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KAZAKHSTAN: GOVERNMENT POLICY IN COUNTRY DEVELOPMENT

Source: Eurasianet

President Nursultan Nazarbayev used his state-of-the-nation address to confirm Kazakhstan's new-found assertiveness in energy policy. He also indicated that, over the near term, the government will strive to strengthen the country's relatively weak social safety net. Despite the fact that Kazakhstan has scored a major diplomatic triumph late last November – securing the chair of the Organization for Security and Cooperation in Europe in 2010 – international relations occupied a relatively low-profile place in Nazarbayev's speech.

Nazarbayev began his address, carried on the presidential website, by recalling how Kazakhstan recently managed to boost its stake in the Kashagan oil field. He then went on to pledge to continue this trend. "The main dimension in the oil-and-gas sector is boosting the position of the state as an influential and responsible participant on international oil and energy markets," he stated. "Work must be continued in this direction." The President gave his speech in parlia-

ment, whose lower house consists solely of deputies from the president's own Nur Otan party and a handful of appointees representing ethnic groups. The priority after last year's election, he said, is to implement manifesto pledges: more than doubling pensions and child benefits in the coming years, increasing state benefits by 9 percent from 2009 and doubling public-sector salaries by 2012. [...] Nazarbayev called for the development of a new state program, tentatively titled Path to Europe, which would set out Kazakhstan's agenda for chairing the OSCE and also boost economic cooperation, attract new technologies and improve Kazakhstan's legislation. On the domestic political front, Nazarbayev indicated that Kazakhstan would continue its current course, which he described as "the Kazakhstan model."

According to the president, this model seeks to combine "generally-accepted rules of democratic development and the traditions of our society." [...]

AZERBAIJAN: ECONOMIC MEASURES TO FIGHT INFLATION IN 2008

Source: Trend Capital

The Azerbaijani Government intends to strengthen economic and administrative measures to prevent the artificial rise in the prices in 2008, said Heydar Babayev, the minister of economic development of Azerbaijan, to Trend Capital. "The Ministry of Economic Development of Azerbaijan developed macroeconomic forecasts in 2007 and if there is no change in these speculations including the price rise of imported goods to Azerbaijan, we will achieve one-digit inflation as we planned," said the minister. At present the prices are not determined by the domestic market, but by global pressures which grow more intense throughout the

world economy. This will result in changes in Azerbaijani markets as the range of goods in Azerbaijani markets grow day by day and the demand for these goods increases due to the rise in the standard of living of the people, said the minister. "We cannot influence price-cutting for imported goods in the world markets with monitoring or with administrative measures," said Babayev. "We can only prevent the artificial rise in the prices," he said. The macroeconomic forecast for 2008 places inflation at 12% including the expected rise in prices of imported goods. The anti-inflation measures include exerting strong control over the use

of the investing program and the yield of the state securities which are expected to be raised within the government's monetary policy. Moreover, the fight against monopolization which influences the consumer market, and the artificial rise in the prices, is planned to be strengthened within the administrative measures. According to the International Finance Organization (IFO) estimations, the prices of the imported oil products increased by 24%.

Local production

The Azerbaijani President Ilham Aliyev stated about the strengthening of local production, and the

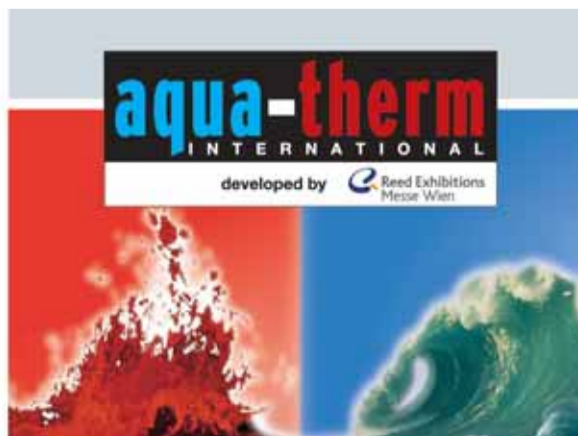
(Continued on page 4) >

UKRAINE: THE PRESIDENT INVITES FOREIGN BUSINESS TO INVEST IN UKRAINE

Source: Elvisti

Ukrainian President Viktor Yushenko invites interested partners to join promising investment projects in Ukraine. In the press-conference of the two-day world-wide Forum on Economics in Davos (Switzerland), he assures that today Ukraine has much to offer to world business groups. The Head of State confirmed that Ukraine currently holds very "active economic policy, which gives an excellent opportunity for dialogue with business." He cited examples of promising investment projects for foreign business, including, in particular, those related to preparation for Euro-2012. "This is a unique chance to develop interesting projects and investments," said Viktor

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International Exhibitions for Heating,
Ventilation, Air-conditioning, Water Supply,
Sanitary and Environmental Technology

Aqua-Therm Kiev
(Ukraine),
14-17 May 2008 - 10th edition

Aqua-Therm Almaty
(Kazakhstan),
17-19 June 2008 - 2nd edition

Aqua-Therm Baku
(Azerbaijan),
15-17 September 2008 - 1st edition

BDH INDUSTRY STUDY - HEATING AND VENTILATION TECHNOLOGY - 2nd part

THE MARKET FOR HEATING AND AIR-CONDITIONING TECHNOLOGY

Legal and Formal Framework

In principle, there exist in Kazakhstan no great obstacles for the import of heating and air-conditioning technology. The entry, the marketing and the operation of a whole array of products require, as in the other CIS Republics, a compulsory certification or the submission of a declaration of compliance, in order to comply with safety, ecological and health requirements. The general legal framework is defined in the Act "Concerning Technical Regulation", as amended,



the planning and construction of heating networks in regions with a high groundwater level (SN RK 4.02-09-2003), the planning and installation of heating networks using pipes with polyurethane foam insulation and galvanised steel sheathing (SN RK 4.02-11-2003).

The tariff rates for the import of heating, air-conditioning and ventilation technology are between 0% and 20% of the customs value of the goods. Because of the customs union with Russia, as a rule, these conform to the Russian rates.

The current tariff rates for selected products are listed in the following overview. VAT or the sales tax arising at import is currently 14%, from 2008 it is expected to be 13% and from 2009, 12%. The assessment basis for VAT is the customs value at import.

of around 2,200 units at a time, and chimney systems, there is almost no production of heating, air-conditioning and ventilation technology in the country. Gas- and liquid fuel-burning boilers are manufactured in the following factories: Teplotekhnika Plus (Heating Technology Plus), Almaty; Sigma-D, Uralsk; Household Technology Factory in Karaganda; Pavlodar Boiler Factory; Shyly Heater Factory, Almaty (this factory is also the sole Kazakhstani manufacturer of electric boilers for water heating in the over 100 kW category); Buran Boiler, Almaty; and REM, Kamenka (Almaty Province).

There is official statistical data on the domestic production of heating and air-conditioning technology, with the exception of the boilers product group, and only for ferrous metal heaters. The output in 2006 amounted to around 160 tonnes (other quantitative information is not available) and met only 0.7% of the country's calculated demand.

