

THE THIRD GAS REVOLUTION:
WILL UKRAINE FIND A WAY
TO BENEFIT FROM IT?

WHO WILL GAIN
FROM HIGHER CUSTOMS
DUTIES?

THE MYTHS AND
REALITIES OF CUSTOMS
UNION MEMBERSHIP

Тиждець

international edition

The Ukrainian Week

№ 6 (48) MARCH 2013

ELECTION-FREE ERA

KYIV AS A TESTING
GROUND
FOR 2015



The
Economist

Featuring selected content
from The Economist

WWW.UKRAINIANWEEK.COM

FOR FREE DISTRIBUTION

Slavic Brunch

starts March 24

WE KNOW WHAT YOU REALLY LIKE!



- Josper menu - Fish or Meat dishes straight from the oven
- Asian cuisine - freshly handmade salmon sushi, eel rolls and soups
- European cuisine - great variety of Traditional salads, pastas, paellas and risottos



- Great selection of awesome & fancy meals
- Unique & innovative Josper grill presentation
- Unlimited Italian & South African wines and beer Lvivske 1715
- Just UAH 495 per person
- Kids under 12 no charge with entertainment
- So you can enjoy & relax on your Sunday Brunch



1 pm till 4 pm

+380 (44) 244 12 35

The Terracotta Restaurant, 8th floor of the Premier Palace Hotel



BRIEFING

Keep Your Head Down!
While the opposition continues to announce radical initiatives, the regime is strengthening its positions

4

FOCUS

The Henchman:
The turmoil with Kyiv mayoral and city council elections may be a test of voters' and the opposition's reaction to a future without a presidential or parliamentary election

6



POLITICS

First Impressions: Despite overall positive responses from international experts, the new Criminal Procedure Code contains many pitfalls in terms of practical implementation in the domestic judiciary system

9

Georgia's ex-Deputy Minister of Justice Eric Svanidze shares his opinion on the new Criminal Procedure Code

12



Tactics Without a Strategy: What lies beneath Svoboda's slogans – a closer look at the interview with its leader

14

NEIGHBOURS



Russia is Arming Itself, but Against Whom? The reasons and prospects of its large-scale rearmament campaign

18

SECURITY

Strategic Incompatibility: Unable to choose between NATO or Russia, the government seems to be destroying its own Armed Forces instead

22

ECONOMICS

Import Duty as Geopolitics: Who will benefit from the higher car import tax

24



The Mythical Benefits of the Customs Union and the major economic problems it causes for its members

26



Philippe de Lara on Kyiv's tightrope walking between the two opposite unions

29

The Third Gas Revolution: The world on the eve of a methane hydrate era

30



Shell's Vice President on Ukraine **Graham Tiley** talks about the British giant's Ukrainian partners and environmental controversies in unconventional gas production

34

SOCIETY

Knowledge is Power – and Cash: How university rectors are turning their offices into lucrative lifelong sinecures

39

CULTURE & ARTS



A New Music Generation: Top 6 English-language bands in Ukraine

46



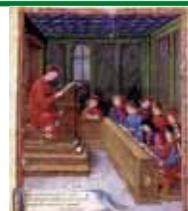
Russia's Wounded Giant: The world's biggest gas producer is ailing. It should be broken up

36

HISTORY

The Light to Education: The progress of education from secular to universal and accessible to the public at large

42



NAVIGATOR



10 Carpathian Water Attractions: *The Ukrainian Week* dives into the watery wonders of the mountains

48

The Ukrainian Week

The Ukrainian Week № 6 (48) March 2013
Founder: ECEM Media Ukraine LLC **Publisher:** The Ukrainian Week LLC
First published in January 2010
State registration certificate
 Series KB No18352-7152ПП of October 24, 2011
 Bohdan Andriytssev, Director, ECEM Media Ukraine LLC
 Serhiy Lytvynenko, Editor-in-Chief, The Ukrainian Week

Natalia Romanec, Shaun Williams, Editors;
 Anna Korbut, Translator
Mailing address: PO Box 2, Kyiv, 03067
Publisher address: vul. Mashynobudivna 37, Kyiv 03067 Ukraine
E-mail: office@tyzhden.ua, **Tel.:** (044) 351-1300
 www.ukrainianweek.com
Print: The Novy Druk, LLC, 1 Mahnitohorska Str.
Ordering number: 13-5852. Print run: 15,000
 Sent to print on 29 March 2013
Free distribution



The opposition launches the Rise Ukraine! campaign. Rallies take place in Vinnytsia, Uzhhorod and Lviv (see more on p. 14)



The European Commission discloses a report on Ukraine that includes criticism of the Yanukovich regime



The Verkhovna Rada ratifies the simplified visa regime agreement with the EU

Keep Your Head Down!

While the opposition continues to announce its latest radical initiatives, the Yanukovich regime is strengthening its positions

The opposition is continuing to raise its level of resistance. In addition to the Rise Ukraine! campaign, it demanded the parliament to start considering the opposition-sponsored draft law on the impeachment of the President. Meanwhile, Arseniy Arseniuk announced the collection of 174 signatures from the opposition for the no-confidence vote against Mykola Azarov's government and called on the Communists to support it. The latter, judging by their leader's words, do not appear to have anything against this. Of course, efforts to promote the draft law on impeachment could lead to another blocking of parliament, in view of the fact that the Party of Regions (PR) is reluctant to consider it now. In the meantime, the PR has already taken very convenient positions through the speaker, Volodymyr Rybak, who stated that top priority issues to be addressed during the coming sessions of the Verkhovna Rada, should be draft laws that are a mandatory part of preparations for the signing of the Association Agreement with the EU.

The initiative on the no-confidence motion against Azarov can be seen in the context of preparations of his replacement by Serhiy Arbutov. Such a scenario is possibly the easiest one for transferring

Author:
Oles Oleksiyenko

full control of the government to a Family premier, after Yanukovich & Co failed to have the parliament vote for him. The opposition is possibly counting on support from Arbutov's potential supporters and the Communists to collect the 50 votes it still needs for parliament to declare its no-confidence in Mykola Azarov.

For the opposition, even such a scenario will be convenient, since it would aggravate conflict within the power conglomerate and political instability in



THE REGIME IS GROWING MORE INSOLENT IN ITS DESIRE TO USURP POWER AND BANISH ANY CRITICISM

Ukraine. However, this is only helpful if the opposition is ready to use this situation in its interests which is doubtful. In addition, the implementation of this scenario could mean that one group or another within the pro-government majority is confident of strengthening its positions, should the existing parliament stop working or is dissolved, and has an algorithm for achieving its goal.

