclear what the outcome of the episode would be, but its implications could alarm Western supporters of the Ukrainian government more profoundly than financial scandals.

External relations: **Ukraine's** international policy involves walking a tightrope between Russian President Vladimir Putin's aspirations to expand his country's regional influence and the need for **Ukraine** to seek Western financial backing, as well as political support to retain some measure of independence from Russia. President Kuchma has tended to leave the cultivation of links with the USA and European Union (EU) to Prime Minister Yuschenko and his foreign ministers, but has taken a personal role in relations with Russia and other members of the Commonwealth of Independent States (CIS). **Ukraine's** dependence upon Russian energy supplies is the central factor dominating relations with Russia. Even the level of debt itself is a cause of diplomatic friction, as Russia's Gazprom claimed it was owed US$2.0 billion in mid-2000, compared to the Ukrainian government's figure of US$1.4 billion. In November 2000, after three months of fraught negotiations by a bilateral commission, Russia offered an eight year moratorium on a large proportion of gas debt repayments. However, **Ukraine** remained likely to grant stakes in formerly state-owned companies and Ukrainian pipelines to Russia in place of some proportion of repayments, in order to win goodwill and safeguard supplies. A further suggestion made in August 2000 - to hand over strategic bombers to Russia in lieu of payment - was quickly dismissed as the US threatened to cut its own aid to **Ukraine** if this occurred. Gazprom executives also admitted that such a politically charged method of payment would be problematic. Russian oil and gas pipelines continued to be a crucial means of exercising influence over **Ukraine** in 2000, and Prime Minister Yuschenko issued a series of denials to repeated accusations that Ukrainian energy companies had been siphoning off Russian gas supplies to sell to third parties. As reforms in the energy sector gradually began to curb opportunities for profiteering, Russian oligarchs started to consider by-passing **Ukraine** altogether with the construction of a new Russo-European pipeline via Poland. The Russian government enthusiastically endorsed the scheme for obvious reasons.

Revenues earned from transit fees for Russian gas traditionally pay for a significant proportion of Ukrainian purchases, and without this source of income the country's economic servitude to Russia would be greatly reinforced. The same motives lay behind efforts to delay a Ukrainian oil export terminal at Odessa on the Black Sea, and **Ukraine's** exclusion from the Eurasian Economic Union created by Russia and four other members of the CIS in October 2000. In practice, both these moves backfired to some extent. Uzbekistan and Turkmenistan were also excluded from the new economic grouping. As a result, President Karimov of Uzbekistan joined with Kuchma in condemning the union, and **Ukraine** has also been developing closer ties with Turkmenistan, which lies increasingly beyond the Russian sphere of influence. In July 2000, the two countries signed a new agreement for Turkmen gas exports to **Ukraine.** The agreement was temporarily in jeopardy due to haggling over Ukrainian debt repayments to Turkmenistan and President Kuchma's anger at what he felt was an excessive fixed price for the gas. However, the problems were ironed out by October, and Yuschenko appeared to feel strongly that the price was worth paying to curb dependence upon Russia. More important still, **Ukraine** acquired a new ally as a result of the Russian pipeline by-pass scheme, announced in September 2000. Authorities in Poland, the intended replacement for **Ukraine** as the transit country, proved to be as anxious about Russian expansionism as those in Kiev itself. After a Polish warning that they would not co-operate with the scheme, Russia was forced to back down in November. In the meantime, **Ukraine** and Poland cemented their emerging partnership with a military agreement, and commercial arrangements were expected to follow. This may ultimately prove to be a vital development given that Poland is in the first wave of Eastern European countries expected to enter the EU from 2004. **Ukraine** is the third largest recipient of US aid, as its economic health is considered by the US government to be an important counterweight to Russian power. However, over the long term an enlarged EU would hold out the best hope for a balanced trade and economic partnership without intrusive political implications. President Kuchma appeared to recognise this with his personal attendance at a **Ukraine**-EU summit in September 2000, at which the EU pledged support for his country's bid to join the World Trade Organisation (WTO). Speculation that Kuchma's policy might take a pro-Russian turn after his dismissal of foreign minister Borys Tarasyuk in the same month was quickly dispelled by his successor, Anatoly Zlenko, who described **Ukraine's** increasing integration with the EU as 'inevitable' within days of his appointment. During the late 1990s the principal source of contention between **Ukraine** and the EU was the future of the remaining nuclear reactor at the ill-fated Chernobyl plant. In addition to the extent of pollution in the area, the plant was considered highly unsafe due to outdated equipment and years of under-investment. Despite pledges of substantial aid from the EU, European Bank for Reconstruction and Development (EBRD) and the Norwegian government to help **Ukraine** construct alternative power generators and infrastructure, the government in Kiev frequently threatened not to close the plant due to the damage its loss would inflict upon the already power-starved Ukrainian economy. However, an agreement to close Chernobyl on 15 December 2000 in return for substantial European funding was signed in March 2000. After signs of backsliding from the Ukrainian government, the issue settled itself at the end of November, when the final reactor had to be shut down for technical reasons and insufficient funds were available to carry out repairs.

Political outlook: Viktor Yuschenko remains popular and is trusted at home and abroad. His commitment to reform and to curbing corruption appears genuine, although the dire budgetary situation in **Ukraine** seems to have driven him to indulge in false accounting on a number of occasions in order to tide the country or particular sectors of the economy over extreme debt crises. By contrast, the credibility of Kuchma and Timoshenko has been badly undermined by their links with local oligarchs and the disgraced Pavlo Lazarenko respectively. Yet both are important to the government - Kuchma for his role in maintaining Russian goodwill and Timoshenko for her expertise in the troubled energy sector. If she can achieve privatisation and significant international investment, the potential for corruption (including her own) will be greatly reduced, but her controversial presence may itself act as a disincentive to already wary foreign investors. Moreover, the difficulties created by the powerful communist opposition and political and economic dependence upon an increasingly forceful Russian government under Vladimir Putin are sufficiently severe that the emerging split between Yuschenko and Kuchma could fatally weaken the position of the reform movement. Anti-Russian violence following the murder of Ihor Bilozir in Lviv in May 2000 and mass demonstrations against closer links between the Ukrainian and Russian Orthodox churches which took place in August indicate the risk of growing ethnic tensions. In this context, while President Kuchma's idea of using the Tatars as a counterweight to the communists in Crimea is understandable from a tactical viewpoint, it could fan the flames of conflict in the future. The parallels between pro-Moscow ethnic Russian communists in Crimea and those in the Transdniestr region of neighbouring Moldova, who have been fighting a violent separatist campaign since the early 1990s, are too striking to be ignored. The will of Western countries, and especially the EU, to see **Ukraine** survive and prosper is strong. Nonetheless, given the apparent extent of corruption at the highest levels, the depth of divides over policy and the frequently unsympathetic attitude of Russia, political progress in **Ukraine** is by no means assured. As neighbouring Belarus and Moldova demonstrate, the danger that **Ukraine** might lapse into dictatorship or anarchy is real enough.

Head of State: President Leonid Kuchma (since July 1994; re-elected November 1999)

Head of government: Prime Minister Viktor Yuschenko (appointed December 1999)

Ruling party: Since February 2000, the Supreme Council has been dominated by a loose grouping of centre-right and reformist parties loyal to the president and the prime minister, of which the largest are Narodniy Rukh Ukrayiny (Rukh) (People's Movement of **Ukraine)**, Narodne-Demokratychna Partiya Ukrayiny (NDPU) (People's Democratic Party of **Ukraine)** and Vseukrainske Obyednannya Hromada (Hromada) (All-Ukrainian Solidarity Association).

Main opposition party: The opposition is composed of an alliance between Kommunistychna Partiya Ukrayiny (KPU) (Communist Party of **Ukraine)** and Sotsialistychna Partiya Ukrayiny I Selianska Partiya Ukrayiny (SPU/SelPU) (Socialist and Peasant Parties of **Ukraine)**.

Last elections: 31 October/14 November 1999 (presidential); 29 March 1998 (parliamentary)

Next elections: 2003 (parliamentary); 2004 (presidential)

Key ministers: First Deputy Prime Minister: Yuriy Yekhanurov Deputy Prime Minister (Agro-Industrial Complex): Mykhaylo Hladiy Deputy Prime Minister (Energy Issues): Yuliya Timoshenko Deputy Prime Minister (Humanitarian Affairs): Mykola Zhulinskiy Minister of Agriculture: Ivan Kyrylenko Minister of Coal [illegible] Kuzmuk Minister of Economy: Vasyl Rohovy Minister of Education: Vasil Kremen Minister of Emergency Situations and Chernobyl: Vasil Durdinets Minister of Energy: Serhiy Yermilov Minister of Environmental Protection: Ivan Zayats Minister of Family and Youth Affairs: Valentyna Dovzhenko Minister of Finance: Ihor Mityukov Minister of Foreign Affairs: Anatoly Zlenko Minister of Foreign Economic Relations and Trade: Andry Honcharuk Minister of Health: Vitaliy Moskalenko Minister of Information: Zinoviy Kulyk Minister of Internal Affairs: Yuriy Kravchenko Minister of Justice: Suzanna Stanyk Minister of Labour and Social Policy: Ivan Sokhan Minister of Power and Electrification: Serhiy Yermilov Minister of Science and Technology: Stanislav Dovhy Minister of Transport: Leonid Kostyuchenko Minister without [illegible]

Global overview: The world economy continued to rally in 2000 after accelerating more sharply than expected in 1999 in the wake of recovery from the global liquidity shortage of 1998. Worldwide output growth of 2.9 per cent was expected in 2000 after growth of 4.2 per cent in 1999, while growth in world trade accelerated to a quarter-century high of 11.2 per cent. However, cooler prospects for expansion in 2001 looked likely as GDP growth in the US, the main engine of the world economy, slipped from 5.6 per cent in the second quarter of 2000 to 2.4 per cent in the third quarter. Subsequent nervousness in financial markets reflected fears of recession in 2001 and the steady unravelling of the technology 'bubble' from April 2000 onwards, with cash outperforming leading indices in main financial centres.

Atlantic prosperity:

Although 2000 marked the longest period of continuous growth in the US since the Second World War, the end of a boom in technology-led investment, a tripling in oil prices from early 1999 levels and the effects of monetary tightening by the Federal Reserve began to bite into earnings in 2000. US corporate profits warnings multiplied from the second half of the year, highlighting imbalances in the world's leading economy, including a current account deficit of over US$400 billion in the third quarter and a private sector financial deficit equal to almost 7 per cent of GDP.:

Meanwhile growth in the 11 member euro-zone, (12 with the addition of Greece from January 2001), proved sustained even as the euro failed to recover from a low of close to US$0.83 until late in the year. [redacted] unemployment, with both France and Germany expected to post GDP growth of close to 3 per cent in 2000 and into 2001.:

The third pillar of the industrialised world and Asia's hegemon, Japan, continued to falter on the margins of global prosperity in 2000. Tentative shoots of recovery appeared evident in mid-2000 following extended fiscal stimulus, but expectations of 2 per cent growth for the year looked flawed by its end as consumer spending declined for a forty-fourth consecutive month, business confidence slipped once more and deflationary pressures reappeared. Fiscal imbalances seemed increasingly dangerous over the medium as the government embarked on another round of stimulatory spending.:

Beyond the financial El Nino<W0I!>?:

Emerging markets found themselves at best experimented with rather than embraced by external portfolio investors in 2000. Bourses in Thailand, Turkey and South Korea, experienced falls of close to 50 per cent in US dollar terms, with the controlled mainland Chinese stock market a notable exception. Rather, exports and returning domestic demand supported recovery; only sub-Saharan Africa posted an expansion of less than 3 per cent in GDP, at 2.6 per cent, compared with the Middle East and North Africa (3.6 per cent), Asia, including Australasia (4.0 per cent) and Latin America (4.0 per cent).:

In 2001, growth in emerging markets is expected to eclipse that of the industrialised world, with the Middle East and North Africa, borne up by oil income, likely to be the fastest-growing region if political risks are moderated. However, this is assuming a relatively favourable external demand situation and an absence of any investor panics. Late 2000 saw many Asian economies fear an end to booming electronics demand in the US. Financial turbulence in Argentina and Turkey serve as a reminder of the potential for contagion in the international financial system.:

Risks in 2001:

Tight labour markets in the US and Europe combined with oil price increases and powerful consumer demand to make inflationary pressures the greatest apparent threat to growth in 2000. However, a severe slowdown in US economic activity transmitted to the rest of the world emerged as the most prominent risk in early 2001, with the US Federal Reserve easing its monetary position with unexpected swiftness in January. The relative price stability achieved so far should grant US and European monetary authorities enough room to cut rates and prevent a stalling global economy. However, should the loosening of monetary policy by the Federal Reserve have come too late, a sharp macroeconomic correction in the US could destabilise the world economy and put the recovery in Latin America and Asia at risk.:

Regional overview: The recovery of key markets in Russia was offset by continued Nato sanctions against Yugoslavia in several Eastern European countries in the first three quarters of 2000. Those countries with

their products out of growth markets in the EU. States where trade was uninterrupted enjoyed better performance, with Czech exports increasing by 17.2 per cent year-on-year in the second quarter of 2000 and Hungary's exports forecast to rise by over 20 per cent for the year as a whole. The European Bank for Reconstruction and Development (EBRD) set a significant reduction in budget deficits as a proportion of GDP as a principal target for transitional states in its annual report published in November 2000, to be achieved by privatisation and more efficient revenue collection. It is also hoped that this will curb the inflationary method of borrowing from central banks to fund budget deficits. Slovenia and Bulgaria both achieved budget deficits of less than 1 per cent of GDP in 1999, and balanced budgets were set for 2000.