In general, it may be said that the Republic of Kazakhstan must obtain at least 95% of its total requirements in heating, air-conditioning and ventilation technology (including equipment for the industrial sector) from overseas. The bulk of imports comes from Russia, Italy, Germany, the People's Republic of China, Turkey and Korea (Rep.). Behind the purchases from Russia and, to some extent, also from Turkey, there are also quite substantial consignments of some product groups originating in Western European production plants. In the bfai survey, the Kazakhstani companies indicated that until recent years in Kazakhstan, largely open heating systems had been installed in single-family houses or in smaller multiple dwellings. Recently, the installation of closed systems has prevailed in the construction of single-family houses and smaller multiple dwellings (estates) by professional building firms. In rural areas, in the single-family houses built almost without exception single-handedly by the building owners or by microenterprises, furthermore, open heating systems dominate.

HEAT GENERATION

Gas- and Oil-Burning Boilers

The overall Kazakhstani market for heat generators (including installation) shows a significant growth in parallel with the booming construction industry. Industry insiders value the turnover in this market segment for 2006 at approximately US\$65 million to US\$75 million. The experts estimate the rise in sales compared to the previous year at approaching one third. For the year 2007, a turnover of considerably more than US\$100 million or so should be expected. In 2006 the CIS Republic had officially imported, according to Customs figures, around 20,800 central heating boilers of all types, valued at US\$16.8 million (tariff items 8403.10.1000 and -9000). In comparison with 2005, imports have doubled (10,060 units for US\$8.7 million). The purchase of cast iron boilers (tariff item 8403.10.1000) remained, however, at quite a stable level in previous years, between

1,100 and 1,400 units (US\$1.1 million to US\$2.0 million). Oil- and gas-burning boilers accounted for around nine tenths of the total imports of central heating boilers in 2006. Gas boilers are used in those regions which have access to the municipal natural gas network. Today, the up to 30 kW category accounts for more than 90% of newly installed gas boilers. In Astana and in virtually the whole of the North of Kazakhstan, only LPG is available. In these regions, the choice usually falls on oil heating fuelled most commonly by diesel oil or by heating oil. The overall commercial activity in the furnace industry at this stage, according to the perception of most of those involved in the industry, amounts to up to two thirds of gas boilers.

Today, Kazakhstani building owners can select from a very wide range of boilers. The choice of products has expanded enormously in the last two years. There are bargains in all three price groups. In the qualitatively highest-grade and most expensive segment, most notably, the firms or brands Buderus, de Dietrich, Viessmann, Vaillant, Junkers, Bosch, Rapido and Wolf (all from Germany), STS (Sweden) and ACV (Belgium) are represented. In the medium price-range, the superior products of Italian (Beretta, Ferroli, Ariston, Baxi SPA, Baltur, Fondital, Hermann and Sime), Czech (Dakon, Mora and Viadrus) and Korean (Kiturami, Olympia and Kyung Dong Navien) firms and brands are offered. However, gas-boilers from Slovakia (Protherm), Spain (Roca) and Japan (Rinnai) are also represented in the market. Russian, Ukrainian and Belarussian manufacturers offer particularly inexpensive boilers, among which are the firms Shukov Machine Works, AOGW, AKGB, Siosab (formerly the Podolsk Engineering Works), Evan, RusNIT, the Bysk Boiler Works, the Pskov Boiler Works, the Minsk Heating Appliance Works and, although not finally, the Kyrgyzstani producer, Tansu in Bishkek. The latter equips its boilers with a burner ("ILKA" brand) manufactured by the Turkish subsidiary of the German firm, Giersch. The use of fuel-efficient condensing gas boilers is still not particularly widespread in Kazakhstan. The trend in turnover, however, points upwards. While in the free-standing gas furnace area, products in the less costly price categories (frequently cast iron boilers with a rated useful heat of up to 300 kW) make up the bulk of sales. In the wall-mounted gas furnaces group, considerably more expensive equipment (among them, especially, appliances of the Baxi Group) are sold.

The bulk of central heating boilers imported during 2006 came from Russia (11,500 units for US\$5.8 million). According to industry insiders, however, products from western manufacturers, including German producers, are also concealed behind these deliveries. A number of Russian firms dealing in the import of boilers from western countries have founded subsidiary companies in Kazakhstan in past years and supply their local customers from cen-

In the area of heating, heat supply and air-conditioning, compulsory certification is required for the following products:

Product Identification	Product
8414 51 900 0, 8414 59 900 0	Fans (table, floor, wall-, ceiling- or window-mounted fans)
8415 10	Window- or wall-mounted air-conditioning units
8516 10 190 0, -910 0, -990 0	Electric water heaters, instant water heaters for residential use
8516 21 000 0, -29 100 0, -29 500 0, -29 910 0	Electrical devices for space and floor heating or similar purposes (electric fires, surface heating, ribbed radiators, convection radiators and electric heating fans)
8421 39 300 0	Air purifiers
7321 11 100 0, -900 0	Gas stoves for food preparation
7321 81 100 0, -900 0	Household heating or boiler fireboxes for furnaces with gaseous fuels or gas and other fuels with independent flue or other
7321 82 100 0, -900 0	Heating or boiler fireboxes for furnaces with liquid fuels with independent flue or other
7311 00 100 0	Reservoirs for liquid natural gas (pressure up to 1.6 MPa)
8403 10	Cast iron and other central heating boilers
8402 11 000	Water tube boilers with a steam power of greater than 45 t/h
Product Identification	Product
8402 12 000	Water tube boiler with a steam power of 45 t/h or less
8419 50 900 0	Heat exchange units
7309 00 100 0, -300 0, -510 0, -590 0, 7310 10 000 0	Collecting tanks including cisterns for gaseous and liquid substances (from a capacity of 50 litres and more)
8416 10, -20, 8416 30 000 0	Burners for liquid fuel, other burners (including combination burners), automatic ignition, including their mechanical feeders, mechanical grills, mechanical ash-boxes and similar devices
8413 50 300 0, -500 0, 8413 60 300 0, -600 0, -900 0, 8413 70 910 0, -990 0, 8413 82 00	Fluid pumps (displacement pumps, rotary pumps), pumping stations for liquids

29 December 2006 (refer to this on the website, www.memst.kz, link: Правовая база (Pravovaya baza)/ Legal Basis - Закон «О техническом регулировании» (Zakon "O Tekhnicheskome Regulirovani")/ An Act "Concerning Technical Regulation"). The regulations for compulsory certification are laid down in Government Decree No. 367 of 20 April 2005. Certificates issued by other CIS Republics for products produced or assembled there are accepted in principle in Kazakhstan under lodgement of the original or of a copy attested by a notary public. The certification of new products to be distributed for the first time in the Kazakhstani market can potentially take up to 12 months. Certificates may be issued with a validity period of up to three years. After the accession of Kazakhstan to the WTO (World Trade Organisation), compulsory certification will no longer be necessary, but only, as is still usual in EU countries, a declaration of compliance. The accession is scheduled for 2008. There are particular construction norms as well as legal and technical standards to be observed in the planning, installation and operation of facilities for heat supply, air-conditioning

and ventilation. The currently applicable construction standards and regulations (SNiP/SNiP RK, SP RK, MCH) concern, inter alia, heating networks (SNiP 3.05.03-85 and MCH 4.02-02-2004), automation systems (SNiP 3.05.07.85), the installation of heating, air-conditioning and ventilation technology (SNiP RK4.02.05-2001, 2004 ed.), the planning of independent sources of heat supply (SP RK 4.02.103-2002 or, alternately, in the state language, Kazakh, KR Esh 4.02-103-2002) as well as heat insulation of plant and pipe-lines (MCH 4.02.03-2004). Standards for the CIS economic zone are valid for the following products: water heaters for sanitary fixtures/baths (GOST 8870-79), plastic ventilation grilles (GOST 13448-82), steel tubing and components with polyurethane foam heat insulation in a polyethylene sheathing (GOST 30732-2001), automatic thermostats for heaters (water heating systems in buildings only; GOST 30815-2002) and heaters (GOST 31311-2005). There are general construction norms and standards for sanitary fixtures and fittings (GOST 18297-96/04, 19681-94), boiler plants (SNiP RK 4.02-08-2003),