While the opposition was trying to look persuasively decisive in its battle with the regime, the

latter continued its equally persuasive advance towards authoritarianism. Chairman of the Procedure Committee, Volodymyr Makeyenko, notorious after pushing to strip Serhiy Vlasenko of his MP mandate, registered a draft resolution to increase the PR's presence in several key VR committees by squeezing out opposition representatives. The committees include those for European integration, tax and customs policy, legislation on law enforcement, the VR procedures, environmental and health. Unless the opposition offers due resistance, the PR may take over more VR committees.

In addition, last week it became clear that the Kyiv mayoral and city council election will probably be postponed until 2015. Signs emerge of deliberate delay in the allocation of re-elections in the five districts, where the CEC was unable to determine a result. As a result, they may be postponed until the party in power is sure that its candidates will win. At the same time, opposition candidates have faced increased pressure in the districts where the PR lost the 2012 parliamentary election. Arkadiy Kornatskiy, who ran Mykolayiv Oblast, and Viktor Romaniuk, who won against Tetiana Zasukha with a difference of 10,000 votes in District No. 94 of Kyiv Oblast, but was later stripped of his win by the decision of the local court, are in hiding abroad. On March 22, Romaniuk was arrested in Milan on the basis of Ukraine's application to put him on Interpol's wanted list. On March 26, the Shevchenkivsky District Court of Kyiv approved a decision on his detention as a pre-

The month in history

9 March 1814



Taras Shevchenko, one of Ukraine's greatest poets, is born

19 March 1930



Lina Kostenko, an outstanding contemporary poet and writer, and representative of the Sixties generation, is born

20 March 1917



Historian Mykhailo Hrushevsky is elected President of the Tsentralna Rada, the revolutionary parliament in Ukraine



A snow storm and the inactivity of Kyiv authorities leave the capital paralyzed. Volunteers with off-road cars and pull thousands of cars, including ambulances, out of snowdrifts



Boris Berezovsky dies



The Ukrainian football team wins in matches against Poland and Moldova and improves its chances of getting to the 2014 World Cup

The Georgian parliament votes to restrict the president's powers

ventive measure, to speed up extradition to Ukraine.

Most importantly, the government's games around Kyiv mayoral and city council election and the re-election in the problem districts could signal that the government is testing the reaction of the opposition and society and preparing a scenario of postponing the parliamentary election if the parliament is dissolved and the party in power is uncertain about its ability to win a majority in the early parliamentary election. In the meantime, Mykola Azarov has begun to publicly promote the idea that elections are already taking place far too often, which is why the party in power is forced to constantly justify its inability to execute the lavish promises made during the previous election campaign. "These are the grounds for constitutional reform – to synchronise elections at all levels in such a way, that Ukraine has adequate time for stable work, and does not have to live on expectations from the next election campaign... Opposition representatives in the Verkhovna Rada feel free to express themselves offensively against the government and threaten it in a disdainful manner... This cannot be," stated Azarov in a TV interview. This signals that those in the higher echelons of power no longer avoid public criticism of elections as a negative factor that hamper "reform". The premier seems reluctant to realize that they are conducted in order to control the execution of at least most, if not all, responsibilities by a governing team.

In this aspect, the government's ever-more blatant disregard of the rights of MPs and mass



The government is trying to keep its activities secret not only from the mass media, but also from opposition MPs. During the government's meeting on March 27, Mykola Azarov authorized security guards to escort MP Serhiy Kaplin (UDAR) from the meeting room

media to have access to meetings of governing bodies is very notable. On March 13, 2013, the Cabinet of Ministers restricted the access of MPs to its meetings. On March 18, the government's meeting was cancelled because of the presence of two Svoboda MPs. While on March 27, Azarov authorized security guards to escort UDAR's MP Serhiy Kalinin, who had the audacity to criticize the government for its poor liquidation of the consequences of the snow storm, from the meeting room of the Cabinet of Ministers. On March 22, representatives of mass media were not allowed to attend the session of the Cherkasy Oblast Council, and on the 26th – a meeting of the VR Budget Committee, at which the allocation of UAH 1.7bn was addressed. In a commentary for The Ukrainian Week, Batkivshchyna MP, Oleksandr Chornovolenko, who did attend the meeting, explained the reason for this: the largest amounts were allocated to the Prosecutor General's Office of Ukraine – an additional UAH 209mn, the State Guard Service – UAH 48mn, the State Security Service – UAH 31mn, as well as

Yanukovych's hometown, Yenakiievo – UAH 100mn (while Odesa Oblast only got UAH 19mn, Kherison Oblast – UAH 18mn, Poltava Oblast – UAH 13mn, Cherkasy Oblast – UAH 10mn and Chervivtsi Oblast – UAH 7mn). A further UAH 90mn was allocated among the districts of the MPs who approved this decision.

Such behaviour of the regime demonstrates the growing insolence in its desire to usurp power and make any criticism impossible. In this context, some other telling signals are Azarov's criticism of the mass media for not highlighting what they should, and promotion of the idea to punish people for both slander, which is most often a false statement damaging someone's reputation, and defamation – a term to define a statement that damages one's reputation but is most often based on true facts, by Deputy Prosecutor General, Renat Kuzmin. In other words, they propose criminal liability for the dissemination of not only untrue, but also true data, should it "defame the honour" or "compromise" an official, politician, government body or state institution. This can significantly improve Yanukovych's chances, and with a creative approach, even lead to a coup d'etat with the complete usurpation of power, provided that the government can interpret any protests as the defamation of the president and launch the relevant criminal cases. Perhaps, this was why Viktor Yanukovych told the Internal Troops of Ukraine that their "adherence to principles in law enforcement... will determine the success of the reform we are implementing" at the celebration of their 21st anniversary. ■

PHOTO: PHL

21 March 1889



Alexander Vertinsky, a renowned Russian singer and actor, is born in Kyiv

27 March 1793



Catherine the Great issues a manifest to annex Right-Bank Ukraine to Russia as a result of the Second Partition of the Polish-Lithuanian Commonwealth

3 April 1933



Ukrainian surgeon Yuriy Voronyi performs the first human kidney transplant in the world. The kidney was accepted by the female recipient and began to work, but she died two days later

The Henchman

The Yanukovych regime is depriving Kyiv voters of their right to influence the local government through elections. This may be a test of the public and opposition reaction to a scenario whereby national presidential or parliamentary elections will be postponed or cancelled

Author:
Andriy Skumin

The government seems to have made its final decision on the election of the Kyiv mayoral and city council. It's not going to happen, at least, not until the upcoming 2015 presidential election, if the latter take place at all. In the previous week, Party of Regions' MPs submitted a request to the Constitutional Court to interpret when the election in Kyiv should take place according to the law. Opposition representa-

tives claim that the Constitutional Court has already received a ready-made decision from the Presidential Administration: the next mayoral and city council elections should be held no sooner than 2015. This is hardly surprising, as the Party of Regions never even began the "legality" game – any attempt would end in defeat.