These countries are projected to have kept inflation well below 10 per cent in 2000. At the other extreme, President Lukashenka's pledge to increase public sector wages in Belarus by 40 per cent in December 2000 could lead to money printing by the central bank and the country is projected to suffer inflation of almost 200 per cent in 2000. The flotation of the Polish zloty in April, in contradiction to the advice of the International Monetary Fund (IMF), also yielded inflationary results as the currency declined by 10 per cent against the US dollar by the fourth quarter. However, its relative stability against the euro and the maintenance of high interest rates by the strongly independent central bank are expected to have limited the rise in consumer prices to under 10 per cent in 2000. The growing momentum towards EU enlargement in the region continues to encourage economic and institutional reform. Most transitional states still require a reduction in foreign debt levels, improved financial regulation and greater currency stability to increase the volume of foreign investment needed to boost productivity. In this light, President Kwasnieswki's decision to veto a major privatisation bill in Poland in August 2000 was not well received by foreign investors or the EU. His convincing victory at the first round of presidential elections in October and his subsequent comments about revoking earlier acts of privatisation introduced a note of uncertainty in one of the leading candidates for EU accession. In the same vein, rising energy prices prompted Hungarian Prime Minister Viktor Orban to suggest renationalising MOL, the country's oil and gas conglomerate, in mid-2000, and signs of economic downturn in the region could still provoke a reversal of economic liberalisation. A number of Eastern European states also remain heavily indebted to Russia due to dependence on Russian energy imports. While Russian President Vladimir Putin clearly hopes to revive his country's influence in the region, he has so far shown a responsible attitude towards external economic relations, agreeing to ease debt repayments from **Ukraine** and Moldova in the third quarter of 2000. Delivery charges set by bilateral negotiation with Russia also mitigated the effects of rising world oil prices on many Eastern European oil importers, but greater exposure to supplies from the Organisation of Petroleum Exporting Countries (OPEC) caused inflation forecasts for Slovakia to be revised upwards by 5 per cent to over 13 per cent for 2000. The overthrow of Slobodan Milosevic following his defeat in the Yugoslav elections in September 2000 and the success of moderate candidate Ibrahima Rugova in Kosovo's elections in November appeared to reduce the likelihood of renewed conflict in the Balkans. Vojislav Kostunica's accession as president of Yugoslavia also resulted in the suspension of international trade and investment sanctions against the country in October, which should permit substantial inflows of aid and capital to kick-start the process of reconstruction. However, the possibility of political instability may not recede completely unless President Kostunica can consolidate his power following the Serbian elections in December 2000. In addition to these political factors, a drought in the eastern Balkans in the first half of 2000 hit important local agriculture sectors, causing growth forecasts for the year to be revised downwards for countries such as Moldova and Romania. Nonetheless, most of the transitional economies were projected to grow during 2000, with Bosnia leading at 14 per cent GDP growth, and the economy of **Ukraine** ceasing to contract for the first time since independence. The aggregate growth rate for the first wave of EU accession candidates in Eastern Europe was forecast at 4 per cent in 2000 and 4.1 per cent in 2001.

Country overview: Owing to its extremely fertile soil, **Ukraine** was known as the bread-basket of the Soviet Union. It also possesses substantial natural resources and successive Soviet leaders located both high technology research and production programmes in the republic. With these advantages, the Ukrainian economy should have been well placed to benefit from the introduction of market forces. Crucially though, successive governments have faced serious obstacles in their quest for political and economic reform. Excessive government participation in the economy is often misdirected - sometimes deliberately for reasons of personal gain - and has retarded the development of private enterprise. In addition, large sectors of the economy are dominated by giant, often corrupt businesses owned by so-called 'oligarchs', some of whom have close links to the government or are members of the Verkhovna Rada (Supreme

privatisation programmes, in November 2000 the European Bank for Reconstruction and Development (EBRD) ranked **Ukraine** alongside command economies such as Belarus and Turkmenistan as a 'high capture state' where the economy is dominated by a small number of vested interests, rendering liberalisation policies ineffective. Uncertain relations with Russia, dominated by **Ukraine's** dependence on Russian energy supplies, have exacerbated **Ukraine's** foreign trade problems. The guaranteed supplies and markets of the Soviet era have been consigned to history, with **Ukraine's** industrial enterprises struggling to survive against the backdrop of domestic decline and increased competition. Massive aid and investment from the US and EU provided temporary respite during the 1990s, but were not accompanied by increases in productivity and competitiveness needed for long-term sustainable growth. Taken altogether, these problems would have led to difficulties at the best of times. However, close economic ties to Russia meant that **Ukraine** became heavily embroiled in the Russian financial crises in 1997 and 1998. This put a brake on economic development at precisely the time when it appeared that growth would at last re-emerge after almost a decade of economic contraction. Investors withdrew at an alarming rate and there was a real possibility that the government would default on a substantial proportion of its foreign debt, as the International Monetary Fund (IMF) lost patience with the lack of reform and continued high levels of corruption and suspended its Extended Fund Facility (EFF) in 1999. Economic indicators (%)

	1995	1996	1997	1998	1999
GDP growth	-12.2	-10.0	-3.2	-1.0	-0.4
Inflation	377.0	80.0	15.9	10.6	22.7
Unemployment	5.6	7.6	8.9	11.3	11.9
Budget/GDP	-6.1	-6.1	-5.0	-3.0	-2.5

Source: World of Information

Macroeconomic analysis: After a decade of decline, the Ukrainian economy appeared to bottom out in 1999 [redacted] growth was not without inflationary pressures, especially due to downward pressure on the market value of the hryvna. After price increases of 22.7 per cent in 1999, monthly inflation was reduced to negligible by mid-2000, but prices began to accelerate in the third quarter on the back of rising energy import costs, and by November 2000, inflation for the first 11 months of the year reached 23.8 per cent. The crucial challenge to controlling the money supply remained a curb on the government's deficit spending and a rationalisation of the public sector. The powerful communist grouping in the Rada presented an obstacle to rapid privatisation, but state wage arrears and government debts equivalent to almost 50 per cent of GDP continued to increase pressure for the sale of state assets and economies to reduce the budget deficit from its level of 2.5 per cent of GDP in 1999.

Monetary analysis:

Policy: The Russian financial crisis of 1998 undermined the commitment of the Ukrainian government to a strict disinflationary policy which had reduced consumer price inflation to 10.6 per cent in 1998, and the inflation rate for 1999 more than doubled. This was partly due to government deficit spending, financed by borrowing from the central bank as foreign credit dried up. At the same time, the National Bank of **Ukraine** (NBU) (central bank) attempted to support the value of the hryvna to prevent a surge in import prices, but this appeared to lead Viktor Yuschenko, then central bank governor, to exaggerate the level of national currency reserves in order to forestall speculation against the hryvna. In November 1999, faced with mounting pressure on the hryvna due mainly to fears over the levels of external debt, and with a freeze on financing from the IMF, central bank reserves began to fall and the NBU acquiesced in a currency devaluation from H4.6 to H5.4 per US$.: Benefiting from the seizure of power in the Rada by a grouping of reformist legislators, now Prime Minister Yuschenko and President Kuchma were able to revitalise a programme of stringent public finance restructuring from early 2000, allowing a gradual accumulation of hard currency reserves to strengthen the hryvna and fight inflation. **Ukraine** was partially insulated from rising world energy prices because many of its imports of oil and gas from Russia and Turkmenistan take place on a negotiated fixed price basis. Nonetheless, in August 2000 Russian suppliers increased the price of gas exports to **Ukraine** and this contributed to the upswing in the consumer price index in the third quarter.:

Interest rates: Despite substantial cuts during the year, interest rates remained high by Western European standards during 2000 in an effort to combat inflation and protect the hryvna, but the NBU acknowledged that the size of the shadow economy and constrained internal financing mechanisms made the build-up of central bank reserves a more effective monetary tool. In particular, confidence in Treasury-bills remained low after the 1998 financial collapse and subsequent revelations concerning falsified central bank information. Falling refinancing interest rates did not therefore yield higher levels of refinancing activity during 2000, as commercial banks continued to be unwilling holders of Treasury-bills still in many cases worth less than their face value.: Poor liquidity in the commercial banking sector obliged these sharp cuts in central bank refinancing rates, and also in deposit rates, in order to ease commercial banking solvency. The refinancing rate fell from 45 per cent per annum in January 2000 to 27 per cent in September, with the deposit rate falling from 21.6 per cent in January to 9.6 per cent in August, before rising again to 18 per cent in September to counteract the rise in prices of energy supplies. As a result, the real interest rates for central bank refinancing and commercial bank deposits were negative in September 2000, at -3.6 and -13.2 per cent per annum respectively. : The spread between commercial deposit and lending rates remained wide in September 2000 (21.6 per cent) due to the poor transparency and unreliable repayment of many borrowers, but the increase in deposit rates in that month was interpreted as a sign that the gradual enforcement of cash payments in government transactions would improve general liquidity and banking sector confidence.:

Exchange rates: The maintenance of a stable exchange rate sometimes appears to hold disproportionate psychological importance for the NBU due to the massive depreciation of the interim currency, the karbovanet, in the mid-1990s. The decision to devalue in November 1999, confirmed when flotation of the hryvna was announced in February 2000, was therefore greeted with relief by the IMF, as the efforts to preserve an overvalued currency had damaged exporters and drained central bank finances.: However, the float was in practice heavily managed by the central bank, which maintains extensive restrictions on commercial foreign currency transactions and has continued to sell dollar reserves to control the activities of currency speculators. The NBU's reserves fell from US$963 million to US$812 million over the first half of 2000. Effectively, a narrow official exchange rate band of H5.40-H5.44 per US$ operates, and the official rate remained at the weaker end of the band for most of 2000.: Nonetheless, the unofficial value of the hryvna appeared to converge with the official rate during 2000 as the successful restructuring of government debts bolstered confidence in the currency. An estimated cash exchange rate of H5.46 per US$ in Kiev in September 2000 represented a divergence of just 0.4 per cent from the official rate, compared to a divergence of 7.1 per cent in the weeks before devaluation in 1999.:

Outlook: Although the unofficial rate of the hryvna is not expected to fall below the NBU's defensive line of H6.2 per US$ in the first half of 2001, more pessimistic dealers do expect the rate to reach H6.0 per US$ unless government policy makes strides sufficient to impress investors on a wide scale. Nonetheless, the success of monetary policy in the medium term will depend largely on the government's willingness to

recommenced after an IMF mission visited the country in December 2000. The government must also reform the banking sector which remains highly illiquid, and curb the shadow economy to control the money supply effectively.: The government continues to face difficulties in making repayments on the total of H10.0 billion (US$1.8 billion) borrowed from the NBU as at September 2000, restricting the central bank's ability to participate in internal financing and discourage speculation against the currency. As a result, interest rates are likely to remain high (although often negative in real terms), but this would not prevent further upswings in inflation if political difficulties led to an increase in the fiscal deficit or a further

Fiscal analysis:

Policy: The Ukrainian fiscal system has in the past been shackled by a variety of factors including barter payments for government services and taxes, powerful state sector trade unions and communist of the Rada, which prevented thorough privatisation programmes in the many loss-making state industries. Total revenues collected as a proportion of GDP declined from 40 per cent in 1994 to 28 per cent in 1999. The indebtedness of the Ukrainian government was aggravated by the Russian financial crisis, the exposure of corruption scandals and the withdrawal of IMF financing in 1999.: However, these threats combined to galvanise a return to radical reform following the robust moves by centre-right parties to achieve dominance in the Rada and support pro-Western Prime Minister Yuschenko from early 2000. While President Kuchma's attitude on some issues has been ambivalent, his general contribution to this reformist drive has also been substantial.: Measures pursued during 2000 included a resurgent privatisation programme, plans for a balanced budget in 2001 (the fiscal year runs from January to December), drives to increase transparency and clamp down on corruption, the introduction of cash payments across a wider range of government activities, the restructuring of commercial, bilateral and multilateral external debts and the rationalisation of benefits systems. The power of 'oligarch' business magnates has traditionally allowed large companies to flout their tax and other payment obligations, and in a presidential statement in September 2000, Leonid Kuchma urged the government to redouble efforts to recoup an estimated H15 billion (US$2.76 billion) owed to the government by approximately 130,000 companies. Over half of this sum was composed of unpaid fines for previous non-payments. A ten month investigation concluded by the Ukrainian state tax administration in November also found over 3,800 dummy companies operating in the country for tax evasion purposes.:

Budget: In mid-2000, the government passed a tax reform bill which would cut most forms of taxation, with the losses to the budget recovered by more efficient tax collection and the removal of barter payments. The 2000 budget was amended in mid-2000 to increase revenue estimates from H32.8 billion (US$6.0 billion) to H33.7 billion (US$6.2 billion), allowing an expenditure increase of H670 million (US$123 million) for the year.: The 2001 budget was approved by the Rada in November 2000, and sets out expenditures and revenues balanced at H47 billion (US$8.6 billion), equivalent to 25 per cent of GDP. The largest items of expenditure were expected to be social security payments (equivalent to 4.5 per cent of projected 2001 GDP), education (4.0 per cent), government debt service (3.2 per cent) and healthcare (2.9 per cent). In order to navigate the budget through the Rada, the government agreed to revenue and expenditure increases of just under H1 billion (US$184 million) compared to the original draft.: The budget was based on assumptions of 4 per cent GDP growth, 19.5 per cent inflation and an average exchange rate of H6.6 per US$ for the year. The exchange rate estimate is likely to be pessimistic, although the effects of this on tax collection would be mixed depending upon the impact on Ukrainian trade. The Ukrainian government also agreed, under pressure from the IMF, to lower its forecast of privatisation revenues from H8.9 billion (US$1.6 billion) to H5.9 billion (US$1.1 billion), which should err on the side of caution. By contrast, the assumptions for GDP growth and levels of government debt servicing were widely criticised for being dangerously optimistic.: However, the major cause of concern over the budget was the accompanying set of tax reforms. These proposed cutting corporate income tax from its year 2000 level of 30 per cent to 20 per cent and value added tax from 20 per cent to 17 per cent by the end of 2002. In theory, this is to be compensated by increases in excise duties, the eradication of barter payments and more efficient tax collection, but independent forecasters estimated that the reforms would cut revenues by up to H3.2 billion (US$588 million) in 2001.:

Privatisation: The government's 2001 privatisation programme, passed in May 2000, called for raising H8.9 billion (US$1.6 million) in privatisation revenues, three times the H2.7 billion (US$500 million) target for 2000, although this was cut to H5.9 billion (US$1.1 billion) in September 2000 under pressure from the IMF. In total, the Ukrainian government plans to sell stakes in approximately 600 state-owned companies in 2001-02. By September 2000, the Ukrainian government had raised H1.3 billion (US$239 million) from privatisation since the start of the year, H400 million (US $74 million) short of expectations. Concerns over the transparency of the tendering system, corruption and inflexible labour and payments systems in state-owned industries have all contributed to the reluctance of investors to buy into state enterprises.: Nonetheless, a number of significant sales were achieved in 2000, with several more expected to follow in the first half of 2001. In July 2000, President Kuchma signed into law a bill for the sale of majority stakes in seven out of the 27 regional energy companies, leaving only 13 in which the government still held a controlling share. The combined starting price for the seven companies was set at H718 million (US$132 million), with Spanish company Union Fenosa, US-based AES Silk Road and Electricite de France (EdF) all expected to make bids. In the same month, Prime Minister Yuschenko forced through the Rada at the second attempt a bill to privatise 49 per cent of Ukrtelekom, the state telecommunications company. At least half of the sale is to be achieved by auction, and with major international companies such as Korea Telecom and Germany's Deutsche Telekom expressing interest, the government is expected to earn almost H3 billion (US $550 million) towards the 2001 budget, making Ukrtelecom the single largest sale to date.: Other major privatisations proposed in the final quarter of 2000 included the sale of 51 per cent of Rovnoazat chemicals plant, 40 per cent of the Crimean Soda Plant, 55 per cent of Vinnitsky Oil Refinery, 49 per cent of high technology and cosmonautical equipment manufacturer Khartron, the remaining 25 per cent of Nikolayev Alumina Plant, 68 per cent of Zaporizhya Aluminium Company (ZalK) and an unspecified stake in the Feodosia oil storage terminal, although the last of these met with the opposition of President Kuchma.:

Foreign debt: The foreign debt crisis of 1998-99 appeared to abate in 2000, although the situation remained fragile. In March 2000, **Ukraine** successfully restructured debts worth US$2.6 billion due for repayment in 2000 or 2001 as seven year Eurobonds earning interest of 10-11 per cent. **Ukraine** met the first repayment obligation of US$56 million on the restructured tranche in the third quarter of 2000 without mishap.: The multilateral debt situation also improved thanks to a thaw in relations with the World Bank and IMF. In June 2000, the World Bank indicated that **Ukraine** stood to receive loans worth US$1.2 billion over two years provided the pace of economic reform was maintained. In December, the IMF completed its deliberations on reform, corruption and the falsification of central bank data and concluded that it would release US$250 million from the US$1.65 billion tranche which it froze in December 1999 due to financial irregularities and the stalled reform process. **Ukraine** was able to repay the IMF US$100 million ahead of schedule in August 2000, bringing total repayments to the IMF for the first eight months of the year to

release US $100 million following the closure of the Chernobyl nuclear reactor in order to assist its replacement.: Arrears on payments for energy imports constitute a significant debt problem, and **Ukraine** rescheduled debts worth US $1.4-2.0 billion to Russia and US$341 million to Turkmenistan in the third quarter of 2000. Some of the debt to Russia may be repaid by debt-for-equity swaps in state-owned Ukrainian enterprises, especially in the energy sector, or by the leasing of transit pipelines crossing **Ukraine,** which Prime Minister Yuschenko estimated in September 2000 could enable the clearance of debts worth up to US$1.8 billion. The latter method would have the disadvantage of temporarily depriving the country of a lucrative source of foreign exchange earnings in the form of transit fees paid by Russian gas companies.: The total foreign debt burden fell from US$12.4 billion at the end of 1999 to US$10.1 billion in September 2000, and **Ukraine's** debt service payments were expected to reach US$1.7 billion for 2000 as a whole.:

Outlook: President Kuchma and Prime Minister Yuschenko are united in their efforts to end the recurrent fiscal deficit, and the political means to achieve this appeared stronger at the end of 2000 than in previous years. However, actual fiscal outcomes have historically failed to meet expectations due to poor revenue collection and the extensive devolution of power to local governments - which do not necessarily share the central government's aim of realistic expenditure limits. In 2000, local authority revenues met only 40 per cent of their total expenditure, with Kiev forced to transfer the rest from the central state budget. : On the revenue side, the implications of the 2000 tax reforms could be detrimental, especially as the cuts in corporate taxes place a heavier burden upon direct taxation. Indirect taxes are more effective given the size of the shadow economy, and personal income tax collected as a proportion of the total fell from over 40 per cent in 1995 to less than 35 per cent in 1999. The overall revenue loss resulting from the cuts is forecast by the most pessimistic analysts to reach H5.0 billion (US$920 million) in 2002, while the economic growth stimulation resulting from the tax cuts is forecast to increase government revenues by H800 million (US$147 million) at most.: Nonetheless, the efficiency of revenue collection showed signs of improvement, and due to economic growth, revenues of H27.7 billion (US$5.1 billion) for January-October 2000 exceeded forecasts by 4.7 per cent, creating an unprecedented surplus of H1.1 billion (US$202 million) for the period.: Combined with the restoration of relations with the IMF, the shoots of economic recovery should ease the fiscal situation. Loans at low rates of interest from multilateral organisations will assist the control of external debt levels, and **Ukraine** pledged to the IMF to use any privatisation revenues above the H5.9 billion (US$1.1 billion) forecast for 2001 to pay down some of this debt. Although the proposed balanced budget for 2001 looks optimistic, the Ukrainian government agreed with the IMF in December 2000 not to allow the 2001 fiscal deficit to exceed 3 per cent of GDP.:

External trade: The collapse of the Soviet trading bloc had a detrimental effect on **Ukraine's** foreign trade as the allocated and free markets of the Soviet period closed almost overnight and the country has yet to expand significantly into Western European markets. Due to the country's continued reliance on Russia as its main export market, **Ukraine** is exposed to its larger neighbour's economic problems, but equally the Russian recovery in 2000 was passed on to **Ukraine** in the form of export growth. Fixed price contracts for energy imports cushioned **Ukraine** from some of the impact of rising world oil prices in 2000, but by the third quarter Russia had shown alarming tendencies towards using its energy exports to **Ukraine** as a political tool, and the supply of imported energy has been reduced as payment problems have persisted; this has constrained industrial output and limited exports. Until 2000, barter trade remained commonplace, especially with energy exporters such as Russia, Turkmenistan and Kazakhstan, who were frequently paid in Ukrainian agricultural products. However, from mid-2000 Deputy Prime Minister Timoshenko began reforms to enforce cash payments in all energy sector transactions. It was not clear how this would effect **Ukraine's** ability to pay for energy imports. In a further sign of Russian attempts to isolate **Ukraine's** commercial position, **Ukraine** was excluded from the Eurasian Economic Union created by Russia and four other members of the CIS in October 2000.

Imports: Imports of goods and services were down 19.2 per cent to US$15.2 billion in 1999. Russia is still the source of 60.5 per cent of **Ukraine's** imports, although the level of imports from that country fell by 20.1 per cent in 1999, as **Ukraine** faced increasing difficulties meeting its fuel payments to Russia. Other major sources of imports are Turkmenistan (also a leading oil and gas supplier), Germany, the US and Poland. **Ukraine's** main imports are energy, machinery and parts, transportation equipment, chemicals, plastics and rubber.: The steeper fall in imports as compared to exports resulted from a 38 per cent devaluation of the hryvna in 1999, which made it more expensive for Ukrainians to buy foreign goods. The trend allowed local producers, especially in the food industry, to boost production. Despite the continued slide of the hryvna in 2000, economic growth drove a 21 per cent recovery in imports in the first half of 2000.:

Exports: Total exports of goods and services dropped by 8 per cent in 1999 to US$16.2 billion, largely as a result of the 1998 financial crisis in Russia. The country continued to remain **Ukraine's** largest trade partner, accounting for 32.8 per cent of its exports in 1999, but the total rate of exports to Russia fell by 17.5 per cent compared to 1998. Other principal destinations are China, Belarus, Germany and the US. **Ukraine's** main exports are ferrous and nonferrous metals, chemicals, armaments, transportation equipment and food products.: Exports recovered strongly in the first half of 2000, reaching US$8.9 billion, an increase of 16 per cent year-on-year. The contribution of services to total exports has increased sharply in recent years, from 16 per cent in 1994 to 23 per cent in 1999.:

Balance of trade: Despite the hryvna devaluation, the expected growth in exports did not occur in 1999. The declining trade with Russia was not the only factor in this development. **Ukraine's** primary exporters - metallurgical and chemical industry giants - remained state-owned and were slow to adjust to changing market conditions. However, the larger drop in overall imports in 1999 allowed the balance of trade (goods and services) to improve from a deficit of US $1.2 billion in 1998 to a surplus of US$1.0 billion in 1999. With imports and exports recovering at the same rate in the first half of 2000, the balance of trade remained steady, recording a surplus of US$500 million.:

Current account: The current account deficit widened by almost 70 per cent between 1993 and 1997, as the government policy of freezing bank accounts in response to hyperinflation forced Ukrainian businesses to borrow ever larger sums abroad. The current account deficit thus reached US$1.3 billion by 1998. Perversely, the collapse of the Russian banking system facilitated a rapid improvement in the current account, which recorded a surplus of US$834 million in 1999. This was partly the product of a smaller balance of trade deficit, but more importantly a sign that Russia had been the principal source of overseas finance, with the bankruptcy of credit institutions forcing Ukrainian businesses to fall back on domestic lending resources.: The suspension of multilateral loans in December 1999 contributed to a deterioration the current account as the economy recovered in 2000, and Ukrainian companies were forced to borrow private funds at unfavourable rates of interest. The surplus had fallen to US$490 million by the second quarter of 2000, but the granting of a loan of US$88 million by the EBRD for small business development in September was expected to ease the commercial borrowing situation.:

Outlook: The respite in Ukrainian trade and current account deficits in 1999 may be short-lived, being more a sign of economic weakness than of strength, and the balance of trade is forecast to return to deficit in 2001. The country desperately needs to diversify its import sources, especially of energy, to avoid being held to ransom by Russia. In addition, the devaluation of the hryvna seems to have done more to encourage higher levels of inefficient production for the domestic market than to stimulate exports. Finally, with the Ukrainian banking sector remaining highly illiquid, borrowing from abroad is likely to revive as the economy recovers. The reform of the banking sector and a reduction in external debt are the principal factors which the Ukrainian government is prioritising, and these should help to maintain a healthy current account, with the surplus forecast to remain stable in 2000 and 2001.:

Economic outlook: The growing strength of the reform-minded government means that the political climate for macroeconomic reform is better than in previous years, although the emerging scandal surrounding the presidency in late 2000 could yet see a resurgence of communist power, which might economic improvements. The inefficiency and corruption of previous governments, which devastated **Ukraine's** economy, continue to make it difficult to attract foreign investors, but the investment surge of over 110 per cent year-on-year in the first half of 2000 was a promising sign. Combined with improving relations with the IMF, this should also ease pressure on debt levels and the current account. The Ukrainian economy is estimated to have grown by 2.5-3.0 per cent in 2000 after a decade of decline. However, the figure is more an indicator of how severely **Ukraine** was hit by the economic crisis in Russia, and growth is expected to slow to a sustainable level of 2.0-2.5 per cent in 2001. The transmission of greater efficiency throughout the economy, and especially in the manufacturing and banking sectors, continues to be a challenge for economic policy. Senior management personnel appointed on account of their influence rather than their abilities still dominate in the state sector, and privatisation is as vital for bringing in a new generation as for righting budget deficits. Energy and transport problems have also created supply bottlenecks, driving the consumer price index (CPI) upwards more rapidly than the producer price index (PPI) and constraining export competitiveness. CPI inflation is thought to have averaged 28 per cent in [illegible] CPI forecast to rise by 14-15 per cent, converging with producer price inflation. Burgeoning relations with the EU saw the value of Ukrainian trade to EU members rise by almost 20 per cent between 1995 and 1999, and 2001 could prove an important year for **Ukraine's** efforts to achieve a westward orientation. Nonetheless, the diversification of energy import sources is a slow process, and in the meantime Russian influence will remain strong. If the project for a gas pipeline by-passing **Ukraine** is resurrected in 2001, it would cast a shadow over economic prospects.

Natural resources:

Mining: **Ukraine** possesses 5 per cent of global mineral reserves, including 200 billion tonnes of iron ore, 30 per cent of the world's manganese ore and the world's second largest supply of titanium, as well as reserves of mercury, uranium, nickel and gold. The largest iron ore deposits are in the Krivoy Roj area, with estimated reserves of 18 billion tonnes, Kremenchuk with 4.5 billion tonnes, and Kerch and Belozerskie in the Donetsk region. The manganese deposits around Nikopol are thought to be the largest in the world. Gold deposits containing an average of between five and six grammes of gold per tonne of ore exist in the Trans-Carpathian region. The area also contains deposits of zinc and lead. The government predicts that 15 tonnes of gold could be mined annually within eight to 10 years. The total investment required to reach full capacity is estimated at US$250 million over 12 years. Other natural resources present in **Ukraine** include salt (in the Donbas, Prykarpatia and Zarkarpattia regions), lime (in the Crimea and Donbas), limestone (in Elenovskoye), china clay (Hluhovestie and Turbovske), sulphur (around Lviv) and granite (in the Zhytomyr region). Phosphorus deposits of about 20 billion tonnes are also present. **Ukraine** typically produces 50 [illegible]

Hydrocarbons: **Ukraine's** proven oil and gas reserves were not exploited during the Soviet era, when other regions (Siberia and Central Asia) could be developed more cheaply. As a result **Ukraine** is heavily dependent on imports of Russian gas and oil to satisfy domestic energy requirements. As part of its overall restructuring plan, Naftohaz Ukrayiny (NU) was formed in 1998 by the state to group the country's oil, gas and oil refining companies. Further rationalisation and privatisation was delayed by communist opposition, large debts for oil and gas imports and the high level of barter payments (over 80 per cent of the total in 1998). Barter payments by companies and industries were banned in 1999, and all barter payments in the energy sector were prohibited in August 2000. The Ukrainian government claimed that cash payments exceeded 50 per cent of the total in late 2000, and combined with the rescheduling and repayment of debts and the beginnings of a sell-off of regional energy distributors (oblenergos), these reforms should pave the way for privatisation in the oil and gas sectors in 2001-02.

Oil: **Ukraine** extracted 82,000 barrels per day (bpd) of oil in 1999, approximately the same production level as 1998, but this supplied only 23 per cent of total consumption, with most of the difference imported from Russia. Efforts to reduce dependence on Russian oil include the construction of an international oil terminal at Odessa port, which the Russian government is alleged to have obstructed during 2000 by exerting pressure on foreign contractors working on the development. In October 2000, **Ukraine** and Poland discussed the laying of an oil pipeline from Odessa to Gdansk in Poland to supply oil from Kazakhstan and other Central Asian republics to the European Union. This was partly in response to Russian threats to lay a gas pipeline to the EU by-passing Ukrainian territory.: **Ukraine** is the second-largest oil refining republic in the region after Russia, and has seven refineries with a total capacity of 1.24 million bpd: Lischansk, Kremenchug, Kherson, Odessa, Drogobych, Nadvornaya, and Lviv. Lischansk refinery is fed by west Siberian crude arriving from Kuybyshev by pipeline. : The Ukrainian refineries refine all crude from western and eastern **Ukraine,** plus Volga-Ural crudes, west Siberian, and some Mangysshlak and Turkmen crudes. Ukrainian refineries have the highest percentage capacity utilisation in the region (at 98 per cent), and products are consumed mostly by the domestic market.:

Gas: **Ukraine** produced 16.8 billion cubic metres (596.4 billion cubic feet) of natural gas in 1999, a decrease of 6.9 per cent from 1998. This production supplied little more than 20 per cent of total domestic consumption, with the remainder imported from Russia and Turkmenistan. **Ukraine** traditionally received some Russian gas supplies in lieu of payment for the transit of Russian gas exports across Ukrainian territory, in addition to accumulating substantial arrears for gas payments. However, the accession of President Putin in May 2000 led to a tougher stance from Russia, with Russian gas exporter Gazprom accusing **Ukraine** of siphoning off gas supplies without permission, and demanding the settlement of payment arrears under the threat of interrupting supplies. In late 2000, **Ukraine** agreed a deal to reschedule its gas debts to Russia, and Prime Minister Yuschenko announced a plan to lease Ukrainian pipes to Russian gas companies for US$1.8 billion. This would transfer the cost of maintenance onto the Russian companies, but would also deprive **Ukraine** of the income from transit fees.: A new 100 kilometre Donetsk-Mariupol pipeline with a capacity of 20 billion cubic metres of gas per year will supply the Donobass and reduce reliance on Russian gas. Completion is expected in 2001-02. The UK company, BP-Amoco, has also proposed to develop a gas reservoir in central **Ukraine.** In addition, 10-15 billion cubic metres of gas has been found at the Northern Kazantypsky field in the Azov Sea by Naftohaz Ukrayiny. In the short term, the most important strategy involves increasing the volume of supplies from Turkmenistan. Although President Kuchma condemned the price of US$50 per 1,000 cubic metres, claiming that Deputy Prime Minister Timoschenko could have negotiated a price 20 per cent lower, Gazprom's attempts to increase the price of its gas exports to **Ukraine** to US$103 per 1,000 cubic metres in August 2000 clearly demonstrated that Turkmenistan is likely to be a less manipulative supplier.:

Coal: **Ukraine** has 34.4 billion tonnes, equivalent to several hundred years of coal reserves, but these are heavily under-exploited. Attempts at swifter reforms of the coal mining sector to alleviate this situation have been faltering. President Kuchma intends to privatise the industry, but the legislature has consistently rejected this. The key problem is that years of neglect and under-investment have bequeathed a sector that is inefficient, over-manned, and often characterised by dangerous working conditions: a government report in September 2000 indicated that 254 miners had been killed in workplace accidents since the start of the year. Wage arrears to workers stretch back for months and the conditions that they endure on the coal face are steadily deteriorating. In addition, prices cannot compete with coal produced in more modernised plants in Eastern European rivals such as Poland and Slovakia.: However, despite plans to close more than 100 mines, the political and social cost of sacking thousands of workers in this traditional sector is huge and it is unlikely that closures will go ahead while the general economic situation remains poor. Mines are often the main employer in those regions in which they are situated, and forced redundancies would further depress many towns. Total coal production in 1999 was 57.8 million tonnes, a decline of 2.7 per cent from 1998.:

Energy: Due to its reliance on imports of fuel for electricity production, power supply in **Ukraine** is frequently interrupted. A key problem is the lack of financial discipline. In 1998, only 18 per cent of electricity bills were paid in cash. Consequently, wages to suppliers in the **Ukraine** and Russia went unpaid and debts mounted, making the sector unattractive to foreign investors. Reforms passed in 1999 and reinforced by Deputy Prime Minister for Energy Issues Yuliya Timoshenko in mid-2000 aimed at a gradual abolition of barter payments, and by late 2000 the Ukrainian government was claiming that the proportion of cash payments had risen to over 50 per cent. Since the catastrophic meltdown of a reactor at the

Chernobyl power plant in 1986, nuclear power has become an increasingly political issue. The government lacked the funds either to restore fully the sarcophagus around the reactor - gaps in it are large enough to drive a truck through - or to close down the other reactors in the plant. Foreign states and international organisations were therefore asked to grant funds to build replacement plants after Chernobyl's closure in December 2000. A power failure at the plant in February 2000 brought back memories of the original disaster, the G7 group of industrialised nations agreed to a total of US$700 million to repair and reinforce the shell, allowing the plant to close permanently by the end of 2000. Operations were in fact suspended several weeks early, due to equipment failure which the Ukrainian government lacked the funds to repair. The future of the US$1.75 billion package for the K2R4 nuclear plant development remains uncertain. **Ukraine** typically produces 170 billion kWh per annum, of which just under 50 per cent is generated by thermal plants, with 40 per cent generated by hydroelectric facilities and the remainder by nuclear power stations. Energy distribution is the responsibility of 27 regional power companies (oblenergos), of which

that used to be the agricultural heartland of the Soviet Union. The sector's contribution to GDP fell from almost 23 per cent in 1989 to under 13 per cent a decade later, and agricultural output contracted by 4.2 per cent in 1999 alone. Land reform has been limited, with protection for landholders against state appropriation uncertain. Fuel shortages and insufficient finance for the purchase of machinery and fertilisers are also major problems. Agriculture employed approximately 20 per cent of the labour force in 1999, giving it by far the lowest productivity levels of any economic sector.