Market Segmentation by Product

Since there are no official surveys of the market, it is difficult to analyse precisely its development in terms of product groups. Hitherto, there has been in the industry neither a trade association nor a specialist journal, much less any technically grounded contributions to the economic press. It is certainly, however, only a matter of time until the leading suppliers in this industry, expanding robustly now for about two years, will establish a mouthpiece of their own. For the most part, the following remarks are based upon a survey by the bfai among the major performers in the product group and upon conversations with the sourcing departments of several prestigious construction firms in Almaty and Astana. If official or internal statistics (production and external trade) for particular products were available, these have been incorporated into the text. The data listed reflect a rather positive basic trend in the Kazakhstani market in favour of heating and air-conditioning technology. With the exception of boiler equipment, which was manufactured in 2005 and 2006 in small quantities

BDH

Federal Industrial Association of Germany
House, Energy and Environmental Technology

BDH represents the economic, technical and political interests of its 82 member companies. BDH members produce building, energy and environmental systems: Gas-, Oil-fired and Wood-fired boilers, Heat pumps, Solar thermal systems, Radiators, Flue gas systems, Controls, Burners and other components. Together, the member companies generate sales of 11 billion euros and employ 54,000 people. BDH members account for approx. 90 percent of the German market, and 60 percent of the European market.

tral Russian warehouses. As measured by the officially registered direct deliveries from overseas, in terms of value, the German suppliers had already seized the second place by 2006 for the third year in a row, after the Russian distributors, followed by Turkish, South Korean and Italian suppliers. In 2006, central heating boilers valued at US\$2.8 million were imported from Germany (around 1,100 units). Measured by quantity, Italian suppliers came in second place (almost 2,100 boilers for US\$1.6 million). Above all, it is the bigger construction companies that install boilers (in most cases, gas boilers) of western manufacture in their properties (single-family houses, smaller multiple dwellings and estates of terraced houses). According to data from the housing giant, Kwat, first and foremost on the wish-lists of its construction clients is boiler equipment from Germany, France and Italy. The ever more lively construction of single-family housing estates by project development companies leads one to expect that consignments of good quality boiler equipment from Germany will increase robustly in the future.

Heat Pumps

The use of modern, environmentally friendly heat pumps for heating purposes is still in its infancy in Kazakhstan. There are, however, the first signs of a gradual upturn in the market. Thus, the local administration of the county of Terekti (West Kazakhstan administrative area) has realised a project that, using three heat pumps, guarantees both the heat supply to a 3,000 sq m space and to the communication networks (1.5 km) of the Shajykgidrogeologija Company. Heat pumps from Germany were deployed in the T700 million (€4.4 million) undertaking. In four years (by the end of 2010), the project is expected to have paid for itself, and thereafter virtually no further costs for the heating of local public buildings will arise. Some industry performers who took part in the same bfai survey want to implement further similar projects in small cities or in larger village estates in the near future. Particularly in the North and West of Kazakhstan, various local authorities are planning an extensive renovation of their often irredeemably obsolete and oversized heating systems, and are considering in the process the deployment as well of high-performance heat pumps. Representatives of the industry engaged in installing technical building services in the private homes of particularly well-heeled private owners also point to an increasing interest by these clients in the use of heat pumps as a

heating source, including, in particular, of heating pumps with integrated hot water tanks. There is to be seen, particularly in Almaty and, with qualification, also in Astana, an interest among private investors in the installation of complete systems, which would heat drinking-water and the entire building. In increasing measure, these homeowners want to minimise their dependence on the breakdown-prone central heat and gas supply network.

Nevertheless, a noticeable pick-up in the heat-pump segment of the market in Kazakhstan, say the company representatives, is not in view, at any rate in the medium term. The high acquisition costs and the absence of any kind of governmental funds or tax incentives would especially militate against the use of heating systems with heat pumps. By value, the imports of heat pumps for heating purposes shown by the National Statistics Agency amounted to barely US\$20,000 in 2004, almost US\$240,000 in 2005 and in 2006, a scant US\$47,000. The modest deliveries originated almost invariably in Germany and Turkey. Data on the quantity and type of the imported heat pumps are not available.

Solar Heating Installations

Solar installations for use in the hot water supply and for underpinning heating systems were in Kazakhstan until recently still a completely unknown factor. While admittedly in the last three to four years there has been observed a gradual increase in this market segment, there can still be no talk of a breakthrough. Since there is no kind of public assistance for the procurement and installation of such equipment, the demand is limited.

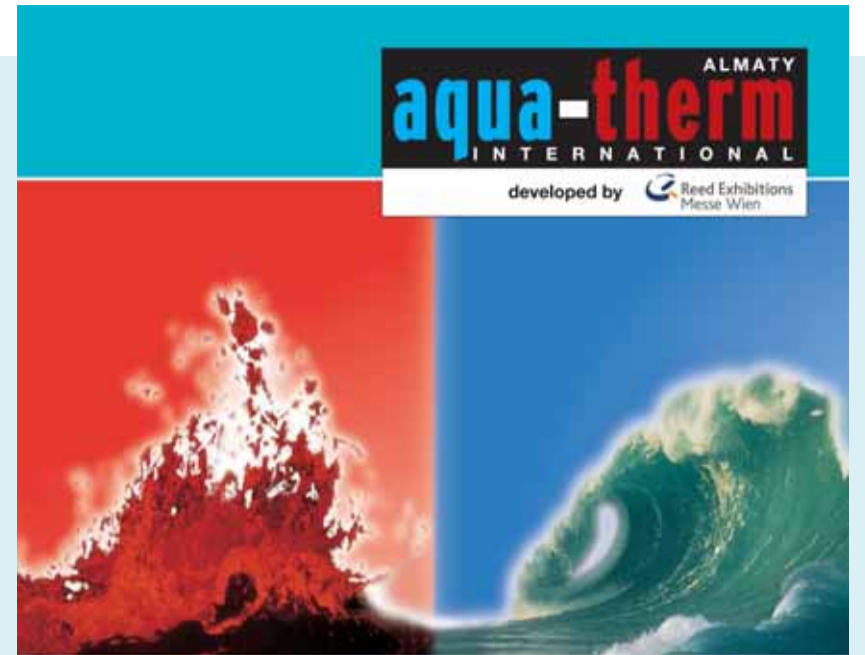
As well, confidence in this technology is still at a low ebb, as the solar equipment suppliers surveyed by the bfai have suggested. The Centre for Energy Efficiency and Renewable Energy, planned for Almaty, however, might soon contribute to a fundamental improvement in the image of this form of energy production in Kazakhstan. The prospective solar centre is expected to be modelled on the Freiburg Solar Info Center. In December 2006 the Kazakhstani Environment Minister, Nurlan Iskakov, and the operating company, Solar Info Center GmbH, signed a corresponding declaration of intent. The investment volume for the project amounts to around €60 million. The approval of the scheme by the Kazakhstani government is yet to be obtained (contact: Solar Info Center, Freiburg, tel.: 0761/ 380 96 80, e-mail: vartmann@solar-consulting.de, website: www.solar-consulting.de). Up until now, it has been solely

the small tier of the better situated Kazakhstanis in their new single-family houses that relies - often on the grounds of status and less on account of the economic advantages - on the employment of solar technology to heat water and to supplement heating. Even so, most of the Kazakhstani concerns involved in the bfai survey, who market solar technology, estimate the annual increase in sales of this type of equipment at between 10% and 15%. At the same time, however, the very meagre base level is to be borne in mind.