The election delay scenario will likely be implemented based on a loophole in the law on local

elections. Under the relevant regulations, the term for Kyiv Mayor and City Council deputies elected in 2008 is five years, thus the election campaign should take place in 2013. On the other hand, Art. 14.2 of the Law "On Local Elections", says that regular elections of deputies and mayors are held simultaneously throughout Ukraine, other than in the cases specified by the Constitution and laws. Given that regular municipal elec-

OLEKSANDR SCISSORHANDS:
The KCSA Head is most often portrayed opening roads and newly-constructed buildings despite the fact that he does not initiate any of them



tions, other than those in Kyiv and those to the Ternopil Oblast Council, took place in 2010, the Constitutional Court could decide conveniently for the Presidential Administration, i.e. postpone local elections in Kyiv until 2015.

Holding them anytime soon will certainly leave the Yanukovich regime with no control over Kyiv: as the 2012 parliamentary campaign showed, support for the party in power is currently below 20%. The latest surveys signal an inevitable defeat for Oleksandr Popov, the presidentially appointed Head of the Kyiv City State Administration (KCSA) against opposition candidate Vitaliy Klitschko, if the election were to take place in the short-term. The latest snow storm in Kyiv only made things worse for the current administration, which proved absolutely helpless when faced with the extreme weather conditions.

As the presidential election draws closer, the role of Kyiv as the capital will grow, especially when protests loom. Thus, people in the Presidential Administration realize how important it is to maintain control over Kyiv's administration bodies. A perfect scenario for Yanukovich is to keep the status quo until 2015 with the KCSA with the henchman he appointed, instead of a mayor elected by the city's voters, and a city council that no longer resembles the will of Kyivites. Once its term in office is manually prolonged, the deputies who have no hope of being reelected if the election did take place anytime soon, are likely to fulfill the Presidential Administration's instructions even more readily than before. If this happens, Kyiv authorities will be absolutely free to ignore the will, interests and problems of average Kyivites, as they did on the "52nd of February" when people found themselves snow-bound for almost two days.

Oleksandr Popov was previously the Mayor of Komsomolsk, Poltava Oblast, for 12 years. According to *The Ukrainian Week's* sources, the locals really liked him. The town was often mentioned for its progressive municipal practices. His role in Kyiv today is completely different. He is the henchman of the Yanukovich regime who, over his three years in office, has failed to be-

come the real head of the capital, an independent official capable of protecting the interests of Kyiv residents and resisting central authorities or oligarchs who, under Popov, are grabbing the city's architectural sites, land and other assets at an even more alarming rate than before. Controversial construction activity has grown significantly. For instance, despite Popov's numerous promises to stop construction near the Teatrna metro station in downtown Kyiv, it is still on-going. He failed to stop the damaging of architectural sites by entities linked to Rinat Akhmetov during the renovation of Andriyivsky Uzviz and the notorious "renovation" of Hostynnyi Dvir (The Inn) by companies linked to the Family, although both projects caused a surge of protests. This surprises few, as Popov was appointed by the President, not elected by the people, so needless to say, he works in the interests of the President and Co. In early March, Popov said openly that he could not influence the situation surrounding the "renovation" of The Inn because the site is state-owned and privately rented, so Popov and the KCSA he heads can only act as a deliberative vote in the situation. Saying this, he essentially confirmed that he has no levers and decides nothing in Kyiv – the Presidential Administration does that for him.

It's no wonder that the process of stripping Kyiv of financial resources through various mechanisms by the team in power is linked to Popov. In 2010, his fellow Party of Regions' MPs adopted a new version of the Budget Code of Ukraine. As a result, Kyiv lost 50% of revenues in personal income tax. In 2013, Kyiv will lose an estimated UAH 8bn because of this decision. In 2012, Kyiv became a subsidized city. In 2013, for instance, local taxpayers will contribute UAH 8.2bn to the state budget, while the city will get a mere UAH 2.6bn in subventions. The deficit in the adopted 2013 budget was impressive enough to make Popov react, even if it was merely for show. He soon agreed to the budget after the government promised to raise subventions for Kyiv once it revises the budget after Q1'2013.

Five top candidates whom Kyiv voters would support if the mayoral election took place in March 2013,



31%

Vitaliy Klitschko



20.3%

Oleksandr Popov



7%

Petro Poroshenko



4%

Andriy Illenko



4%

Oleksandra Kuzhel

Source:
A survey of 1,060 people by the Rating sociological group, held in early March 2013

Oleksandr Popov is most often portrayed opening roads, upgraded high-speed tram lines, metro stations, bridges and newly-built houses – all promoted as his personal accomplishments. This is despite the fact that the projects are often privately funded or part of national programmes, such as Euro 2012 preparations. In 2011, the Cabinet of Ministers allocated UAH 1.5bn for infrastructure projects, and another UAH 0.85bn in 2012. Most of this money was spent ineffectively as recently confirmed by the Audit Chamber. This is no surprise, as infrastructure projects in Kyiv – and under the current government in particular – have always been used to pump hundreds of millions from the budget to the "right" business entities spending them as they will.

Notably, under Popov as KCSA Head, Kyiv's debt grew from UAH 8bn in July 2012 to UAH 10.5bn in February 2013. This is more than 60% of the city's annual budget (UAH 18.5bn in 2013), while the municipal budget already spends over UAH 1.3bn to service it. This is despite Popov's declarations of the need to stop increasing debts when he headed the KCSA. Meanwhile, one of his deputies, Ruslan Kramarenko, admitted recently, that the debt will continue to grow, under the pyramid principle. Thus, instead of the Eurobonds worth USD 550mn that are due in 2015-2016, Kyiv authorities are planning to issue new ones worth USD 700mn due in 2024. This means that they will cover not only the debt, but interest on it, using new debts. If this continues, every subsequent loan will become more and more expensive for the city, with an increased risk of default. The threat of Kyiv's default already emerged in 2012, but was averted. The question is how long it will take until the next threat, given the current policy of eating up funds.

Meanwhile, many segments of Kyiv's economy remain in the shadow. Popov demonstrates his inability to solve this problem. This is not surprising as the most profitable segments are linked to top officials or people close to them. For instance, anticipated income from parking lots in Kyiv's 2013 budget is UAH 30mn, the same as last year. According to expert estimates, however, ▶



The road to Koncha Zaspa



Victory Prospect

1 What did you expect?

Web surfers react to the inaction of Kyiv authorities in the snow storm

minimum annual revenues from parking spaces in Kyiv hit UAH 400-450mn, which is a lot, given the deficit in the municipal budget. Popov's initiative to bring "small architectural elements", i.e. kiosks and trade tents, out of the shadow, failed miserably as well. He said many times that their owners evade taxes while kiosks ruin the city landscape. After a few months, the campaign abated. The owners of kiosks removed from one site got new "protection" and popped up at other sites. The way kiosk business works in Kyiv is that only the owners who pay a certain contribution to a certain entity qualify as being "compliant with the law", while the kiosks of those who don't, are removed.