Farming: Background and government policy The humus-rich steppes of **Ukraine** make it one of the most fertile areas of the world, with agriculture a deeply rooted part of Ukrainian culture. Every house in a rural village has its own garden where fruit and vegetables are grown. The 'bread basket' of the Soviet Union, half the country is covered with crops of wheat, barley, rye, oats and sugar beet, with large areas for livestock.: **Ukraine** has huge potential, with the world's largest sugar beet crops and large grain, sunflower seed, potato and fruit harvests. Yet the infrastructure to take advantage of this potential is woefully inadequate, with an estimated 40 per cent of the grain harvest lost every year due to poor storage, distribution and theft. The State Statistics Committee reported that around 85 per cent of **Ukraine's** 12,687 Soviet-era collective farms made losses in 1999. Many Ukrainians rely on their gardens for food rather than on market supplies or welfare payments: the government estimated that over 700,000 Ukrainians worked their own plots in mid-2000.: Land ownership is the central problem, and attempts by President Kuchma to push land reforms through the legislature have been consistently opposed by the communists in the Verkhovna Rada (Supreme Council). Without land reform, a mass of smallholding farmers will continue to be forced to rely on exorbitantly high short-term bank loans to provide funds for investment.: The government plans to privatise and dismantle monopolies in the supply, marketing and agro-processing sectors and also to increase market participation in procurement and distribution. As a towards eliminating government induced distortions in the sector, the government is gradually reducing the excessively high taxes placed on farmers - over 90 per cent of some farmers' income went into state or local coffers in 1999.: The level of soil and water pollution has been a further obstacle to improving agricultural production. In addition to the 2,600 kilometre radioactive exclusion zone created after the 1986 Chernobyl disaster, only 15 per cent of the rural population are estimated to have access to clean water supplies. In August 2000, an outbreak of mass poisoning appeared in the Mikolayiv oblast, affecting hundreds of people. The Ukrainian health ministry claimed the contamination was the result of leakages from arms or rocket fuel dumps left by the Soviet military, but independent experts from the World Bank indicated that the symptoms suffered by the victims were consistent with poisoning due to excessive or inappropriate pesticide use, a problem which has occurred not infrequently in **Ukraine.**: Production A decade and a half of agricultural contraction has seen output fall by an average of around 20 per cent per annum since the 1986 Chernobyl disaster rendered large areas of Ukrainian farmland unusable. A lack of available finance for agricultural transition has prevented the market from filling the vacuum of government direction in the independence era. Livestock numbers as well as crop production continue to fall and there are no obvious signs that the process is halting.: One of the few areas of success has been in sunflower seed production, which has benefited from the growing international demand for vegetable oils. Despite adverse weather conditions in mid-2000, including unseasonal frosts and storms followed by a drought which affected much of the area from the eastern Balkans to the Crimea, sunflower seed output grew by over 7 per cent compared to 1999.: Crop production: (million tonnes): 1996 1997 1998 1999 2000 : Wheat 13.5 18.4 14.9 13.5 12.7: Barley 5.7 7.4 5.9 6.3 6.7: Maize 1.8 5.3 2.3 1.7 2.2: Rye 1.1 1.3 1.1 0.9 1.1: Potatoes 18.4 16.7 15.4 12.8 13.0: Sunflower seeds 2.1 2.3 2.3 2.8 3.0: Sugar beet 23.0 17.7 15.5 13.9 13.5: Fruit (excl. melons) 2.4 3.2 1.6 2.4 2.6: Livestock numbers: (million head): Cattle 17.6 15.3 12.6 11.7 10.6: Pigs 13.1 11.2 9.5 10.0 9.4: Sheep 3.2 2.2 1.5 1.2 1.0: Chickens 123.0 125.0 118.0 105.0 93.5: Ducks 19.0 19.0 19.0 22.0 22.0: Turkeys 1.0 1.0 1.0 2.0 1.8: Rabbits 6.4 5.8 5.4 5.5 5.8: Livestock production: ('000 tonnes): Milk 15,821 13,767 13,752 13,367 12,432: Beef and veal 1,037 930 793 786 803: Mutton and lamb 29 24 20 19 18: Pigmeat 789 735 675 668 675: Poultry 220 186 200 195 200: Source: FAO, 2000: Agriculture production indices: (1989-91 = 100): 1996 1997 1998 1999 2000: Total agriculture 52.6 54.8 47.9 49.1 49.3: Food 52.9 55.2 48.2 49.5 49.6: Crops 61.5 71.7 58.3 57.3 59.0: Cereals 47.4 72.8 56.0 51.2 50.8: Livestock 54.2 48.7 45.8 45.8 45.8: Source: FAO, 2000: External trade **Ukraine** has the potential to become a significant exporter of agricultural products. However, the agricultural sector is traditionally the hardest to reform in the former communist states, with slow land reform and state controls hampering the development of the private sector and discouraging foreign investment. Ukrainian agricultural exports fell by 63.8 per cent year-on-year in the third quarter of 2000, partly due to drought conditions in the western area of the country.:

Fishing: The Black Sea fishing industry is concentrated around the ports of Odessa, Mariupol, Sevastopol, Bordyansk and Izmail. **Ukraine** exports over a third of its fish catch and the industry makes a substantial [illegible]

lakes and rivers. The typical catch is approximately 450,000 tonnes per annum.:

Forestry: Forests cover over 90,000 square kilometres of **Ukraine,** or nearly 15 per cent of the total surface area. The Zavarpattska and Polisia regions are the main centres for the forestry and paper industries. A shortage of fuel and machinery inputs has constrained development, and **Ukraine** imports forest products from Russia to meet domestic needs, typically worth over US $200 million per annum. Ukrainian forest production typically earns approximately US$130 million per annum.: The 1986 explosion at the Chernobyl nuclear reactor contaminated an estimated 40 per cent of **Ukraine's** forests, making them unusable for commercial activity. Forest fires in the Chernobyl area have become common as forest management and clearing have been suspended.:

Industry and manufacturing: **Ukraine's** industrial and manufacturing sector has crashed spectacularly since independence. The industrial sector accounted for 38.4 per cent of GDP in 1999, compared to 48.4 per cent a decade earlier, and the contribution of the manufacturing sector declined even more precipitously during the same period, from 9.1 per cent to 5.2 per cent. Industry employed 3.5 million people in the third quarter of 2000, compared to 5.9 million people in 1992. Production collapsed as subsidy-dependent enterprises found themselves ill-equipped and ill-prepared to cope with the advent of market forces. Saddled with outdated, inefficient and poorly maintained equipment and skills shortages (especially at managerial levels), the dire financial state of most enterprises, many unable to pay their workers, severely restricted investment in new equipment or techniques. Producers of Ukrainian manufactured goods, previously exported mainly to Russia, have suffered greatly as a consequence of losing this market. Ukrainian industry is in urgent need of reform and needs to focus away from primary [illegible]

manufacturing, food processing and consumer goods. The local industrial sector also suffers from chronic energy shortages. The Ukrainian industrial sector is essentially double-faceted'. The location of high-technology industry in the republic in Soviet-times has bequeathed a sector that is modern and internationally competitive. However, the majority of the Ukrainian industrial sector is concentrated around the heavy industries of the metallurgical, mining and mechanical engineering sectors. State subsidies, particularly for energy, have prevented any major reforms. No large state-owned enterprises have been closed down, as weak factories survive on cheap credits and inter-enterprise debt. The opaque and weakly enforced bankruptcy laws also militate against a successful turnaround, as does the level of inter-company debt, which was estimated at US$33.8 billion in August 2000, of which over 60 per cent was already overdue.

Major industries: **Ukraine** had the most advanced rocket industry in the former Soviet Union and was also a major producer of tanks and aircraft. Since independence the arms sector has remained a substantial export earner, with prices often 20 per cent cheaper than other international manufacturers. Leading customers include Turkey and Pakistan, the latter purchasing arms worth US$720 million between 1996 and 1999. The conversion of naval shipbuilding yards into commercial yards began in 1992 when a joint venture at the Zaliv shipyard in Kerch on the Crimean coast was established by Pepsi-Cola and Fram Shipping, a Bermuda based shipping company. A well trained and low wage labour force also attracted a British joint venture to form the British Ukrainian Shipbuilders' Company in the mid-1990s. In 1999, Japan's Export-Import bank loaned US$127 million to Sudobudivnity Zavod Okean so that the company could modernise its equipment ahead of a contract from Germany for 10 cargo ships. **Ukraine** was a major manufacturer of buses, trucks and cars in the Soviet Union, but demand from the other republics has collapsed. As with other sectors dependent on the markets of the former USSR, the automobile industry has struggled to compete internationally, and with domestic demand slumping as living standards decline the sector is in desperate need of investment and rationalisation. A further setback was delivered with the bankruptcy of South Korean firm Daewoo in late 2000, which cast doubt on the future of the Avtozaz-Daewoo plant, which had originally been planned to produce 250,000-300,000 cars per annum. The metallurgy industry employs more than 500,000 people, but its international competitiveness is based upon low wages and subsidies rather than on efficiency. The USA, Canada and Russia all moved to place restrictions on Ukrainian metals exports during 2000 on the grounds that government subsidised state manufacturers were dumping steel and aluminium products on their markets. The industry has been designated a strategic asset by the state, which plans to retain majority ownership. There are 20 steel mills, 10 companies extracting iron ore and eight producing steel pipes in the sector. **Ukraine** is the world's seventh largest producer of steel, and is also a substantial producer of aluminium.

Recent output: There are signs that the decade-long decline in industrial production is bottoming out, with industrial output increasing by 12.6 per cent in the first 11 months of 2000, compared to growth of 3.4 per cent in 1999. Steel remained the largest manufacturing sector, contributing 29.8 per cent to total output in the third quarter of 2000, with food processing contributing 13.5 per cent and machinery manufacturing 10.0 per cent. The two most industrialised regions are Donetsk and Dnepropetrovsk, which accounted for 20.3 and 17.2 per cent respectively of total production in the first three quarters of 2000.

Services: The performance of Ukrainian services has declined less precipitously than industry, and the sector's output as a proportion of GDP increased substantially, from 28.7 per cent in 1989 to 48.8 per cent in 1999, in which year it employed approximately 41 per cent of the labour force. The sector suffered as a result of the banking collapse in 1998-99, contracting by 1.8 per cent in 1999.

Banking: A two-tier banking structure was created in 1991, with the National Bank of **Ukraine** (NBU) taking the role of the central bank. The five successor banks of the former Soviet state-owned specialist banks dominate the private sector, with a further 200 smaller private banks. Two of the former specialist banks (the State Savings Bank and the State Export-Import Bank of **Ukraine**) remain directly state-owned with the other three majority owned by state enterprises (Prominvest, Agroindustrial Bank Ukraina and Ukrosotsbank). The Ukrainian banking sector is highly concentrated, with the top five banks holding about 70 per cent of the total banking assets (compared to 33 per cent in Russia). By late 2000, there were 160

banks are owned by non-government entities, although the majority of larger banks remain under indirect state control. As a result of the hyperinflation of the early 1990s, confidence in the banking sector among the population is low. Bank assets amount to approximately 10 per cent of GDP, a startlingly low figure compared to Western countries, where the figure is usually over 100 per cent. The lack of land reform and high interest rates have kept customers away from the banks and few banks are willing to offer loans to the private sector. The development of the banking system is further inhibited by the high level of inter-firm debt. This is exacerbated by the poorly conceived and weakly enforced bankruptcy laws in the republic. Consequently, the level of bad debts in the system is thought to be vast. The banks faced further reversals following the collapse of the Russian financial system in 1998, and had not recovered in 2000, with the sector as a whole suffering net losses of US$700 million in the first 10 months of the year.

Financial markets: The **Ukraine** Stock Exchange (USE) was founded in Kiev in 1991. It remains under-utilised, open for business for a total of 156 days in 2000, with only 25 companies listed. The exchange began holding daily trades in Treasury Bills during 1999, with a major restructuring of government bond issues in early 2000 increasing the volume of bond trading significantly, and the total value of bonds traded in 2000 was H2.2 million (US$404,000). The Russian financial crisis of 1998 devastated equities trading on the USE, but despite poor liquidity in the financial sector, trading increased more than three times in 1999, taking total market capitalisation to US$848 million by the end of the year. Accelerated privatisation aided further recovery in 2000, with turnover generated by sell-offs of state companies reaching H187.8 million (US$34.5 million) for the year. The total value of share trading on the secondary market for 2000 was H14.4 million (US$2.6 million).

Telecommunications: At independence, **Ukraine's** telecommunications network was antiquated, inefficient and unreliable. Heavy investment since then has seen network expansion and modernisation and the practice of booking international calls days in advance is long gone, although land line coverage remains below 20 per cent. Ukrtelekom, the state telecommunications monopoly, was originally designated a strategic company which could not be privatised, but in August 2000 President Kuchma signed into law a bill to sell a 49 per cent stake, after a torrid passage through the Rada. Previous attempts at privatisation, initiated in 1999, failed due to the dominance of the communist bloc in the Rada. Major international companies such as Korea Telecom and Germany's Deutsche Telekom expressed interest in moving into the under-developed sector, with pre-privatisation reforms already bearing fruit in the form of pre-tax profits of US$38 million in the first half of 2000, after several years of losses. Privatisation will enable substantial investment to update the network, and in December 2000 the European Bank for Reconstruction and Development also indicated its own approval by signing a deal for twin loans to the Ukrainian government and Ukretelekom, worth a combined total of US$150 million. Projects planned include the installation of fibre-optic cables in the Odessa and Uzhgorod oblasts, and the expansion of digital networks in major cities such as Donetsk, Feodosia, Kharkov and Yalta.

Tourism: Kiev opened its first five-star hotel in 1999. Previous attempts to open a Western style and quality hotel had been blocked by the city council which owns the Intourist hotels where Western prices are charged for Soviet style and sub-standard rooms and service. The tourist industry remains small, with fewer than a million visitors per year, many of whom are returning nationals. It makes a negligible contribution to foreign exchange earnings. In October 2000, it was reported that the cash-strapped Ukrainian army was planning to offer a military tourism programme, opening its 11 military training grounds and three air bases and offering tourists an opportunity to experience life as a soldier.

Transport:

Road: **Ukraine's** road network extends for about 172,000 kilometres, of which 163,937 kilometres is paved (including 1,875 kilometres of expressways). The two most important routes, north-south and east-west, intersect at Kiev. There are a large number of transport businesses operating services between **Ukraine** and Western Europe, although transport within **Ukraine** is unreliable and corruption widespread. Road maintenance and construction is the responsibility of Ukrdorstroi (Ukrainian State Committee for Road Construction), a conglomerate of separate enterprises. Ukravtotrans (Ukrainian State Committee for Auto Transport) controls the road transport system and is responsible for about 21 per cent of all freight transport. Agricultural and industrial enterprises have their own transport equipment. Ukravtotrans also provides about 65 per cent of all passenger road transport, operating 52,000 buses. An increasing shortage of buses due to a lack of spare parts is causing severe problems in most areas, particularly as 80 per cent of passenger transport is by bus.