To what extent the establishment over the last 12 to 18 months of a considerable number of new suppliers of solar technology (subsidiary firms of foreign equipment suppliers) is a clear indication of a "growing market", is difficult to say. In principle, however, the branch might gain, since just recently the construction of single-family houses in the upper price-range has gained substantially in strength and the financially stable buyers readily want to furnish their property with state-of-the-art equipment. According to the internal data of the National Statistics Agency in Astana, in 2004 Kazakhstan imported solar collectors and solar absorbers for a value of US\$0.58 million, in the following year, US\$1.37 million and in 2006, US\$2.39 million (tariff item 84.19.19.90). The principal suppliers were companies in Russia (2006: US\$0.53 million), Germany (US\$0.46 million), Italy (US\$0.22 million), as well as in Japan, Israel and the People's Republic of China. In the first three months of 2007, imports totalled US\$0.82 million. There is no information on the quantity or types of solar equipment installed in Kazakhstani households. According to the industry experts interviewed by the bfai, currently not more than 1,000 to 2,000 households use the sun for heating water and, where necessary, also for space heating.

Ventilation in Housing

The overall market for household ventilation (air-conditioning units, ventilation engineering) has already accounted for an increase in turnover of more than 100% in 2007, for the third year running, according to the estimates of industry insiders. The most diverse aeration equipment, split systems, multi-split systems, cassette or ducted air-conditioning with fresh air supply, is deployed in smaller offices, flats, catering and commercial facilities. More and more frequently, too, combined air-conditioning and ventilation units are be-



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ing installed. The companies consulted by the bfai indicated that already today, domestic central ventilation systems (mechanical, without heat recovery, or, less frequently, also with heat recovery) are fitted in five out of ten newly built private homes. In keeping with the trend, this proportion continues to increase. The equipment for mechanical ventilation by means of exhaust air units and one or several fans originates predominantly in Russia, France and Italy. In most newly constructed high-rise buildings and large blocks

of flats, the installation of central ventilation systems is only prevalent in the upper market segment (luxury flats, etc.).

In all other houses or flats, peripherally installed compact appliances and/or split systems are used, predominantly of South Korean (Samsung and LG) or Chinese manufacture. Chiefly, window-mounted air-conditioning units are fitted, in which the inner and outer apparatus are installed in a casing and which emit the extracted air directly outdoors.

Development of Kazakhstani Import of Air Conditioning Units (in millions of \$US)

Tariff Item/ Identification	2004	2005	2006
8415.10.1000/Compact units	6.44	8.35	15.70
Korea (Rep.)	4.41	4.60	12.21
People's Rep. China	1.12	2.52	2.83
Thailand	0.05	0.18	0.48
Germany	0.03	0.08	0.12
8415.10.9000/Split Systems (systems made up of discrete single elements)	2.98	6.54	18.54
People's Rep. China	1.56	4.63	13.51
Korea (Rep.)	0.41	0.38	0.84
Malaysia	0.21	0.30	0.65
Thailand	0.18	0.33	1.05
Turkey	0.26	0.45	1.20
Japan	0.16	0.27	0.32

COOPERATION IN ENVIRONMENT PROTECTION

Source: Kazinform

Nurlan Iskakov, Kazakhstan's Environment Minister, met a delegation of the European Commission headed by Adriaan van der Meer, Head of the EC delegation to Kazakhstan, Kyrgyzstan and Tajikistan. The talks focused on cooperation between Kazakhstan and the EU in environment protection. The Kazakh Environment Minister confirmed his nation readiness to host the pan-European Conference of Environment Ministers. He also briefed the delegation on the 6th conference of Environment Ministers of the Asia-Pacific Region to be held in Kazakhstan in 2010. Kazakhstan intends to put forward some initiatives relating to Pacific Asia development as well as those of global significance. Pursuant to President N. Nazarbayev's suggestion, Kazakhstan will field itself as a candidate to host the third Summit on Sustainable Development. Representatives of the EU General Environment Directorate pointed to the dynamic development of Kazakhstan and to the recent achievements in promoting sustainable development. In this context, the European Commission suggested that Kazakhstan hold

a region-scaled conference on environmental issues of Central Asia. The sides discussed possibilities of cooperation between the EU and Kazakhstan in the realm of environment protection.

The Kazakh Minister briefed that Kazakhstan intends to elaborate "Path to Europe" Program, outlined in the latest presidential address to the nation. In this context, Kazakhstan needs the EU's support in developing renewable energy sources in line with the EU standards, constructing a solar centre, and introducing environment taxes based on the German model. In the course of the meeting the sides dwelt on the work of the Regional Environmental Centre for Central Asia (CAREC). The Kazakh side pointed to the importance of the organization work both to Kazakhstan and the region. Adriaan van der Meer said that the governments of Germany, Norway and Netherlands intend to join the ranks of the CAREC founders and expressed hope for Kazakhstan's support.

HIGHLIGHTS

UN ECONOMIST EXPRESSES OPTIMISM IN KAZAKHSTAN'S ECONOMY PROSPECTS

Source: Capital Trend

Economic expert of UNDP, Ben Sly, considers that the development rate of Kazakhstan's economy remains at a high level – nearly 5% growth of GDP, which in many cases exceeds the expectations of the countries of Western Europe and USA. "Kazakhstan must be prepared for the realities of considerable growth, which will determine the situation of the Country in the coming two-three years," he said. According to him, most probably further world oil price increase will not take place because the world demand for this product has decreased considerably, due to the fall in the US economy. "Therefore, the overheating in Kazakhstan's economy will change into measured economic growth in the country, and it will positively affect the inflation," Sly said. With regards to the possible devaluation of Kazakh tenge in relevance to the leading world currencies, the expert said that the principal policy of the National Bank and Government of Kazakhstan will have a stabilizing impact on its rate, after considering the resources of the National Fund.

ENERGY MINISTER SIGNED A CONTRACT ON ZHAMBYL SEGMENT

Source: Kazinform

In Astana Energy and Mineral Resources Minister of Kazakhstan Sauat Mynbayev and president of KazMunaiGaz JSC Uzakbai Karabalin signed a contract on prospecting the Zhambyl segment on the Caspian Sea shelf. This segment was picked up in September 2004 within the Caspian Sea shelf development program as the most promising one. Its total square makes 1935 square metres, water depth is 4-9 metres. Its predicted recoverable resources are believed to amount to 120-170 million tons of oil.