Probably most notorious proof of how helpless Kyiv authorities can be in dealing with emergencies, was the snow storm on March 23 – the heaviest in decades. However, weather forecasts had warned of it in advance, giving the authorities time to prepare. They obviously thought that street sweepers and spades would be enough this time.

According to estimates, Kyiv has 40 times fewer snow removal machines than Moscow, i.e. 300 compared to 12,000, although the population in Kyiv is only three to four times smaller than that in Moscow. This might be why the KCSA demonstrated its efforts in dealing with the snow storm on a photo taken in Moscow last November. To make it look more credible they photoshopped the script on the truck that originally indicated that it belonged to the



Checking one Kyiv supermarket for bread supplies



A line to buy bread. The only bread kiosk open near the market in one of the biggest residential districts

Are these two different Kyivs? – Yes, they live in different dimensions

Russian road construction agency. Despite the lack of snow removal equipment in the capital, however, the road to Koncha Zaspa, a suburb where the "elite" lives, was cleaned first, because it is "categorized" according to Popov. Meanwhile, a school bus with 47 kids visiting Kyiv was stuck in a traffic jam for almost 12 hours.

It is a fact that the current municipal authorities are incapable of protecting voters' interests. They cannot bring important segments of Kyiv's economy out of the shadow, as they are controlled by entities close to the government, put the privatization and rent of municipal property in order, or stop corruption that leaks hundreds of millions from the city budget annually. In the latest case of grabbing Kyiv funds, the prosecution launched criminal proceedings against the Chairman of the KyivPasTrans (Kyiv Passenger Transport) tender committee, who acquired trams at a price that was UAH 11.1mn higher than their actual worth.

Clearly, regular elections of city authorities are not a panacea from all the problems mentioned above. However, a mayor and city council that will be account-

According to Yandex Traffic Jams, an on-line source, the total length of traffic jams on March 22 in Kyiv was

800km

WHY NOT POPOV? The scapegoats for the failure to deal with the snow storm were KCSA First Deputy Chairman Oleksandr Mazurchak (photo), KyivAvtoDor (Kyiv Automobile Roads) Director Heorhiy Hlynsky and Head of the Kyiv Emergencies Department Vitaliy Pshenychny. But what makes Oleksandr Popov better than them?



able to voters, rather than the President and the institutions under his control, including the Constitutional Court, are an important instrument to make local authorities respond to the real problems the city and its dwellers face. However, Kyiv will inevitably face more and more disasters, if the regime-appointed mayor and city council continue to run the city.

And this will not be the biggest trouble. The party in power may essentially cancel the local elections in Kyiv to keep its puppet administration in power despite a 12.6% support from Kyiv voters for the Party of Regions in the latest parliamentary election. This will be a test of how the electorate and opposition may react, should those in power cancel the national presidential election in 2015 or indefinitely postpone the early parliamentary election if the current Verkhovna Rada is dissolved. Despite virtually zero chances to win the confidence of Ukrainian voters again, weak resistance in the situation with Kyiv elections may encourage the Yanukovich regime to try the same scenario to keep central power, even if formal excuses and mechanisms differ ❏

The First Impressions From the New Code

Despite overall positive responses from international experts, the new Criminal Procedure Code contains many pitfalls in terms of practical implementation in Ukraine

November 20, 2012, when the new Criminal Procedure Code (CPC) came into effect, was a turning point in the reform of Ukraine's criminal justice system. Obviously, it is too early to draw any conclusions on how effective the new rules of criminal justice are after just three months, but the first results of the new CPC are already visible.

THE SECRET GOES PUBLIC

First of all, the new CPC launched the Uniform Register of Pre-Trial Investigations. As a result, reports of crimes are first registered in a journal, then recorded in the Uniform Register within 24 hours. Statistics do show some positive changes in the number of registered reports of crimes. According to some crime victims, the system works really well and the police do not refuse to register reports of crimes. Thus, this novelty seems to be a successful outcome of the reform.

37,318 reports of serious offences account for 1/6 of all crime reports compared to 30,346 in 2012. General Hennadiy Moskal, currently an MP with extensive experience in investigating criminal offences who disclosed these numbers, often said that the number of crimes would soar in 2013. This is logical, given an almost 7,000 increase in serious offence statistics. According to Moskal, this is because the police would not register all minor criminal offences, such as stealing a bicycle, but always registered serious offences. In our opinion, however, the gap may have a purely technical explanation: the police may have entered offences left over from previous years into the Single Register, not just the ones committed since the beginning of 2013.

A FALSE START?

According to *The Ukrainian Week's* sources, the number of reported crimes did indeed rise as

Author:
Andriy Skumin

compared to the previous year in at least five oblasts. This may be yet another result of the criminal justice reform: in December 2012, the Prosecutor General's press-service announced that it had released 6,000 detainees from pre-trial detention centres after the new CPC came into effect. The number of those newly placed in pre-trial detention centres dropped almost threefold. As a result, the State Penitentiary Service reported that 27,500 people were in detention centres as of March 1, 2013; 1,800 of them were there for pre-trial investigation. This is compared to 33,200 people in early July 2012. Presidential Advisor, Andriy Portnov, reported that 13,000 detainees were released from pre-trial detention centres over three months since the implementation of the new CPC. However, only an analysis of repetitive criminal offences committed by those newly released from detention centres can show »

OPINIONS

On March 12, the Council of Europe launched Support to Criminal Justice Reform in Ukraine, a new project aimed at assisting Kyiv in the proper implementation of the Criminal Procedure Code (CPC) that came into effect in November 2012. Subsequently, the leading Council of Europe experts met at the Ye Bookstore in Kyiv to share their opinions on ways to reform criminal justice in Ukraine.