Rail: During the Soviet era **Ukraine's** extensive 22,800 kilometre rail network transported 75 per cent of exports and 65 per cent of imports. However, the collapse of the USSR led to an immediate decline in rail transport between the republics and has caused severe financial problems. The different gauge track used in the former Soviet Union makes transporting goods by train from Western Europe a complicated and slow process. However, the rail system does connect with Poland, Belarus and Russia.

Water: There are 4,400 kilometres of navigable inland waterways in **Ukraine,** of which 1,672 kilometres are on the Pryp'yat and Dnepr, the latter of which runs north to south through Kiev. Principal cargoes carried on the river include sand, coal and iron ore. There are ports at Kherson, Zaporozhye, Dnepropetrovsk and Kiev on the Dnepr. **Ukraine** also has well developed sea ports on the Black Sea at Odessa, Izmail, Kherson, Yalta, Sevastopol, Kerch, Berdyansk and Mariupol (formerly Zhdanov). The effects [illegible] Danube, hitting the Ukrainian port of Izmail particularly hard. The Nato bombing campaign over Kosovo and Serbia in 1999 also lead to problems on transshipments via the Danube. The state-owned Ukrmorflot (Ukrainian State Committee for the Sea Fleet) was created in 1992 to manage sea transport. Ukrmorflot owns three shipping lines, the Black Sea Shipping Company (Blasco), the Azov Sea Shipping Company and the Danube Shipping Company. The Black Sea tends to be off the major shipping routes, although main ports like Odessa are served by feeder vessels from Mediterranean ports like Piraeus, Istanbul or Tauro.

Air: The portion of the Aeroflot fleet inherited by **Ukraine** was turned into a national carrier, Air **Ukraine.** In 2000, the European Bank for Reconstruction and Development (EBRD) provided Air **Ukraine** with US$5.4 million to support the development of routes between **Ukraine** and Western Europe. Borispol airport in Kiev has been totally refurbished with a grant from the EBRD and is now up to Western standards. Fuel and spare parts shortages mean that flights can be cancelled or delayed at the last minute. Air **Ukraine** employs 40,000 people and flies internal routes. In the long-term Air **Ukraine** aims to replace its Soviet made fleet with Western equipment and aircraft which consume about 20 per cent less fuel than the Ilyushin and Tupolev planes. **Ukraine** International Airlines (UIA) was set up in 1992. The state owns 68 per cent, AirFI, a leasing company, owns 13 per cent and Austrian Airlines and Swissair own 19 per cent. The company is also partner to Sabena, Iberia, Blue Panorama Airlines and KLM Royal Dutch Airlines. Other airlines in **Ukraine** include: Air Urga (domestic passenger and cargo flights); Atlant SV Airlines (international, regional and domestic passenger and cargo flights); BSL Airlines (regional and domestic passenger and cargo flights); Crimea Krymavia Airline; Dneproavia Airline (regional and domestic passenger and cargo services); Aerosweet (services to former Soviet republics); and Lviv Airline (subsidiary of Air **Ukraine).**

Telecommunications:

Courier services: Among international courier companies, UPS and Federal Express both operate services in **Ukraine.**

Internet/e-mail: Internet usage is limited, but expanding, with the 190,000 users at the end of 1999 expected to grow to 320,000 by 2002.

Mobile phones: Ukrainian Mobile Communications (UMC), a subsidiary of Ukrtelekom, has operated a non-GSM service, under a 15 year licence, since 1997. Coverage is limited outside Kiev, Lviv, Donetsk and Kharkov. There were only 2 mobile phones per 1,000 people in 1998.

Investment and trading regulations:

Foreign investment: The Ukrainian government is actively promoting increased foreign and domestic investment. A weak legal environment, poor bankruptcy laws, a dire record of inter-company debt, increased levels of corruption and an uncertain political and economic environment all militate against the success of this policy however. In 1997, the Foreign Investment Advisory Council (FIAC) was created, to augment the Agency for the Development of Enterprise (ADE) by providing a forum where foreign companies could liaise with the government to further trade and investment. The accession of Prime Minister Yuschenko, his acceleration of reform and privatisation and successful debt restructuring in the first quarter of 2000 all contributed to a rapid growth of investment, albeit from low levels. Foreign direct investment, which stood at US$489 million in 1999, increased to US$588 million in the first three quarters of 2000 alone. However, in December 2000, the US Overseas Private Investments Corporation (OPIC) continued to point to unfavourable investment conditions in **Ukraine,** in particular the problems of raising finance.

Regulations and restrictions: Despite development in the legislative and administrative framework for foreign investments, many companies are wary of the opaque legal system, bureaucratic rigidity and increasing levels of corruption. The government has also been accused of favouring local companies (generally weakly capitalised but with good political connections) rather than international companies with the cash and know-how so desperately needed.: Foreigners may wholly own and manage limited responsibility partnerships or joint-stock companies with the free repatriation of profits. Approval of the central bank is usually required to transfer convertible currencies abroad. Government approval for foreign investment proposals is only required in joint ventures with state enterprises or in key sectors. Full compensation is payable if private property is expropriated. New codes in mid-2000 set out rights for minority shareholders in Ukrainian companies.: All foreign investments must be registered with the Ministry for Foreign Economic Relations. The registration period for limited liability and joint-stock companies is usually about two months. Licences are required for specific activities including the production and sale of alcohol and tobacco and the exploitation of mineral resources. Applications to establish an enterprise in **Ukraine** must be submitted to the district or local authority of the area where the business is to be established. Following approval from local authorities, the company will be registered with the Ministry of Finance in order to receive a tax registration number and be eligible for tax exemptions. A hryvna bank account must also be opened.:

Main sectors: In the first half of 2000, Cyprus became the second largest investing country in **Ukraine** after the US. Cypriot investments for the period reached US$127 million, bringing their total value since Ukrainian independence to US$337 million, while US investments of US$40 million in the first half of 2000 took that country's total to US $629 million. Total inward investment in **Ukraine** since independence had reached US$3.6 billion by mid-2000, only 15 per cent of the amount invested in leading EU accession candidates such as Poland over the same period.:

Privatisation: Foreigners may participate in the privatisation process or acquire private enterprises (made easier since the beginning of 1996 as the privatisation of small enterprises has speeded up). The creation joint ventures or developing greenfield sites is also possible. Credit Suisse First Boston and Deutschebank have been the leading financial consultants for privatisation projects, although as the programme accelerated in 2000, the Ukrainian government sold a number of smaller companies directly without intermediary.:

Currency: The official hryvna exchange rate is determined daily at the Ukrainian Interbank Currency Exchange. The 1996 foreign investment law guarantees unhindered transfer of revenues and proceeds in foreign currency (but the export of local currency is prohibited.) After the flotation of the hryvna in 2000, moves to liberalise currency exchange by allowing Ukrainian banks to trade currencies freely were to some extent reversed and the requirement of approval from the central bank for transfers of hard currency was reimposed. In late 2000, disparities remained between official and unofficial exchange rates, and foreign companies are likely to find it difficult to convert large amounts of currency through commercial banks, obliging the use of the Interbank Currency Exchange at an unfavourable exchange rate.

Trading: The government liberalised the trading environment following independence, with numerous enterprises authorised to undertake external trade. Businesses wishing to carry out foreign trade must [illegible]

As part of its reform of the taxation system, **Ukraine** is in the process of streamlining and reducing the plethora of taxes that imports are subject to. Excise tax has been eliminated on all goods except tobacco products, alcohol and alcoholic beverages, petroleum products, automobiles and jewellery, although in a sign of changeable government policy, the level of excise duties on the remaining items is set to be increased in 2001-2002. Restructuring of the customs administration also began in 1999, with the World Customs Organisation contacted to develop a valuation database on import prices to use as a basis of import taxes which ranged from 5-200 per cent in 2000. All imports are subject to value added tax (VAT) of 20 per cent. A Free Experimental Economic Zone has been established in the Krasnoperekopsk District. Two additional economic zones were created in Donetsk (for modern technology) and Slavutych in 1998 and a further one at Azoz, near the trading port of Mariupol (for transit cargo shipments) is to be established. Taxation benefits include: - No quotas, licenses, VAT, import duties or customs tariffs on imports. - No customs duties, excise duties, customs tariffs or VAT on exports. - 10 per cent reduction in business profits tax. - 33 per cent reduction on VAT tax on incomes received by non-residents. - Elimination of innovation fund and Chernobyl taxes. Anti-dumping duties of up to 150 per cent were imposed on Ukrainian metals and metallurgy exports during 2000 by the governments of Russia, the USA and Canada.

Financial services:

Banking: The National Bank of **Ukraine** (NBU) is the country's central bank and is independently responsible for monetary policy, including setting interest rates, regulating and supervising commercial banks and for currency regulations. As part of its programme to restructure the banking sector, the NBU is being strengthened. The Law on the National Bank, introduced in late 1998, details the powers of the NBU to manage the liquidity of the banking system through open market operations and two standing facilities. Its banking supervision role has also been expanded and a 'large bank department' has been formed within the NBU to enhance its administration. In order to improve the liquidity of the banking sector, the 'Law on Banks and Banking' was introduced in 1998 and has instituted minimum capital requirements of H5 million (US $0.9 million). The NBU has increasingly called for the minimum capital requirement to be increased to H25 million (US$4.5 million). Supervision of the sector is being improved also but, crucially, until land reform is introduced to give individuals collateral for loans and until the banks wean themselves off government securities, banking in the **Ukraine** will remain underdeveloped and inadequate to assist economic development.

Stock exchange: Although the **Ukraine** Stock Exchange, founded in 1991, is the most regulated and centralised trading system in **Ukraine,** at the start of 2000 no independent and transparent share registration and share custody regulations existed and the rights of minority shareholders were not protected. During 2000 the legislative foundations for improving this situation were laid. These included a Statute of Rules which will set up a state securities commission to replace the current self-regulating Exchange Committee, the creation of a Central Ukrainian Depository to initiate a unified clearing and settlement system, and the beginnings of a code to grant rights to minority shareholders.

Labour regulations:

Nature of market: In June 2000, the total labour force was estimated at 23.3 million, of whom 20.7 million were in employment, giving an unemployment rate of 11.4 per cent, little changed from an annual average of 11.9 per cent in 1999. However, retirement ages of 60 for men and 55 for women are significantly lower than many Western European countries, but some 23 per cent of those over retirement age are still in employment, so that the real unemployment rate among the economically active population is closer to 35 per cent. Approximately 49 per cent of the workforce is female. The labour force is well educated, with a literacy rate of almost 100 per cent. Average monthly salaries were US$46 in September 2000, compared to US$42 in September 1999, although with inflation at over 20 per cent this equated to a decline in real wages. Total Ukrainian wage arrears fell from a peak of H7.0 billion (US$1.3 billion) in mid-1999 to H5.8 billion (US$1.1 billion) in October 2000.

Labour restrictions: Complex and politicised workplaces with powerful and militant trade unions create considerable obstacles to managing personnel effectively. Although labour regulations are theoretically flexible, central and in particular local authorities may intervene to prevent dismissals in sensitive areas, and many Ukrainian employers are reluctant to shed staff. As a result of falling real wages, many workers now have several unofficial jobs in addition to their official employment. As a result of the training emphasis during the Soviet era, there is no shortage of skilled heavy engineering staff, but high technology training in **Ukraine** is limited compared to the growing demands of information commerce.

[redacted] arrears. Strikes in protest at wage arrears and redundancies took place among miners, teachers and nurses during 2000.

Taxation: The July 2000 law on taxation could see the top rates of corporate and personal income taxes cut to 20 per cent and value added tax to 17 per cent by 2002. Tax collection in **Ukraine** suffers from an excessively complex structure and staffing difficulties, and evasion remains widespread. As part of a major package of tax rationalisation passed in mid-2000, the total number of tax categories was cut from 36 to 13 at national and 10 at local level. The package also envisaged cuts in corporate income and value added taxes, and the reduction of personal income tax bands from five to two. There are plans to merge the auditors from the Tax Militia Department into the audit divisions of the Legal Entities and Physical Persons Department and to adopt a national audit plan. This is to be integrated with specialised collection enforcement arrangements in all regions; these measures are strongly encouraged by the IMF.

Rates:

General guide to taxation, 2000:

(Maximum rates, % unless stated otherwise):

Corporate taxes:

Income tax 30:

Branch tax 30:

Capital gains tax 30:

Withholding tax::

  Dividends 30:

  Interest 15:

  Royalties 15:

  Freight 6:

  Other Ukrainian-source income 15:

  Branch remittance tax 0:

Net operating losses (years)::

  Carryback 0:

  Carryforward 5:

Personal taxes:

Income tax 40:

Capital gains tax	40:
Net worth tax	0:
Estate and gift tax	0:
Other taxes:	
Value added tax:	
Standard rate	20:
Export rate	0:
Innovation fund	1:

[illegible]

International treaties: **Ukraine** honours all the tax treaties signed by the former USSR, except those superceded by new treaties or renounced by the other party. There are double tax treaties with Armenia, Belarus, Canada, Denmark, Estonia, Germany, Hungary, Kazakhstan, Latvia, Moldova, the Netherlands, Norway, Poland, Slovakia, Sweden and the United Kingdom.