SOUTH KOREA, KAZAKHSTAN SEAL 500 MLN DOLLAR ENERGY CONTRACT

Source: Kazinform

South Korean Electric Power Corporation KEPCO announced on Wednesday it had signed a 500-million-dollar memorandum of under-

standing with a Kazakh electric power company. The memorandum envisions South Korea's participation in the implementation of energy project in Astana, Kazinform has learnt Itar-Tass. A new thermal power plant with a total capacity of 240 megawatt will be built in the Kazakh capital, while generation of the republic's operating plants will be increased from 360 megawatt to 600 megawatt.

"BEINEU-BOZOI-SHALKAR-AKBULAK" GAS PIPELINE FINANCING

Source: Kazinform

Kazakhstan's Prime Minister Karim Massimov urged upon considering the draft for the financing of the construction of "Beineu-Bozoi-Shalkar-Akbulak" gas pipeline in a two months period. The possible variants are the full budget financing, a loan given by KazMunaiGaz JSC on the security of the state and the use of the principles of the state-private partnership. Besides, the Premier decreed to delegate Urikhtau deposit rights to KazMunaiGaz Company. The "Beineu-Bozoi-Shalkar-Akbulak" cross-country gas pipeline is designed to transport natural gas from oil and gas deposits of western regions to southern regions of Kazakhstan. The first phase of the construction of the line, which has a capacity of 5 billion cubic meters per year, is expected to be finished in 2011.

KAZAKH ECONOMY MINISTER, ADB EXECUTIVE DIRECTOR MET

Source: Kazinform

Kazakh Economy and Budget Planning Minister Bakhyt Sultanov had a meeting with the Executive Director of Asian Development Bank. They discussed issues of preparation for the annual 41st session of the Bank planned to be held in May 2008 in Madrid, Spain. The Minister noted that the economic cooperation with the Bank's member states determined all of them to provide joint economic security. The Asian Development Bank established the joint project of Central Asian regional economic cooperation, aimed at the improvement of living standards and poverty reduction in Central Asian countries through more effective regional interaction.

ECONOMIC MEASURES TO FIGHT INFLATION IN 2008

Source: Trend Capital

(Continued from page 1) >

development of the non-oil and private sectors in the country. "In 2007 the per capita Gross Domestic Product (GDP) in Azerbaijan was \$3,700, whereas in 2008 this figure will comprise \$4,500," the President stated at a conference on the results of the implementation of a state program on socio-economic development of regions of Azerbaijan in Baku on 11 February. Work on the program was set up in 2003 on the eve of the presidential elections in Azerbaijan.

The program will take two years to complete and a new 5-year

program on development of the regions will be developed at the President's order. According to the President, over the past four years the economic growth of Azerbaijan reached 96%. The currency reserves constitute \$7.3bln, whereas in 2008 this figure will double. Over the past four years 650,000 jobs have been created, including 480,000 permanent jobs. "In the future we should fully eliminate unemployment and poverty," President Aliyev said, stressing a cut in the poverty ratio in the country from 49% to 16% over the past

four years.

"The elimination of poverty is a key task for me. We should think of our people." The President said. He also stressed a cut in the number of migrants through improvement of living conditions. "Those who left the country a while ago are now returning," the President said. The President also touched upon the work of the oil sector. Full transparency has been ensured in this sphere. "The natural wealth belongs to the nation and the nation defines where to direct these revenues," Aliyev said.

ECONOMIC GROWTH IN AZERBAIJAN

Source: Today Az.

According to Day.Az, during an expanded collegium of Azerbaijan's Ministry of Economic Development, it was noted that Azerbaijan preserved its leadership for the economic growth rates, keeping it on the level of 25%. Its strategic monetary reserves topped \$7 billion, Baku-Tbilisi-Erzurum has been commissioned and implementation of Baku-Tbilisi-Kars railway project been launched. The per capita revenues have risen by 40%, poverty rate reduced by 3 times in the last 4 years, reached 15%. Over 145,000 jobs were created last year and over 640,000 within four years. The Minister said commenting on the improvement of standard-legislative basis, announced that last year the Ministry worked out 18 draft laws: "On special economic zones", "On direct foreign investments", "On regulation of trade activity" and a number of others. Economic and legal expertise of 134 standard legislative documents was also carried out.

EXPANDED INTEGRATION OF AZERBAIJAN IN GLOBAL ECONOMY

"In 2008 will be reached a new and higher stage in the foreign investment in our country, in the development of the non-oil sector and in the exports increase." This was stated by the President of the Foundation for export promotion and investment in Azerbaijan (AZPROMO) Emil Mejidov. Last year, the Fund held 53 different events in connection with the promotion of exports and investments. To achieve this goal AZPROMO will increase the number of business forums in foreign countries, as well as in Azerbaijan, seminars on exports, and other activities related to the business.

During the meetings, potential investors will be introduced to exports and business environment in Azerbaijan. Together with exporters, investors will be provided

with professional services and it is planned to evolve a vivid campaigning for the non-oil sector investment of the republic. This year the fund will collaborate with approximately 50 countries. Azerbai-

jan has great potential to export its products and services. AZPROMO uses every opportunity to find new overseas markets for local producers and bring their products to customers on a wider scale.

Azerbaijan - Economist Intelligence Unit - The Economist OUTLOOK FOR 2008-09

Source: Azerbaijan: Country outlook

Country Forecast Overview (3 Year)

Key Indicators	2007	2008	2009
Real GDP Growth (%)	23.80	15.90	9.40
Consumer Price Inflation (av; %)	16.71	15.70	10.50
Budget Balance (% of GDP)	-5.30	-4.90	-2.90
Current-Account Balance (% of GDP)	24.60	40.80	34.10
Exchange Rate US\$:Euro (av)	.86	.84	.82
Exchange Rate US\$:Euro(year-end)	.85	.83	.80

Source: Country Forecast Azerbaijan July 2007

Country Forecast Overview (3 Year)



Year	GDP in Billions of USD PPP	% GDP Growth
2003	33.36	10.35
2004	37.82	9.12
2005	49.28	24.87
2006	68.37	32.98
2007	87.65	23.80

Source: EIU Country Data

Azerbaijan: risk assessment

Risk	February 2008
Sovereign risk	BB
Currency risk	BB
Banking sector risk	B
Political risk	CCC
Economic structure risk	B

Source: Azerbaijan: Country risk summary

AZERBAIJAN ENTERS WTO

Source: Trend Capital



Azerbaijan's entrance to the World Trade Organization (WTO) is expected to take place in the near future. One of the conditions of its entrance to the WTO should be the opening of the financial and banking market for foreign capital. Already today the banking sector of the Country is significantly open to foreign capital. Stable macroeconomic situations, high revenue and growing investment attraction form a reliable attitude of the potential investors to the banking sector of Azerbaijan. Therefore, many appeals are received for foreign capital to Azerbaijan. If foreign banks or banks with foreign capital are taken into account, this makes up one-third (up to 30% in separate

indicator and nearly 25% of all banking sector).

It needs to be mentioned that this indicator has grown in the past three years when the European Bank for Reconstruction and Development (EBRD), German Development Bank KfW, International Financial Corporation purchased shares in the large Azerbaijani banks such as Azerdemiryolbank, UniBank, Azerigazbank and Bank of Baku. There are no specific limitations for the foreign banks in the Azerbaijan's market. The conditions to join the market is equal for Azerbaijani and foreign banks. The only ban has been imposed on the opening of branches of foreign banks in Azerbaijan.