Jeremy McBride, Barrister, Monckton Chambers, London; Chairman of the Scientific Committee of the Fundamental Rights Agency of the European Union
On the problems of the new CPC implementation in Ukraine

This document is a very important step forward to creating the European standard-compliant framework for the system of criminal justice in Ukraine. Of course, it is not just about what is written in the CPC. There must be confidence that it will be implemented properly. There are some problematic issues that prevent proper implementation. Firstly, every-

one should admit that the new CPC is a big step forward, yet the people responsible for its implementation may not realize this and rely on old methods, working intentionally or by inertia like they did before. Secondly, you need to have competent professionals who understand the Code and the nature of its implementation. Also, a question about distribution of powers among various components of the criminal justice system arises. Another important aspect is the role of the administration: high courts, prosecution and the Ministry of Interior should give specific instructions on how the CPC should be implemented in practice. The change of balance between various components of the criminal justice system should also be taken into account. Passing the new CPC is not the end of the process, - it's just the beginning. »

whether the reported data signals positive or negative trends. So far, law enforcers have not disclosed whether or not the mass release of detainees has provoked a surge in criminal activity.

The government was also unprepared to implement some provisions of the new CPC related to house arrest as a preventive measure. It entailed electronic tagging, worn on the leg, to control people under house arrest. Despite the UAH 16bn budget of the Interior Ministry for 2013, no funding was planned for the bracelets even though it would have cost the Interior Ministry only UAH 0.13bn or less than 1% of its entire budget. Thus, the good old means of controlling detainees under house arrest by the police remains. According to Andriy Portnov, one of the authors of the new CPC, 500 people are currently under house arrest in Ukraine.

LESS PROTECTED

Authorizing law enforcers to retrieve information and carry out other secret actions – a novelty of the new CPC – is another controversial aspect. Among other things, the new CPC allows investigators to interfere with private communication through audio and video surveillance; seize, revise and remove correspondence; retrieve information from telecommunications networks and electronic information systems; and secretly penetrate places they had no access to earlier, such as the home. In other words, the new CPC allows bugging, entering and searching



buildings and apartments without consent and the interception of letters. Investigators are normally only authorized to take such actions if a warrant has been issued by a competent judge. But as one judge told the author of this article, “Just try finding arguments to refuse issuing a warrant to an investigator,

once criminal proceedings are initiated. They’ll blame you of covering up the criminal”. This is why, according to available information confirmed by the Prosecutor’s Office, and the Anti-Organized Crime Department, investigators have flocked for warrants regarding secret actions within the first months

OPINIONS



Mikael Lyngbo, Legal Expert for the Danish Helsinki Committee for Human Rights; former Chief of Police and prosecutor, Denmark
On the reform of Ukrainian prosecution

The reform of prosecution has been a commitment of Ukraine since 1995 when it joined the Council of Europe. A number of bodies send their drafts to the Venice Commission for comments - some of them not supported by the government. Therefore, we have a series of comments on the situation in Ukraine and the work of the prosecution –

and they are quite uniform. All of them point at the fact that the prosecution in Ukraine still maintains all the functions of an old Soviet prokuratura (Prosecutor’s Office – Ed.) with a combination of a powerful task within the criminal justice system, and a number of equally powerful tasks outside of it. This model traces back to the system established by Peter the Great in Russia to keep an eye on his administration. In that system, there was no separation of powers; the concept had not been invented by then. The Communist Party took it over directly, as it also supported the system of one power rather than separated powers. By contrast, European models are based on a system where each organization controls and balances the other. None of them becomes too powerful or too

big individually. In Ukraine, the prosecution body is one very strong organization as yet another incarnation of the prokuratura; it can use its role in the criminal justice system to support its function in the civilian area without proper judicial control. In order to obtain the point of balance between the different components of the legal system, the prosecution has to be less powerful than it has been until now.



James Hamilton, Substitute Member of the Venice Commission; former Director of



DRAWING BY IHOR LUKANCHENKO

the obvious negative aspects include the provision that allows only certified lawyers to defend people in court. This hit human rights activists hard. In Ukraine, human rights organizations used to provide professional assistance to many defendants free of charge, and they have many good lawyers. Today, this channel of protection is blocked. Rumor has it that the increase in bribes to get a lawyer's certificate is a fact.

ON PAPER AND IN PRACTICE

The government is promoting criminal justice reform as one of the major accomplishments in the portfolio of "reforms from Yanukovich". Paradoxically, representatives of international organizations share this opinion. At a panel discussion arranged by *Ukrayinsky Tyzhden/The Ukrainian Week* at Ye Bookstore on March 12, 2013, all Council of Europe's leading experts, including Georgia's ex-prosecutor Eric Svanidze; ex-Director of Public Prosecutions in Ireland, James Hamilton; Danish Helsinki Committee expert Mikael Lyngbo and others, gave flattering reviews of the new CPC. Meanwhile, the opposition criticizes both the government and the Council of Europe representatives who "legitimize" the punitive system in Ukraine. In this case, each party obviously has a point. European experts rightly note that the new CPC creates additional guarantees in protecting people's rights and freedoms during pre-trial investigation and

since the implementation of the new CPC. The Prosecutor's Office refused to disclose the number of warrants for telephone tapping as inquired by one of the Ukrainian mass media, qualifying this as internal classified information.

After three months of the implementation of the new CPC,

implements European-tested procedures in the local criminal proceedings.

But there is also logic in the opposition's stance. Having changed procedures, the new CPC does not include any changes to the circle of entities that "bring" the charged person to court - instead their authori-

TO A CERTAIN EXTENT, THE AVERAGE CITIZEN HAS GREATER PROTECTION, BUT THIS IS ONLY AS LONG AS HE/SHE DOES NOT CROSS THE GOVERNMENT

ties are even greater now. As a result of the procedure for staff appointments, Prosecutor Office bodies are completely under President Yanukovich's control. The investigating judge as the key figure of the criminal proceeding is under the supervision of the Presidential Administration as well. And a lot can be done in the criminal prosecution of the undesirable, with the aid of such instruments as phone tapping and entering and searching an apartment or building. In other words, the new CPC has the following consequences: to a certain extent, the average citizen has greater protection and the likelihood of his/her ending up behind bars before going to court has been minimized. But this is only as long as this average citizen does not cross the government. ■

Public Prosecutions in Ireland, President of the International Association of Prosecutors

On the status of judges and prosecutors in Ukraine

There should be clear laws to protect prosecutors and judges from political interference with their work. Under the Council of Europe's Recommendation No2019, for instance, prosecutors should be entitled to reject any recommendations or instructions they qualify as illegal. Prosecutors should demand that such instructions are submitted in written form and, even if they are, they should have the right to reject them. Of course, this is difficult in a country that has not such tradition. But such measures can exist to

prevent unjustified dismissal from office, withdrawal of salaries or transfer to remote corners of the country where they are reluctant to serve. There should be fair procedures on disciplinary actions whereby people will supervise both the prosecutor and the judges from an unbiased perspective and proper salary that cannot be cut at someone's will. All these things will not guarantee that that process is completely unbiased, but they will make work easier for judges and prosecutors in terms of taking decisions that someone in the government may dislike. These are things that should be done in Ukraine... Also, I believe that the prosecution (in Ukraine – Ed.) has too many powers, they should be limited.