[illegible] **Ukraine** is situated in Eastern Europe. The largest country entirely within Europe, **Ukraine** covers 603,700 square kilometres, stretching 2,000 kilometres from east to west and 1,000 kilometres from north to south. The Crimean Peninsula in the south juts into the Black Sea, and has the Sea of Azov to the east. In eastern **Ukraine,** the country is bordered by Russia to the east and north. In the western part of the country the northern border is with Belarus, and there are western borders with Poland and Slovakia. There are also short borders with Hungary, Romania and Moldova to the south-west, and a small salient of land south of Moldova which borders Bulgaria and has access to the Danube River delta. The average height above sea level in **Ukraine** is only 175 metres, and most of the land area is composed of rolling steppes and wooded plains. About two-thirds of the country is covered by a thick layer of humus rich soil, making it one of the most fertile regions in the world. The only mountains are in the south on the Crimean peninsular (maximum height 1,545 metres) and the Carpathians in the west (maximum height 2,061 metres). The main rivers are the Dneper which drains the central regions of the country and flows into the Black Sea near Kherson and the Dnester which flows through western **Ukraine** and Moldova before entering the Black Sea near Odessa.

Climate: The moderate continental climate varies little across the country. The Black Sea resorts around Odessa and Yalta are usually warmer and drier than the rest of **Ukraine.** The average rainfall per year is 1,440 millimetres, with the Crimea receiving only 400 millimetres. Average temperatures in Kiev range from 20 degrees Celsius in July to minus 7 degrees Celsius in January. Average temperatures in Lviv in western **Ukraine** range from 16 degrees Celsius in July, to minus 5 degrees Celsius in January.

Dress codes: Business clothes are appropriate for meetings, including a suit or jacket with a tie for men and formal clothing for women.

Social customs/useful tips: Tips are not expected at most cafes, although at more expensive restaurants a tip of between 5 and 10 per cent is appropriate. Small gifts for your host are appreciated in the event of personal hospitality. Handshaking is customary on meeting and on leaving. The formal mode of address, Mr (Pan) or Mrs (Pani) is usual even after several meetings. The use of business cards is widespread. It is important to be on time for meetings and appointments. Referring to **Ukraine** as part of the Soviet Union, or even worse as part of Russia, is a serious insult. The post-independence reaction to decades of 'Russification' led to strong nationalistic feelings, particularly in western **Ukraine,** and unless you know your Ukrainian host well avoid talking about relations with Russia.

Eating habits: Ukrainian food is similar to Russian, with most dishes based around grains, vegetables (potatoes, cabbage etc), beef, pork, poultry and fish seasoned with paprika, garlic, dill or vinegar. Puddings are usually based on a combination of honey and fruits and often baked into sweet breads. Restaurants can leave much to be desired, with poor service and limited menus. The best Ukrainian cooking is found in the home, with eating out an unaccustomed luxury for most Ukrainians. Yidalnya, stolova, kafe and bufet are cafeterias where drinks and hot food are readily available, although the quality can vary. Traditional Ukrainian dishes include: varenyky (small dumplings filled with a variety of ingredients, usually cheese or meat and a sour cream sauce), borscht (a beet and vegetable soup in numerous forms, the best borscht is the thickest with the most vegetables), holubtsi (cabbage leaves stuffed with rice, meat or buckwheat), kotleta po-Kievsky (the original chicken Kiev, although it can be difficult to find) and kasha (grain based gruel). Drinking is one of the few pastimes most Ukrainians can still afford. Vodka (neat of course) is the favourite tipple of most people and can be bought in cans. Visiting foreigners can soon become involved in a serious drinking session as the hospitable Ukrainians welcome you to their country. Beer is not pasteurised which means it goes off within a few days of production: check the date on the bottle. Rogan beer is establishing a growing reputation for good quality. The Crimean and Transcarpathian regions also produce very good wines.

Security: Normal precautions should be taken when visiting **Ukraine** - avoid displaying large amounts of cash or expensive personal belongings. Avoid travelling alone at night in Kiev, particularly on the metro or in the city's parks.

Entry requirements:

Currency advice/regulations: Hard currency can be changed in hotels or at the numerous street kiosks. Illegal money changers carrying plastic bags stuffed with notes can frequently be seen in hotel foyers, but penalties are severe (possibly including deportation) and rates are little better than through legal bureaux. The most easily exchanged currency is the US dollar, and travellers' cheques are accepted only at selected bureaux in the major cities. All imported hard currency must be declared on arrival, and visitors are not usually permitted to re-export more than the originally declared amount. The import or export of local currency is prohibited. It is possible to withdraw money from automated teller machines (ATMs) in Kiev, using cards belonging to the leading Western networks.

Customs: Small amount of personal goods are allowed duty free. On arrival, declare all valuable items such as jewellery, cameras, computers and musical instruments. If visiting relatives in **Ukraine,** passengers must register with local police on arrival.

Passports: Required by all

Prohibited imports: Weapons, narcotics and certain pharmaceutical and communications products are subject to import restrictions and licences are issued by the relevant government ministries.

Visa: Visas are required by all except nationals of Poland, Bulgaria, the Czech Republic, Hungary, Mongolia and Romania. Visa requirements for Slovak nationals were reimposed in May 2000. Ukrainian visas are not valid in the Russian Federation or Belarus, and vice versa. Visas are valid for three months, or alternatively applications can be made for multiple-entry visas lasting six months. It is advisable to obtain visas in advance. Since May 2000, a letter of invitation is no longer necessary to obtain a visa.

Health (for visitors):

Mandatory precautions: Vaccination certificates are mandatory if you are travelling from a cholera or yellow fever infected area. An HIV (AIDS) test is required for long-stay visitors only. A UK-issued certificate is usually accepted. All visitors entering **Ukraine** are required to purchase health insurance at the airport of entry and prior to passing through immigration control. British passport holders are exempt due to a reciprocal agreement between the Ukrainian and British governments.

Advisable precautions: Water precautions are recommended (water purification tablets may be useful). It is advisable to be 'in date' for the following immunisations: polio (within 10 years), tetanus (within 10 years), typhoid fever and hepatitis 'A' (moderate risk only). There is a rabies risk. Any medicines required by the traveller should be imported and it is advisable to have precautionary antibiotics if travelling outside the major urban centres. However, there are restrictions on the import of some pharmaceuticals and visitors are advised to check with their local Ukrainian embassy prior to travel. A travel kit including a disposable syringe is a reasonable precaution.

Media:

Press: Censorship is a routine part of life for the press in **Ukraine,** assisted by the large state-owned printing press, Presa Ukrayiny, which can operate as an unofficial censor. The president's office also regularly takes legal action for defamation against any newspapers which criticise government policy, and a number of prominent journalists responsible for exposing corruption among ministers or the country's powerful business oligarchs have disappeared in recent years.

Business: The principal business newspaper is Eastern Economist Daily, published in Ukrainian and English.:

Dailies: Main dailies include Golos Ukraina, Uriadoviy Kurier, Kievski Vedomosti (Kiev), Komsomolskaya Pravda and Izvestia.:

Weeklies: The main weekly is Selski Visti.:

Broadcasting: Russian TV and radio stations are restricted from broadcasting in **Ukraine.** The border areas are the only regions that can receive uncensored ORT programmes.

Radio: There are 14 radio stations, 10 of which are commercial. The state-run Radios 1, 2 and Promin Radio (Channel 3) dominate the radio sector.:

Television: There are 20 TV stations, 17 of which are commercial. A Polish channel can be received in the Lviv area and the Russian channel Ostankino can be received in most areas.:

Advertising: The advertising industry is concentrated in Kiev. International advertisers dominate.

Working hours:

Business: Mon-Fri: 0900-1800.

Government: Mon-Thu: 09700-1700; Fri: 0900-1200.

Banking: Mon-Fri: 0930-1730. Open 24 hours at Kiev Borispol airport, but only until noon at Odessa

Shops: Mon-Sat: 0900-1900.

Public holidays:

	2000	2001:
New Year's Day	1 Jan	1 Jan:
Orthodox Christmas Day	7-8 Jan	7-8 Jan:
International Women's Day	8 Mar	8 Mar:
Orthodox Holy Week*	28-30 Apr	13-15 Apr:

International Labour Day 1-2 May 1-2 May:

Victory Day (1945) and :

Mother's Day 9 May 9 May:

Independence Day (1991) 24 Aug 24 Aug:

*variable dates:

Getting there:

Air:

Airport tax: None:

National airline: Air **Ukraine.**:

Main airport: Borispol International Airport, 27 kilometres south-east of Kiev.:

Surface:

Road: The main roads into **Ukraine** enter from Slovakia and Uzhgorod, Belarus near Kovel and and Russia at Kharkov and Stakhanov.:

Rail: There are links connecting Kiev with all Commonwealth of Independent States (CIS) member states. Direct rail connections are available to Warsaw in Poland, Budapest in Hungary and Bucharest in Romania. Trains may be slow and uncomfortable.:

Water: There are ferry services from Russia to the Crimean ports. Odessa and Yalta on the Black Sea regular arrivals from Haifa, Istanbul, Limassol, Piraeus and Port Said. Riverboats from Odessa go to a number of Central European cities via the Danube.: Main portsThe main Crimean ports are Yalta and Sevastopol, with Kerch the main port for the Sea of Azov. Izmayil is the main Danube River port, and Odessa is the largest Black Sea port.:

Getting about:

National transport:

Air: The main airports at Kiev (Borispol, Terminal A), Odessa, Lviv and Ivano-Frankivsk all handle domestic traffic, as do 19 other regional airports. Smaller airports are subject to temporary closures due to power failures and fuel shortages.:

[illegible] as they are reasonably cheap. Payment is requested in hard currency. Agree a price before setting off.: BusesUkraine has an extensive bus network, with routes to every city and most smaller towns. Most buses are overcrowded, but well heated.:

Rail: The Ukrainian rail network links the major cities, most of which are at least one night's travel apart. There are three types of sleeper carriage: the spalny vahon is the first class compartment for two people; the kupe or kupeyny is the second class compartment for four people; and the platskart is the third class open carriage with groups of six bunks in each alcove, with more beds along the aisles - avoid the platskart unless absolutely necessary. Remember to take your own food and drink, although the carriage attendants usually provide cups of tea at the start and finish of the journey.: Foreigners can usually buy rail tickets from separate offices with English-speaking clerks, although the price will be slightly higher.:

Water: Passenger transport is available on **Ukraine's** rivers,the Dneper and Dnestr, which traverse large areas of the country, but price increases, lack of spare parts and cheaper land-based transport have caused a sharp decline in these services.:

City transport:

Taxis: In most cities there are official taxis with set fares, unofficial 'gypsy cabs' with negotiated fares and fixed-route, fixed price shared taxis which operate as minibus services. The taxi journey from Borispol airport to Kiev city centre takes about 40 minutes.:

Buses/trams: In every city and town the buses, trams and trolleybuses are extremely crowded, but are very cheap and widely available from kiosks. In Kiev there are shuttle buses from the airport to the city centre, journey time 40 minutes.:

Metro: Kiev and Kharkov have extensive metro systems. Tickets can be bought at the stations.:

Car hire: International agencies are represented in the capital city. Private garages are available, although a shortage of spare parts still exists. Availability of suitable petrol remains problematic, as unleaded petrol is unavailable. In addition, insurance cover can be difficult to arrange. Speed limits are 60 kph (37 mph) in built-up areas, 90 kph (55 mph) in open areas and 110 kph (69 mph) on motorways. Traffic drives on the right and an international driving permit is required. The use of right-hand-drive cars is prohibited, and driving having consumed any amount of alcohol is illegal. **Ukraine** is a member of a number of [illegible]

Labour Organisation (ILO) International Maritime Satellite Organisation (INMARSAT) International Olympic Committee (IOC) North Atlantic Co-operation Council Organisation for Security and Co-operation in Europe (OSCE) United Nations (UN) and its agencies, including: Food and Agriculture Organisation (FAO) International Atomic Energy Agency International Bank for Reconstruction and Development (World Bank) International Civil Aviation Organisation International Monetary Fund (IMF) International Telecommunications Union (ITU) United Nations Educational, Scientific and Cultural organisation (UNESCO) United Nations Industrial Development Organisation (UNIDO) Universal Postal Union (UPU) World Health Organisation (WHO) World Intellectual Property Organisation (WIPO) World Meteorological Organisation (WMO) World Association of Nuclear Operators World Energy Council **Ukraine** has requested to join the World Trade Organisation (WTO).