Entrance to the WTO will provide access for the further increase in capitalization and expansion of the resource base of the Azerbaijani banking system, increase investment into the Country's economy, expansion of the spectrum of the banking products and services, price reduction in the services. In addition, competitiveness will rise, new technologies will be used, the management will improve and transparency will increase in the banking business. It means that the flow of foreign capital will have a positive impact. However, at the same time, the foreign banks will strengthen pressure on the internal market of the financial services. Azerbaijani banks will risk losing foreign capital in the competitive struggle.

The western banks will take more beneficial segments of the banking business, gradually moving ahead of the host banks, and will gain an opportunity to dictate the interest policy in the market. It will result in the loss of independent national banking system and decrease in its role to develop the Country's economy. In addition, foreign banks could transform into large mechanism removing the national capital from the Country. So, reviewing the results of this issue, it is possible to say that while joining the WTO and opening the financial market for the foreign capital, Azerbaijan should take several measures to protect the national banking market.

USTDA PROGRAMME OF TECHNICAL ASSISTANCE TO AZERBAIJAN

Source: Trend Capital

Daniel Stain, the director for Europe & Asia of the United States Agency for Trade & Development (USTDA) visited Baku. Since 2007 all the projects are financed on the parity basis by the US and Azerbaijani party. USTDA is ready to continue assistance to development of the State Oil Fund of Azerbaijan (SOFAZ). At present SOFAZ is negotiating with USTDA about a programme and volume of financing for the fresh stage. At the third stage SOFAZ expects to be assisted in three directions: choice of managers for SOFAZ assets management; assistance to creation of the SOFAZ Risk Management Department; creation of SOFAZ training centre. The first grant agreement on \$1.091 million of technical assistance for SOFAZ was signed in Baku on May 19, 2004. The project of SOFAZ institutional development included placement of Fund's finances and assessment of certain risks, definition of criteria of foreign managers on SOFAZ assets administration and monitoring of their work, definition of requirements for purchase of software on registration of assets and their accounting system, consultations for SOFAZ on co-operation with other software systems used by the Fund, in particular in the process of accounting transactions. On January 18, 2005 SOFAZ signed a contract with Over-

ture Financial Services for realization of this stage. The latter was to make proposals for staff reshuffles and SOFAZ structural branches' mutual settlements conforming to international standards, and legal consultations for SOFAZ on acquisition of separate assets. On February 7, 2007 SOFAZ and USTDA signed a \$885,000 grant agreement on the 2nd stage of SOFAZ institutional development. The one-year grant programme includes Fund's technical development – supply of the latest modern software on investment accounting and risk performance. In this connection on June 22 SOFAZ signed two six-month contracts with Thomson Financial Ltd for supply of software for master ledger for \$182,675 and for portfolio management software supply for \$692,927. SOFAZ was established in accordance with the presidential decree issued December 29, 1999 and is out-budget state institution under the auspices of the President's Office. The Fund accumulates revenues from realization of oil contracts, in particular from sale of country's profit oil, tariffs for oil and gas transit, state property lease, etc. From the moment of its creation SOFAZ was transferred over \$5 bn and its current level of assets is estimated in \$2.5 bn with prospects of \$7 bn growth in 2008.



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LEGISLATIVE PROPOSAL «ON OIL AND GAS»

Source: Azerbaijan Business Center, Today.Az

In Azerbaijan is preparing a campaign to support the legislative proposal «On oil and gas», previously rejected from the Parliament. Group of initiators led by the deputy of parliament of Azerbaijan Panakh Gusejnov will continue work on propagation of acceptance of the law «On oil and gas». As P.Gusejnov has declared today at press conference in Baku, the legislative proposal «On oil and gas» had been rejected on initial discussions in the parliamentary commissions, as the majority of their members considered it not necessary. "We will continue to work to make this proposal advance. In particular, we are planning to start collecting signatures in his support", said P. Gusejnov. The proposal, first of all, contains general rules and concepts and the rules of how the agreements should be taken and how the talks should be held. In addition, the project says that the provision of State Oil Fund



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of Azerbaijan must be approved by parliament, and gives the right to the Accounting chamber to conduct annual checks of the Petroleum Fund. "There are fundamental articles such as identifying the state oil policy, the establishment of strategic oil resources, and public participation in the distribution of oil revenues. In particular, the proposal stipulates that the share of the state in oil or gas produced shall not be below 51%", said P. Guseinov. Specialists from different structures have been got to

take part in the working out of the law. The basic agreement of the country in this field, ratified by the Parliament in 1994, i.e. the contract for the exploitation of the oil fields block Azeri-Chirag-Guneshli, allows the State to receive 80% of revenue from production after investors have deposited funds. It is expected that in 2008, Azerbaijan will have the desired 80%, and from July all the operating assets of the company will become state property.

SANGACHAL-GARADAGH OIL AND GAS TERMINAL CONSTRUCTION IN AZERBAIJAN

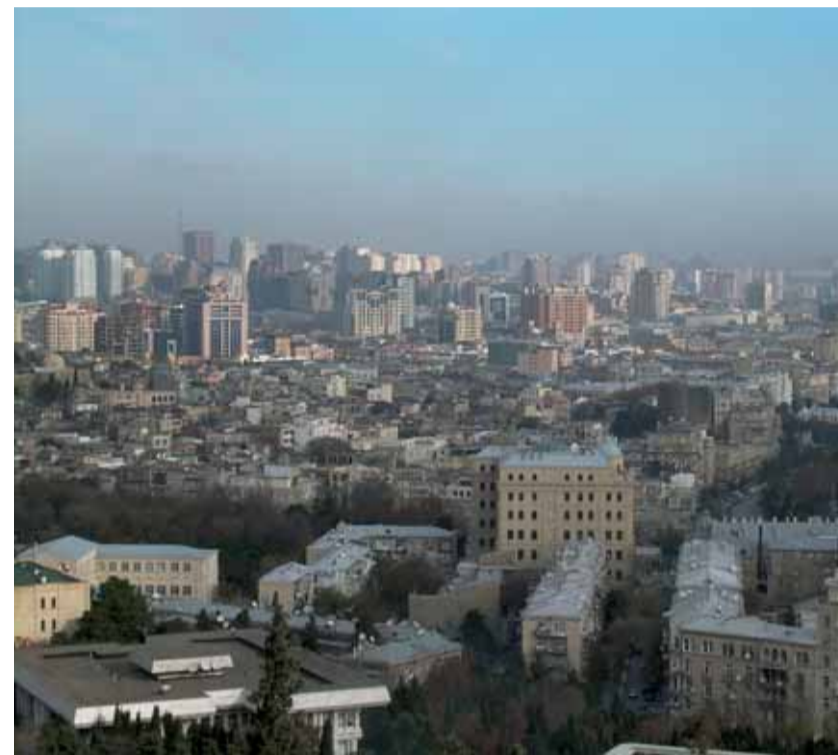
The Azerbaijan Investment Company (AIC) and Kavkaztransservis (member of Azersun Holding group) have launched talks with foreign banks to raise additional credits for construction of the Sangachal-Garadagh oil and gas terminal. Day.Az reports with reference to Riad Gasimov, chief executive of Azerbaijan Investment Company that the talks are held with Societe General, BNP Paribas, Commezbank and Yapi Credi, in particular. "We consider that the issue will be settled in the next few weeks", he said. Gasimov announced that the overall cost of the project is estimated at more than \$170,000,000, including \$36,097,000 to be allotted by Azersun and AIC and the remaining \$130,000,000 from credits of the banks.