Lorena Bachmaier Winter, Professor at Law School, Universidad Complutense, Madrid, Spain

On the jury
In my opinion, the jury should be used more widely, especially in

young democracies. However, European standards do not require a country to have a certain model of justice. Every country is free to choose its own system and decided whether they want the jury or not, or whether they prefer a mixed system. The Council of Europe does not have a clear provision or convention recommending the jury as the only right way.

The Law and Reality

Georgian ex-prosecutor talks about the implementation of the new Criminal Procedure Code in Ukraine and Georgia's criminal justice reform experience

BIO

Eric Svanidze, formerly prosecutor and Deputy Minister of Justice in Georgia, and former member of the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT) in respect of Georgia



ФОТО: АНДРЕЙ ПОЛОНСКИЙ

Interviewer: **Hanna Trehub**

Democratization and adjustment to European standards in transition countries, including former USSR republics, is impossible without profound changes in the justice system. This is particularly true for criminal justice that contains the most mechanisms for abuse at various levels. *The Ukrainian Week* talks to Eric Svanidze, former prosecutor and former Deputy Minister of Justice in Georgia, and a long-term consultant on Council of Europe Projects, about how the new Criminal Procedure Code (CPC) in Ukraine, which was implemented in November 2012, can improve the situation locally and separate the powers and responsibility of prosecutors, investigators, lawyers and judges.

UW: The new Code implements “covert investigative actions”. How do you assess this provision in terms of human rights? Do you think that the authorities could use this provision to plant fake incriminating evidence not only against suspects, but also against anyone the government dislikes?

— You have sufficient protection from the abuse of this provision. One is judicial review. The other is the Law “On Investigation Techniques” which is beyond the jurisdiction of the new Code. The biggest accomplishment of the Code is that these processes have been entered into the system of checks and balances. Thus, in addition to judicial review, most covert investigative or interrogation actions are subject to judicial supervision. What this means is that there is a special procedure, requiring prosecutors or investigators to prove that the actions are necessary. This is completely in line with the Article 8 of the European Convention on Human Rights regarding the legitimacy of certain actions in investigations. In this sense, Ukraine has implemented legislation that is similar to that in most European countries. However, I’m talking about laws. It will take some time to see how they are implemented.

A text without implementation and enforcement is just a text. We are working on the im-

plementation of this new Code in local practice and are communicating not only with the government, but also with representatives of civil society. It is currently too early to talk about any significant results, but I believe that there are already some promising signals, including the significant decline in the number of covert investigative actions. In general, people who abuse the law are pretty inventive. They often find gaps in the law. In this respect, the Ukrainian Code is as resistant as other similar European codes regulating criminal justice.

UW: Which procedures in the new Code carry the biggest corruption risks?

— The implementation of any legislation leads to this question and carries a certain risk. Even if there is no discussion on which law to apply, if there is no compliance control and the law is easy to abuse, even the best laws can ultimately be used for corruption purposes. Still, such possibilities are limited. One risk is of keeping a suspect in a pre-trial detention centre when arrested instead of releasing him on bail. The new Code has detailed provisions that minimize this risk. However, any law can be violated. A law on its own does not solve the problem, yet it is a significant factor in minimizing the risks of corruption.

Georgia is sort of a success story in this respect. It managed to change the social mindset, not just legislation, which took strong political will and a comprehensive approach. It also implemented specific laws, and a CPC, similar to the new Ukrainian Code, which was actively applied against those involved in corruption scams. The anti-corruption campaign is pretty powerful and comprehensive in Georgia. However, the overall approach to eliminating corruption should include not just the law, but a series of other necessary elements. In my opinion, Georgia has more or less succeeded in implementing comprehensive changes which made it possible to minimize the risk of new corruption scams.

UW: The new Code changes the role and powers of prosecutors. What specifically does it change

in the operation of the prosecution?

— The new Code implements the latest model of the way prosecutors operate within the framework of criminal justice. The concept of procedural leadership in investigations is key here. This is a very pragmatic approach, based on simple logic: the prosecutor is the ultimate user of the outcome of an investigation. In this case, the prosecutor leads the case and acts as accuser in court. Investigative bodies do not have the powers of the prosecutor. They only investigate.

In post-Soviet countries, including Ukraine and Georgia, a better approach is to separate



THE SEPARATION OF PROSECUTION AND INVESTIGATIVE BODIES IS NECESSARY TO PREVENT THE ABUSE OF OFFICE AND POWERS

prosecutors and investigators. The new Code is the legislative platform on which this separation can be based. Ukraine still has 5 transition years during which the Prosecutor’s Office will gradually be stripped of its power to investigate criminal offences on its own. Its current function of leading cases in court as the prosecution and supervising investigative bodies in the process of collecting evidence and investigating, already makes it powerful enough. The separation is necessary to prevent the rise of a super-powerful entity that can abuse its authorities.

UW: What is Georgia’s experience in democratizing the prosecutor’s office?

— Selective procedures are already in place. As an outsider, I can say that there are consistent statements proving that there is still some abuse after the democratization of the prosecutor’s office. The prosecutor is still a dominant figure in court proceedings. Again, it’s a question of implementation rather than the legislation itself: a law can be great but the practice and implementation leads to violations. Therefore, it’s necessary to look at the process rather than the text or formal enforcement. ■



Tactics Without a Strategy

In an interview for *The Ukrainian Week*, the leader of Svoboda, Oleh Tyahnybok, talks about the forms and tactics of political struggle, the prospects of a revolution, the interaction of opposition politicians and stereotypes about Svoboda. The full interview is at ukrainianweek.com, while the article below analyses Tyahnybok's key answers

RISE, UKRAINE?

Oleh Tyahnybok's answers pretty much clarify what the opposition actually expects from the Rise Ukraine! campaign. Arseniy Yatseniuk's first call to a "national revolt" made Rise Ukraine! look like yet another promotion campaign for him to gain sole leadership. His unexpected loud statement (it emerged later that many Batkivshchyna MPs heard the call to the barricades from the media) coincided with the publication of a rating of potential candidates in the 2015 presidential election. It revealed that Vitaliy Klitschko has more popular support than Yatseniuk and Tyahnybok, and would

win over Yanukovich with a wider margin than Yatseniuk. Meanwhile, Klitschko's popularity also comes from UDAR's proactive campaign, including the permanent blocking of the parliamentary tribune.

However, revolutions don't have a schedule. The first "rallies" arranged by the opposition in Uzhhorod and Lviv confirmed this. The opposition may try to justify weak attendance by bad weather, but this sort of approach to arranging a "popular uprising" may once again signal that it lacks the strategy to resist the regime.