Army: Ukranian ground forces have 171,300 active personnel. Army equipment Main battle tanks 4,014 (T-55, T-62, T-64, T-72, T-80)
Reconnaissance vehicles 1,500 na
Armoured infantry fighting Vehicles 3,079 (BMP-1/ -2/-3, BRM-1K, BMD-1/-2)
Armoured personnel carriers 6,823 (BTR-60/-70/-80, BTR-D, MT-LB)
Attack helicopters 276 (Mi-24)
Support helicopters 214 (Mi-2/-6/-8/-26)
na = information not available Source: International Institute for Strategic Studies 1998/99 Navy Naval equipment Submarines 4 na
Principal surface combatants 9 na
Patrol and coastal combatants 11 na
Mine countermeasures 5 na
Amphibious 7 na
Other vessels 9 na
Naval aviation 184 (MiG-29, Su-17, Su-25, Tu-22M)
na: information not available Source: International Institute for Strategic Studies 1998/99 Air force The Ukranian air force has 124,400 servicemen, with some 786 combat aircraft and a further 380 in storage. Air force equipment Bombers 28 (Tu-22M)
Fighter/bombers 166 (Su-24)
Ground attack 34 (Su-25)

Fighters	423	(Mig-23/-25/-29, Su-77)
Reconnaissance	112	(Tu-22, Su-17/-24, Mig-25)
Electronic countermeasures	29	(Mi-8)
Transport	288	(Il-76/-78, An-12)
Training	452	(Tu-22M, L-39)
Attack helicopters	24	(Mi-24)
Support helicopters	168	(Mi-6/-8/-24)

Source: International Institute for Strategic Studies 1998/99

Telephone area codes: The international dialling code (IDD) for **Ukraine** is + 380 followed by the area code:

Dnepropetrovsk	56
Donetsk	62
Kharkov (Kharkiv)	57
Kiev	44
Lviv (Lvov)	32
Odessa	48
Sevastopol	69
Simferopol	65
Yalta	65

Useful telephone numbers:

Address enquiries: 061 Paid enquiries service: 009:

Directory enquiries: 09 Railway timetable: 09:

Fire brigade: 01 River port: 416-1268:

Hospital enquiries: 003 Taxi: 058:

Lost property :

office: 229-7844:

Militia (Police): 02 Taxi enquiries: 225-0396:

Time: 060:

Car hire: Kiev Avis, Hertz, Europcar are represented.

Chambers of commerce: Kiev Chamber of Commerce and Industry (Kievvneshservice), Velyka Zhytomyrska Street, 254601 Kiev (tel: 212-2958; fax: 228-2477). Ukrainian Chamber of Commerce and Industry, 33 Velyka Zhytomyrska Street, 254601 Kiev (tel: 212-2911, 228-1556; fax: 212-3353).

Banking: Aggio Joint Stock Bank, 9 Leskova Street, 252011 Kiev (tel: 295-0305; fax 295-3164). Commercial Bank (Ekspobank), 2-4 Volodarskogo Street, 254025 Kiev (tel: 216-1676 ;216-6073). First Ukrainian International Bank (under full management of Bank Mees and Hpe Pierson NV, ABN/AMRO), 8 Prorizna Street, 252034 Kiev (tel: 224-2187; fax: 224-2055). Gradobank, 1 Dimitrova Street, 252650 Kiev (tel: 261-9191; fax: 268-1530). Inki Bank, 10/2 Mechnikova Street, 252023 Kiev (tel: 294-9219; fax: 290-6292). Legbank Commercial Bank for Light Industry, 8/10 Esplanadna (Kuybysheva) Street, 252601 Kiev (tel: 220-6125; fax: 220-8684). Ukreximbank, 8 Kreshchatyk Street, Kiev (tel: 226-3363; fax: 229-8082). Ukrainian Bank for Foreign Economic Affairs, 8 Kreshchatyk Street, 252001 Kiev (tel: 293-1698). Ukrainian Financial Group Joint Stock Commercial Bank, 7 Vokzalnaya Street, 252032 Kiev (tel: 245-4560; fax: 245-4587).

Central bank: National Bank of **Ukraine,** 9 Instytutska Street, 252007 Kiev (tel: 293-5973, 226-2914; fax: 293-1698).:

Travel: Borispol Airport, Kiev (tel: 296-7454, 225-2252, 212-2592). International Touristic Corporation, Golden Shore, 4 Nahimov Avenue, 335000 Sevastopol, Crimea (tel: 524-114, 523-001; fax: 523-213). Ukrainian Airlines, Kiev (tel: 216-7040, 296-7293, 221-8380, 296-7455). National tourist organisation office Ukrintour (Ukrainian Foreign Tourism Association), 26 Bohdana Khmelnitskoho Street, 252030 Kiev (tel: 212-5570; fax: 212-4524).:

Ministries: Ministry of Agriculture and Foodstuffs, 24 Kreshchatyk Street, 252001 Kiev (tel: 226-2772; fax: 229-8756). Ministry of the Coal Industry, 4 Bohdana Khmelnitskoho Street, 252001 Kiev (tel: 226-2273, 228-0372; fax: 228-2131). Ministry of Communications, 22 Kreshchatyk Street, Kiev (tel: 226-2140; fax: 228-6141). Ministry of Culture, 19 Ivana Franka Street, 252030 Kiev (tel: 224-4911, 226-2645,226-2902; fax: 225-3257). Ministry of Defence, 6 Povitroflotsky Avenue, 252168 Kiev (tel: 224-7152; fax: 226-2015). Ministry of Economy (information on privatisation), 12/2 Hrushevskoho Street, 252008 Kiev (tel: 293-4005, 293-9329; fax: 293-6371). Ministry of Education, 10 Peremogy Avenue, 252135 Kiev (tel: 216-7210, 216-7763,216-1575; fax: 274-1049). Ministry of Engineering, the Defence Industry and Conversion, 6 Pushkinska Street, 252034 Kiev (tel: 229-0390; fax: 228-7653). Ministry of Environment Protection, 5 Kreshchatyk Street, 252001 Kiev (tel: 226-2428, 228-0644; fax: 229-8383). Ministry of Finance, 12/2 Hrushevskoho Street, 252008 Kiev (tel: 226-2044; fax: 293-2178). Ministry of Foreign Affairs, 1 Mihaylivska Square, 252018 Kiev (tel: 226-3379, 293-1581; fax: 226-3169, 293-3302). Ministry of Foreign Economic Relations, 8 Lvivska Square, 254655 Kiev (tel: 212-3005; fax: 212-5259). Ministry of Forestry, 5 Kreshchatyk Street, 252001 Kiev (tel: 226-3253, 226-2735, 228-5666; fax: 228-7794). Ministry of Health, 7 Hrushevskoho Street, 252021 Kiev (tel: 293-6194; fax: 293-6975). Ministry of Industry, 34 Kreshchatyk Street, 252001 Kiev (tel: 226-2623; fax: 227-4104). Ministry of Information, 2 Prorizna Street, 252601 Kiev (tel: 226-2871). Ministry of Internal Affairs, 10 Bogomoltsa Street, 252021 Kiev (tel: 291-3333, 226-3317; fax: 291-3182). Ministry of Justice, 13 Karl Marx Street, 252001 Kiev (tel: 226-2416; fax: 226-2416). Ministry of Labour, 28 Pushkinska Street, 252004 Kiev (tel: 226-2445, 226-2639, 226-3215; fax: 224-5905). Ministry for Nationalities, Migration and Cults Issues, 21/8 Instytutska Street, 252021 Kiev (tel: 293-5335; fax: 293-3531). Ministry of Power Engineering and Electrification, 30 Kreshchatyk Street, 252001 Kiev (tel: 224-9388; fax: 224-4021). Ministry for Protection of the Population against the Consequences of Chernobyl, 8 Lvivska Square, 254655 Kiev (tel: 212-5049; fax: 212-5069). Ministry of Social Welfare, 26-28 Kudriavka Street, 252053 Kiev (tel: 222-5555, 226-2401; fax: 212-2535). Ministry Statistics, 3 Shota Rustaveli Street, 252023 Kiev (tel: 226-2021, 227-7057; fax: 227-0783, 227-4266). Ministry of Transport, 51 Horkoho Street, 252005 Kiev (tel: 226-2266, 227-1029, 227-7087; fax: 227-7351). Ministry of Youth and Sports Issues, 42 Esplanadna Street, 252023 Kiev (tel: 220-0200, 220-1461; fax: 220-1294).

Hotels: Kiev Bratislava, 1 M Malyshka Street, 252192 (tel: 559-6920; fax: 559-7788). Dnipro, 1/02 Kreshchatyk Street, 252001 (tel: 291-8102; fax: 229-8213). Kreshchatyk, 14 Kreshchatyk Street (tel: 7339). Kiev, 26/1 Krushevskoho Street, 252021 (tel: 293-0155; fax: 293-8147). Kievskaya (formerly the Intourist), 12 Hospitalna Street (tel: 227-1934; fax: 220-4144). Lybid, 1 Ploscha Peremohy, Victoria Square, 252135 (tel: 274-0063; fax: 224-0574). Moskva, 4 Instytutska Street, 252081 (tel: 229-0347, 228-2804). National (old building), 1 Lypska Street (tel: 291-8777; fax: 291-8787). National (new building), 5 Lypska Street (tel: 291-8888; fax: 291-8787). Rus, 4 Hospitalna Street (tel: 220-4255; fax: 220-4396). Salyut, 11a Sichnevogo Povstannya Street (tel: 290-6130; fax: 290-7272). Ukraina, 5/7 Shevchenko Boulevard, 252002 (tel: 229-8614). Odessa Chornoe More, 59 Lenin Street (tel: 242-028; fax: 240-031). Krasnaya, 15 Pushkinskaia Street (tel: 227-220). Londonskaya, 11 Primorski Boulevard (tel: 225-019; fax: 255-370). Ship 'Shevshenko', Port 2 Suvorova Street (tel: 245-112; fax: 223-360).

Other useful addresses: British Embassy, 9 Desyyatinna, 252025 Kiev (tel: 462-0011/15; fax: 462-0013). Cabinet of Ministers, 12/2 Hrushevskoho Street, 252001 Kiev (tel: 226-3263; fax: 293-2093). Committee for Standardisation, Methodology and Certification, 10 Kypska Street, 252021 Kiev (tel: 226-2971). EBRD Kiev Office, c/o National Hotel, 5 Lipska Street, 252021 Kiev 21 (tel: 291-8847,291-8977; fax: 291-6246). EU Co-ordination Unit - TACIS Programme, Agency for International Co-operation and Investment, 1 Mihailivska Ploscha, 252018 Kiev (tel: 212-8312; fax: 230-2513). European Centre for Macroeconomic

Analysis of **Ukraine,** Kiev (tel & fax: 228-3283; e-mail: ecman@gv.kiev.va Foreign Trade Organisation (UKRIMPEX), 22 Vorovsky Street, 252054 Kiev (tel: 216-2174; fax: 216-1926, 216-2996). International Finance Corporation Field Office, Suite 7, 28-A Lyuteranska Street, 252024 Kiev (tel: 293-4857, 293-8341; fax: 293-0539). Kiev City Administration, 36 Khreshchatyk Street, Kiev (tel: 220-8065; fax: 228-4718). Kiev Universal Commodity Exchange (KUCE), 1 Kudryashova Street, 252035 Kiev (tel: 276-7129, 244-0143, fax: 276-7129). Soros International Economic Advisory Group, Kiev (tel: 296-9877; fax: 269-5263). State Ukrainian Property Fund, 18/9 Kutuzova Street, 252133 Kiev (tel: 296-6963; fax: 296-6984). Ukrainian Association of Industrialists and Entrepreneurs, 34 Kreshchatik Street, 252001 Kiev (tel: 224-3122, 228-3069; fax: 226-3152). Ukrainian Exchange (commodities and stock exchange), 15 Proreznaya Street, 252601 Kiev (tel: 228-6481; fax: 229-6376). Ukrainian League of Enterprises with Foreign Capital, 19A Lyuteranska Street, 252073 Kiev (tel: 229-3544; fax: 229-8739). Ukrainian National News Agency (UKRINFORM), 8-16b Khemlnitski Street, 252601 Kiev (tel: 226-2469, 229-0143; fax: 229-2439/8007, 228-1659). Ukrainian Universal Commodity Exchange, 1 Academika Glushkova Avenue, 252085 Kiev (tel: [redacted] Street, 252024 Kiev (tel: 293-1110, 293-4045; fax: 293-4236).

Internet sites: Agency for the development of enterprise: http://www.ade.kiev.ua **Ukraine** business directory: http://www.business.com.ua Business/newspapers links: http://www.brama.com **Ukraine** Stock Exchange: http://ukrse.kiev.ua **Ukraine** Parliament: http://www.rada.kiev.ua UkraineT (links to useful sites): http://www.ukrainet.org

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