The Sangachal-Garadagh Oil and Gas Terminal JSC has already been established for the terminal construction. "The construction of the terminal has already been launched and AIC has transferred the whole \$9,000,000 of investments, it was to allocate. But a larger volume of works had been carried out by Azersun before our investments", Gasimov said. He noted that the terminal is expected to be commissioned by the end of 2009. An initial volume of transshipment will depend on talks with

Kazakhstan and Turkmenistan and projection will base on the result of talks. "The project was designed for 5,000,000 cubic meters of gas but as this is an oil-and-gas terminal, it is currently difficult to specify the volumes of oil now. The terminal will be equipped with reservoirs for gas storage, which is envisioned by the concept of the project. However, their capacities have not yet been specified", Gasimov concluded. This plan is included in the foreign investment policy of the state. Baku, Fineko / abc.az. State Statistical Committee of Azerbai-

jan in fact confirmed the outcome of external investment in the country's economy for 2007.

As reported in Goskomstat, last year in the economy have been invested \$ 6760.3 million, which means 33.8% more than in 2006. In 2007, foreign investments amounted to \$ 4904.2 million, while for the entire year 2006 there have been \$ 4667.5 million of Foreign investment. Investment in the oil and gas sector grew by 22%. Last year in the non-oil sector were placed \$ 376 million of Foreign direct investment.



HIGHLIGHTS

CITIBANK WILL HAVE A REPRESENTATIVE OFFICE IN BAKU

Sources: Azerbaijan business center

The National Bank of Azerbaijan has issued a license for opening of a representative office of Turkish Citibank Anonim Shirketi in the country.

The process for opening a representative office of one of the leading banks of the United States in Azerbaijan is now definitely concluded. The due information was provided by the press service for the National Bank, Day.Az reports. Citibank Anonim Shirketi is Citibank Turkish subsidiary. Citibank held a public registration of its representative office, and in January 15 asked for the license.

78,4 MILLION SQ. M HOUSING IN JANUARY HAVE BEEN RENTED

Sources: Azerbaijan business center

In January 2008 the volume of housing renting increased 1,53 time more than in January 2007. «In January a license for the construction of 1458 buildings for a total area of 973,5 thousand sq. m has been issued», is said in Fineko/abc.az reports in Azerbaijan State Committee on Statistics. In January, 36.3 million manats (\$ 42,7 million) have been invested in housing construction in Azer-

baijan, which is 0,5% higher than the investments amount in January 2007.

A PROJECT TO RECONSTRUCT OLD BRIDGES IN BAKU

Source: Today.Az

Azerbaijan plans to start the reconstruction of old bridges in Baku this year. A source from the Azeri Road Service said the project has been sent to the Government and the Ministry of Transport. Reconstruction of a railroad bridge near the Excelsior Hotel has started. It is planned to redesign and reconstruct Baghirov Bridge which was built in the early 1950s. 5 road bridges and overpasses, 1 tunnel and 6 pedestrian tunnels and footbridges were commissioned in Baku last year.

TWO REGIONAL AIRPORTS TO OPEN IN 2008

SOURCE: Today.az

State Concern Azerbaijan Airlines will open two regional airports in Zagatala and Lenkoran, reconstructed from the budget, in 2008. According to Day.Az, the due information has been provided by first deputy chief executive of the State Concern Sabir Ilyasov. In line with the State Investment Program, AZN 28,100,000 was allocated for reconstruction in 2008. The total cost of the project is AZN 78,600,000 including AZN



27,500,000 for Zagatala airport and AZN 51,100,000 for Lenkoran. "Moreover, we have allocated AZN 3,000,000-4,000,000 for purchase of equipment, S.Ilyasov noted.

DEMAND OF CEMENT WILL RISE

Source: Today.Az

Azerbaijan's Ministry of Economic development forecasts Azerbaijan's demand for cement to rise by 3,000,000 tons from the current 4,000,000 in the next three years. The due announcement was made by Azerbaijan's Minister of Economic Development Heydar Babayev the 15 February, during a press conference. He said such a

rapid growth in the demand for cement is caused by large volume of construction and implementation of new infrastructural projects. "Several plans on production of cement will start operating in Azerbaijan in the near future. The talks with Lafarge company for construction of a new plant are also underway.", he noted. In 2005 the volume of concrete sale of Garadagh-Cement, Azerbaijan's largest cement producing plant, made up 1,340,000 tons.

THE WORLD BANK AND THE MODERNIZATION PROJECT

Source: APA Economics

The Government of Azerbaijan and

the World Bank have completed discussions on the Financial System Modernization Project.

The World Bank mission has today wrapped up its visit to Azerbaijan. The WB Office in Baku said discussions covered all the components of the project and other issues of mutual interest.

The program of the project has been agreed, and the World Bank is to allocate \$10 million for the implementation of the project. The loan will be used to improve capacity and efficiency of operations of the National Bank of Azerbaijan, the State Statistical Committee and the National Depository Center. The

THE PRESIDENT INVITES FOREIGN BUSINESS TO INVEST IN UKRAINE

(Continued from page 1) >

Yushchenko. According to the Head of State, Ukraine can offer a lot of facilities for privatization. "This project of privatization is politically shaping today and will be realized soon," declared the President. In particular, as he said, the enterprises at issue are KGOKOR and OAO "Ukrtelekom". "Besides these plans and designs, the main discussion today is carried on with the business that would like to work in Ukraine," said Viktor Yushchenko. He also invited the representatives of the business community to cooperate in the energy sector. "We are talking about a number of projects that may rouse global interest. We mean the project for the transportation of Caspian oil to the EU countries and the development of a new oil refinery on the Ukrainian territory", said the President. Viktor Yushchenko also assures that now in Ukraine there is a stable political situation. "In Ukraine ended early parliamentary elections, shaped a Parliament together with a majority and a government. The second



time in the last three years Ukraine may acknowledge that despite all the controversies that may be in Ukrainian politics, we have such a basis of democracy, which enable solving any political conflict in a

democratic way. It is also extremely important," stated the President. Today in Davos Ukrainian President took part in the annual meeting of the World economic forum on "Human rights in the global agenda."

ENTRY INTO FREE TRADE ZONE WITH EU

Source: News Finance.UA

The second step for Ukraine after the entry into the WTO will be the admission into a free trade zone with the EU, which will take 10-12 months, "then the agreements with the EU will be strengthened," declared Ukrainian President Viktor Yushchenko in the National University of Economics Getman on the occasion of the entry of Ukraine into the WTO. "We go with the fact that we held four rounds of the talks. I would positively see what we have today; we have more partners: we are supported by France, Germany, Great Britain and other countries which now better understand our direction and goal," said the Head of State. He added that Ukraine will soon enter into negotiations on free trade areas with second countries that are not EU members. For her turn, Ukraine's Prime Minister Yulia Tymoshenko, speaking at the Cabinet of Ministries meeting, said that, after the entry into the WTO, next government strategies will be focused on the creation of a free trade zone with the European Union. Viktor Yushchenko pointed out the benefits that Ukraine will obtain with the entry into the WTO. Thus, as a result of it, the growth of foreign investments in Ukrainian economy will amount to USD 5 billion every year. At the same time, the increase of the export

trade will correspond to 10-15%. He also noted that the volume of exports in the agricultural sector will amount to 40%, while employment in the industries is forecasted grow by 17-19%. "We understand that this way is not easy. We need a competitive environment in many industries. Agricultural sector, mechanical engineering will not manage to specialize in one year. The transition period of our economy will take 5 years, where all the participants must adapt and get involved in the world market," stated the Head of State. [...] For his turn, Ukrainian Ministry of Foreign Affairs Vladimir Ohryzko declared that the agreement on the creation of the free trade zone with the EU will be ready not before September 2008. However, according to vice-president of European Commission Franco Frattini, this is to be concluded by the end of 2008.



