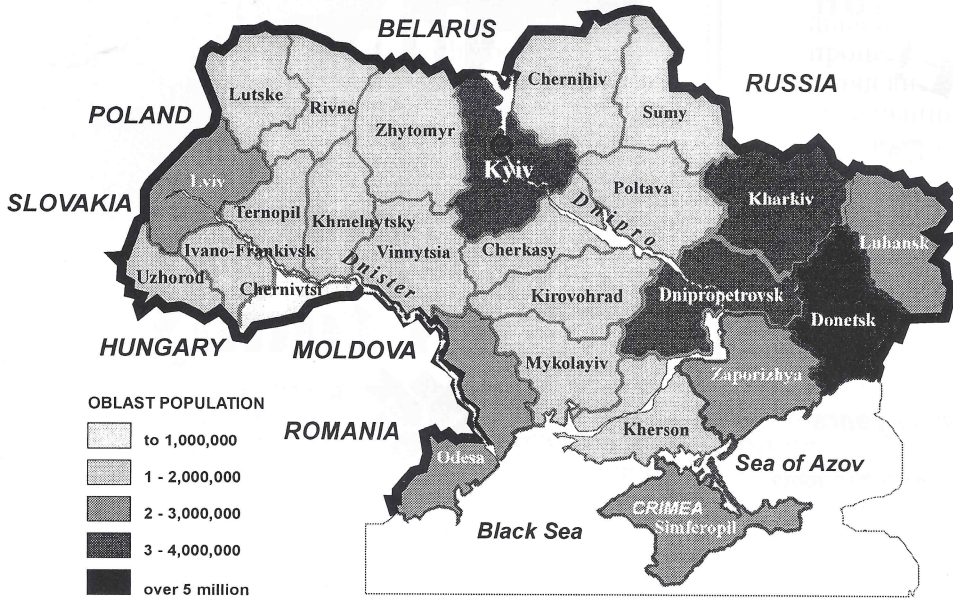




DONETSK: INDUSTRIAL HEARTLAND OF UKRAINE



ore, rare metals, metallurgical fluxes, fireproofing and glass-producing materials.

Fuel and Energy

Ukraine's fuel and energy sectors are concentrated in Donetsk. Seven thermo-electric power stations in the oblast produce over 18% of the country's electricity, with a total capacity of 10,120 MW.. It has been estimated that the coal reserves which fuel these electrical power stations could conceivably last for centuries. These stations provide enough power to satisfy the needs of the entire oblast, including its industrial complex, with a surplus to sell to other consumers.

Unfortunately, of all the coal basins in the former USSR, the Donetsk basin was geologically the most difficult, and in the final years of the Soviet Union it was allowed to deteriorate technologically. Today Donetsk is dotted with hideous mountains of tailings, strewn both throughout the countryside and in the city landscapes. The oblast capital, Donetsk, stands precariously on a maze of mining tunnels, and trains are required to slow down as they travel through the city so as not to cause underground cave-ins.

While the region's 119 active mines still produce half of Ukraine's coal - in the vicinity of 50 mln. tons annually - massive restructuring of the entire coal and energy sectors is crucial to enable them to work efficiently. The cost of producing Donetsk coal is among the highest in the world - up to 30 times more than European coal, or up to US\$1,000 to their US\$30. Free market principles do not yet guide the progress of this industry, as it continues to function under the control of the Ukrainian Coal Ministry, with state subsidies, mind-boggling bureaucracy, and rampant corruption. Mine associations prop up inefficient mining enterprises, simultaneously holding back the growth and potential of some of the stronger mines. Soviet-era housing complexes, day-care centres, and other communal properties represent another drain on the scarce resources of these enterprises.

FACTS:

- Leading industrial and major administrative region of Ukraine
- Territory: 26,500 sq. km. (4.4% of Ukraine), measuring 240 km. north-south by 170 km. east-west
- Population: 5.3 mln. (10% of entire pop'n. of Ukraine); 91% of oblast population urbanized
- Major cities: Donetsk (oblast capital and Ukraine's 3rd largest city, pop.:1.2 mln.), Mariupol (sea-port, pop.: 522,900), Makiyivka (pop.: 425,600), Horlivka (pop.: 336,100), Kramatorsk (pop.: 202,600)
- Geographical characteristics: located in south-eastern Steppe Belt of Ukraine; temperate climate; borders on the Azov Sea with outlet to Black Sea; shares a border with the Russian Federation (800 kms.)
- Major activities: industries, including coal mining, metallurgy, and machine building; construction; and transport.
- Produces approx. 20% of all manufactured goods in Ukraine, and provides national budget with 22% of its revenues
- Impressive array of research institutes and universities, including Donetsk State University

Located in the undulating steppes of south-eastern Ukraine, the oblast of Donetsk lies in one of the most developed industrial areas not only of Ukraine, but of the entire former Soviet Union. Together with the neighbouring Luhansk oblast, Donetsk comprises an area long-known as Donbas, traditionally the Soviet Union's industrial powerhouse. During the Soviet era, the industrial importance of the Donbas - often referred to as the "All-Union Stoke Room" - led to the development of a strong working-class identity in the region. These historical ties, combined with its geographical proximity to the Russian Federation caused much concern over the region's loyalties and political tendencies after Ukraine's declaration of independence. However, the new market economy has turned former Russian partners and suppliers into tough business competitors, especially in the area of fuel and energy. These new economic realities are proving to be very influential factors in defining borders and determining allegiances.

Donetsk has extensive and rich natural resources which have played an important role in the region's development as an industrial centre. These resources include deposits of coal, rock-salt, and mercury which are among the largest in Europe, as well as Ukraine's largest deposits of iron