The schedule of the rallies was compiled when the forecast predicting snow storms in Western Ukraine was already available. Was it that the rally organizers once again made a simple miscalculation, or are they in fact reluctant to have massive rallies? Meanwhile, the government has already used its loyal media to portray protests arranged by the opposition as something unimportant.

Based on Oleh Tyahnybok's answers, the biggest priority of Rise Ukraine! is to hold early presidential and parliamentary elections, while at the very least,

the objective is to fuel protest sentiments in society. The key goal is to “go to all oblasts, talk to the people and find out what kind of opposition they want”, “mobilize activists and create a platform of people who can come to Kyiv or rally in their home towns if necessary”, and then “have our local branches maintain active contact with the voters.” Still, Svoboda’s leader made the point that the opposition should be more proactive. “Of course, we can wait for the nation to rise on its own, driven to the edge of desperation by social pressure and injustice. But it’s better to facilitate the process, boost revolutionary sentiments... hold rallies and conferences, intensify the situation,” says Tyahnybok, explaining the activation of the opposition.

All this seems right. However, the miscalculation lies in the fact that throwing down slogans about the beginning of a “national revolt” and allowing it to abate to a routine regional tour may devalue the idea of national resistance. In other words, the opposition’s actions risk turning into a false start. It would have more effect going around the country and announcing massive protests or a national strike that could grow into something bigger, taking into account the public opinions and sentiments they see in the regions.

Tyahnybok believes that the pressure on the regime is currently supported by a number of “islands of resistance” that exist in Ukraine and demonstrate that the regime is not omnipotent. In his opinion, these include, first and foremost, local councils in three oblasts in Halychyna, where Svoboda is well-represented, and parliament where “so far, the opposition is holding its ground” proving more proactive than its predecessors in the Verkhovna Rada. However, his statement that the opposition “already has some minor successes and victories in its portfolio” appears a little optimistic. He mentions the struggle for individual voting and the language law as examples, and approves of the three-month ongoing blocking of the Verkhovna Rada tribunal. Despite the fact that the country has virtually had no legislature for three months, Tyahnybok claims that “if it hadn’t

been for these three months of war, the opposition wouldn’t have had any accomplishments.” So, “if the majority acts the way it did in the previous convocation, parliament will not work – we will not let it work,” he concludes. The latest developments in the parliament, however, prove that the accomplishments he mentioned are, for the most part, wishful thinking. This is because the opposition has made the same mistake of taking the Party of Regions’ commitments seriously, while the latter obviously believes that it has once again fooled the opposition. For instance, the very first session after the parliament was unblocked started with “button pushing” by at least three Party of Regions’ MPs, including Mykola Rudkovsky, Iryna Berezhna and Yulia Liovochkina. Have they ever been held liable for this? And they were only voting on the day’s agenda. What will then happen when the Party of Regions presents issues that are crucial for it?

Oleh Tyahnybok does not hide his concerns about the government’s attempts to discredit the Verkhovna Rada as a redundant and unnecessary body. Therefore, “we block parliament, demanding that MPs abide by laws and the Constitution on the one hand, and do everything to still make it work on the other. We take some risks, but it is only to create a fully-fledged parliament,” he comments. However, the government seems to have guessed the opposition’s fears and is now using them to discredit the opposition as clown-like blockers of the parliament’s tribunal. Meanwhile, the opposition should have realized that once started, the blocking campaign has to be brought to a proper end, otherwise there was no point in starting it. On March 19, for instance, Svoboda blocked the tribunal in reaction to the Party of Regions’ MP Yefremov’s speech in Russian and his description of Svoboda as a Nazi party, but unblocked it shortly thereafter – thus, this tool of pressure against the government is devalued once again.

THE KYIV TEST

Since the beginning of the parliamentary campaign, Svoboda has been in a bitter and public con-

frontation with Klitschko’s UDAR. They didn’t even try to nominate common candidates in first-past-the-post constituencies, which largely resulted in the defeat of opposition candidates in them. After the new parliament started working, Svoboda was pleasantly surprised by UDAR’s change of attitude regarding cooperation, says Tyahnybok: “Our relations are now much stronger and better than I pictured them at first.” Still, he suggests that voters should not seek synchronization in the actions of “different opposition parties” because the only thing they have in common is the fulfillment of specific tactical tasks that include the removal of the Yanukovich regime and the adverse effects of its three-year governance, and initiate profound changes in Ukrainian society, then prevent the comeback of the overthrown regime. As to the implementation of these objectives, each party has its own plan. If this is the case, doubts arise as to whether Batkivshchyna, UDAR and Svoboda will act wiser compared to the



REVOLUTIONS CAN'T BE SCHEDULED.

THE FIRST “RALLIES” ARRANGED BY THE OPPOSITION IN UZHGOROD AND LVIV CONFIRMED THIS

2005-2010 Orange leaders should they win. This signals that their joint governance will again be accompanied by an internal struggle, inevitably leading to yet another defeat, which could ultimately confuse the Ukrainian majority.

The next test will come with the Kyiv mayor and city council elections if these take place eventually. Following Yatseniuk’s suit, Tyahnybok is trying to push Klitschko to run for mayor, and if he doesn’t, run for office himself, since he believes it is a convenient springboard for the presidential election. “You have to be insane to kill your rates with this office and opportunities,” he says. “Nobody will demand the mayor to do something he cannot do. But, if the mayor manages to stop corruption and stealing, and brings the distribution of budget funds ▶

and the allocation of land down to a minimum, Kyivites will surely take note.”

Oleh Tyahnybok’s ambitions are inspired by the latest parliamentary election where common candidates from *Batkivshchyna* and *Svoboda* won almost all first-past-the-post districts in Kyiv, winning 50% of the vote from Kyivites. “Any opposition candidate will win the election with consolidated support for the opposition,” Tyahnybok concludes, forgetting the experience of Oleksandr Turchynov who failed to win on the back of *Batkivshchyna*’s ratings in the 2008 mayoral election, losing to Leonid Chernovetsky.

The approach to the possibly upcoming mayoral election in Kyiv described by Tyahnybok signals that the risk of a war among opposition parties remains surprisingly high. “All candidates in the mayoral and city council election should be agreed upon, including the positions they will hold in city council executive bodies. When discussing the opposition mayoral candidate, we cannot but discuss the city council election. In addition, there are the offices of the council secretary and committee chairmen – they should all be part of the deal,” he suggests.