EBRD INVESTMENTS IN UKRAINE

Source: Elvisti (from EBRD material)

Last year became a financial success for the largest investor in Ukraine, the European Bank for Reconstruction and Development. As it was announced at the beginning of 2007, the annual volume of new business amounted to approximately USD 1 billion (647 million euros). At the same time, the past year held the record in terms of new transactions (32). Co-financing in the form of syndicated credits tripled comparing with 2006 and amounted to an extra 321 million euros. Funds that were actually provided by the EBRD credit also increased: they amounted to nearly 500 million euros. This is a historical record for the Bank in Ukraine. It should be noted that for an effective management of projects in Ukraine, the EBRD increased by 30% the number of bankers in its office in Kiev and opened a regional office in Dnepropetrovsk. Last year the EBRD approved two policy papers, which will guide the Bank activities in the coming years. These are the Strategy of the Bank for Ukraine, signed in October 2007 and the Programme of cooperation between the EBRD and Ukraine in the public sector, signed in June 2007. In 2007, the European Bank for Reconstruction and Development signed a number of important projects and entered the market with new financial instruments:

- Credit of 100 million euros to

public transport enterprises "Kievsky metropoliten" (subway) and "Kievpastrans" (buses and trolleybuses). This is the first long-term credit provided by the Bank for public transport enterprises in Ukraine.

- Funding program in the amount of USD 100 million for OAO "Galnaftogaz", leading operator in the service stations network in Ukraine under the brand name "OKKO". This funding will help to increase the total number of petrol stations "OKKO" to more than four hundred by 2016, which would represent a nearly twofold increase in the number of stations under the trade mark "OKKO" compared with the existing network.
- Credit amounting 80,8 million euros to the company "Cersanit Invest", which is the Ukrainian subsidiary of "Cersanit Group" in Poland of the largest manufacturer and distributor of equipment for bathrooms and ceramic tiles. The credit will be used to finance the construction of new facilities for the manufacture of (plumbing) sanitary engineering and ceramic tiles in Novograd-Volynsky of Zhitomirsky region.
- Credit amounting USD 50 million to UkrEksimbank. This transaction is concluded under the program totalling up to 100 million euros for the cooperation with financial institutions in the fields of energy effi-



ciency and renewable energy projects in Ukraine.

- The EBRD arranged a syndicated credit of USD 100 million to Ukrainian Kreditprombank to increase loans to private companies, including those of small and average businesses, especially to finance projects related to the improvement of the efficiency of energy use.
- The EBRD and the leading Ukrainian banks have created significant incentive to the development of money markets in Ukraine by the beginning of the calculation of the index in interest rates offers of "KievPraym".

The European Bank for Reconstruction and Development is the largest financial investor in Ukraine. In January 2008 the Bank has assumed the obligations of providing investments for more than 3,2 billion euros through more than 158 projects.

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UKRAINE'S ACCESSION TO THE WTO

Source: Ministry of Finance of Ukraine

President Victor Yushchenko and Director-General of the World Trade Organization Pascal Lamy signed the Protocols of Ukraine's accession for membership in the WTO in Geneva, Switzerland.

The World Trade Organization (WTO) is the only international organization dealing with the global rules of trade between nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible. One of the youngest of the international organizations, the WTO is the successor to the General Agreement on Tariffs and Trade (GATT) established in the wake of the Second World War. So while the WTO is still young, the multilateral trading system that was originally set up under GATT is well over 50 years old.

The past 50 years have seen an exceptional growth in world trade. Merchandise exports grew on average by 6% annually.

Total trade in 2000 was 22-times

the level of 1950. GATT and the WTO have helped to create a strong and prosperous trading system contributing to unprecedented growth. The WTO has nearly 150 members, accounting for over 97% of world trade. Around 30 others are negotiating membership.

Decisions are made by the entire membership. The history of Ukrainian WTO accession began on the 15th of November, 1993 pursuant to Resolution No. 730 of the Cabinet of Ministers of Ukraine, dated 15 September 1993, an Inter-Departmental Commission for Issues of the Accession of Ukraine to the General Agreement on Tariffs and Trade was established, and on the 30th of November Ukraine submitted an official application to the GATT Secretariat.

The formal process of accession may be regarded as having been commenced with the establishment of the Working Party on the Accession of Ukraine to GATT on 17th of December 1993.

HIGHLIGHTS

NEW HOUSING IN KHERSON AREA Source: Elvisti

According to the regional program "Construction of housing for the poor" in the Kherson area, 40 thousand sq. m. of housing are planned to be put into operation. This information was reported by the head of regional administration of town-planning, architecture and housing management Aleksej Chmut during a meeting of the social Council at the Kherson regional State administration (OGA). Over the years 2008-2012 will be built nine 100 apartment and two 50 apartment dwelling houses in the cities of Kakhovka, Nova Kakhovka and Skadovk. Local authorities have already begun allotting the land and concluding treaties with investors. In particular, in the city of Kakhovka for the construction of affordable housing has been allotted a ground area of 40 hectares. For what concerns Kherson, the construction of commercial buildings still predominates the real estate market. Ukrainian President Viktor Yushchenko charged the Ministry of Finance of Ukraine with

the provision of 500 million hryvnas in the State budget for 2008 for the implementation of the program "Affordable Housing". Ukrainian Prime Minister Yulia Tymoshenko said that the Government is going to ensure the issuance of long-term loans for the purchase of housing by 4-6% per year.

CONSTRUCTION OF MULTIFUNCTIONAL COMPLEX IN KIEV Source: RBK-Ukraine News Agency

In Kiev, near Victory Square, will be built a multifunctional complex. Kiev Town Planning Board has examined and sent for revision the substantiation of the location of a public housing complex with embedded premises and offices and commercial and entertainment establishments in Zlatoust Street 11, near Victory Square. This information is given by KGGA press-service. The multifunctional complex, in the design mock-up of which were involved leading American scientists, will cover a ground area of nearly 20 thousand sq. m. The complex is planned to be placed on the territory of a former

tobacco factory. The structure will include commercial and entertainment, hotel, office and residential housing sections. In addition, are also planned a set of pre-school kindergartens and a four-level underground parking.

PRIVATBANK ACQUIRES SHARE IN EBDS Source: Business Ukraine vol. 2, N° 6

Privatbank, one of Ukraine's largest banks, has acquired a 75%+1 stake in the European Bank for Development and Savings, a small bank based in Kiev, according to a Privatbank statement. Privatbank will undertake a restructuring of the European Bank for Development and Savings.

Privatbank's net assets were valued at UAH 56.211 billion, its loan portfolio was UAH 41.694 billion, and its capital totalled UAH 5.388 billion as of January 1. In 2007 Privatbank earned a net profit of UAH 1.534 billion. The shareholders of CJSC Privatbank are Hennadii Boholiubov and Ihor Kolomoiskyi, who own 43.44% of the bank's shares each.

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