This is right in theory. In practice, however, this is hardly an option for Vitaliy Klitschko if he decides to run for mayor. As the most popular politician in Kyiv, he may be expecting to win without any deals with *Batkivshchyna* or *Svoboda*. UDAR has strong “Kyiv roots”, i.e. influential lobbyists who are unlikely to cede their quotas in the Kyiv district in favour of other parties. If Klitschko agreed to give them up for other parties, UDAR’s leader would probably end up without the support of the numerous faction in the Kyiv City Council on which he could have counted in the struggle for the powers of the key man in Kyiv against the Presidential Administration or its man – the Head of the Kyiv City State Administration. Therefore, Kyiv is very likely to once again become an apple of discord among the opposition, as it was in the parliamentary election – especially given that some *Batkivshchyna* people are



promoting Petro Poroshenko as a potential mayor.

Similar to Vitaliy Klitschko, Oleh Tyahnybok prefers to leave the question of 2015 open: “We don’t know what will happen in the next two years. We can only sit and talk about it in detail in two years”. But so far, according to the polls, Tyahnybok is the only opposition leader who will lose the presidential election to Yanukovych if both happen to run in the second round, albeit narrowly. Instead, sources at the Presidential Administration claim that it is already developing a scenario for Yanukovych to get the least dangerous sparring partner in the upcoming presidential election, using the tactics that brought victory to presidents in Ukraine, Russia, Romania, to name but a few. The tactics is to represent

him as the lesser of the two evils, with the rivals being extreme left or right candidates. Spin doctors at the Presidential Administration reportedly see *Svoboda*’s leader as a perfect candidate for the role, counting on the chance to persuade most protest-oriented voters of a nationalistic threat, using loyal media and manipulations, and to top it off, secure Yanukovych’s victory with administrative leverage and fraud. Meanwhile, Tyahnybok has the potential to boost his ratings in Ukrainian society, which is growing more radical, as confirmed by latest trends in public opinion.

WHAT LIES BENEATH

Svoboda often wastes its efforts on secondary issues, such as those related to sexual or ethnic minorities, while leaving some crucial prob-



PHOTO: AP

Ukrainian cultural product, Svboda, according to Tyahnybok, suggests exempting Ukrainian-language products from taxes and supporting it with taxes on products in other languages. Every sixth hryvnia from the box office receipts of foreign movies could also be spent to develop the Ukrainian film industry. And he recalled the “ultra-revolutionary economic laws that, if passed, will change the economic system dramatically” submitted by his party. In order to accomplish a real economic effect, however, they still need to be worked on.

The platforms of opposition parties often have many reasonable provisions, and Svboda may have the most, but in practice, the party has different priorities. It is in practice that Svboda often tilts to secondary issues that can easily be used for the promotion or problems that are only important if solved along with others, that are currently more urgent for the state. “We can’t stop being ourselves! People voted for us because we are what we are, and not something different. Our platform is our worldview, and it remains unchanged, based on Christian values, the rejection of perversions etc”, Tyahnybok explains the actions of his party colleagues after the election. It appears that Svboda still does not understand the reason for the skyrocketing popularity that brought it to the Verkhovna Rada. Many of those who voted for Svboda in the latest election supported its proven reluctance to reconcile with the regime, which contrasts with the passivity and conformism of other opposition forces, rather than for the slogans Svboda brings to

means that this regime will be replaced by that of Tyahnybok or Svboda. “The struggle against the enemy” as a top priority hides the threat of searching for new enemies to resist once the current ones are defeated. Meanwhile, many crucial problems may end up on the sidelines, especially given that the party lacks a definitive action plan or has a fairly superficial vision for their solution. When asked about economic priorities, should Svboda come to power, Oleh Tyahnybok mentioned the nationalization of strategic enterprises and a focus on the food and engineering industries. However, these areas have already outpaced other industries in Ukraine in terms of development over the past few years. The aviation, ship building, aerospace engineering and defence industries that Svboda is counting on, are Soviet anachronisms. All political parties, including the Communists and the party in power, go back to it from time to time. In the current circumstances, these industries can only be an element of decoration in Ukraine’s obsolete economy, and not the driving force behind its development given their progress on the global market and the low capacity of the poor domestic market of Ukraine. If developed, they will still not make millions of Ukrainians better-off or contribute to the expansion of the domestic market. Tyahnybok offered no solutions to resolve this issue.

“We need to change the government,” he summed up the interview. “Real changes can only begin in 2015, or 2014 if there is an early presidential election.” Indeed, the current government has to go in order to make any transformations possible.

Unlike UDAR or Batkivshchyna, Svboda has a clear ideology. However, just like its fellow opposition parties, it does not have a clear plan of changes for the country after coming to power. Instead, it focuses on how to gain power. Even though Oleh Tyahnybok says that preventing the regime from returning is one of the three key objectives, should the opposition come to power, this tactic and the lack of strategy will boost the regime’s chances of returning. ■

lems, such as the monopolization of the economy, the strategy to develop it, the dominance of Russian products in the cultural domain, and oligarch-dependrnt media on the sidelines. In his interview, Oleh Tyahnybok tried to deny this, blaming everything on his political opponents that use the media to portray Svboda this way. “The Programme to Protect Ukrainians” contains hundreds of provisions,” he says. “They pick one controversial point and run with it. This results in the impression that Svboda does nothing but fight against Lenin monuments, for the Ukrainian language or national identification, although this is completely wrong... We have many recommendations regarding the protection of the media space, freedom of speech, language policy and more.” To improve the situation for the

SHOULD THE OPPOSITION COME TO POWER, THE LACK OF STRATEGY WILL BOOST THE REGIME’S CHANCES OF RETURNING

most of its post-election public events. Indeed, the ever more radical society likes these slogans, expecting Svboda to continue resisting the Yanukovych regime and not cooperating with it. This is great, but not if it

Russia is Arming Itself, but Against Whom?

Vladimir Putin has announced military reforms involving a large-scale rearmament of Russia. Success is not guaranteed, but Moscow will be able to do even more sabre-rattling before its neighbours and the West



Author:
**Maksym Bugriy, Institute for
Euro-Atlantic Cooperation**

Russia's growing foreign policy ambitions are increasingly tied to the success of its new military reforms. Vladimir Putin is serious about fulfilling his pre-election promises published in the *Rossiyskaya Gazeta* article "Being strong: Guarantees of national security for Russia". The article urged for a swifter rearmament of Russia's military. Experts attribute this act of militarization to geopolitical factors, and a report by the US Director of National Intelligence warns of possible threats to Russia's neighbours.

THE 2020 REARMAMENT PROGRAMME

The intensification of military reforms was an ideological cornerstone of Putin's 2012 presidential campaign. In a programmatic article, he wrote about a new global trend: increasingly frequent attempts to resolve economic issues and obtain access to resources through force. Thus, his claim is that Russia should not "lead anyone into temptation by being weak". As he was preparing his return to the presidency, Putin announced "unprecedented programmes to develop the Armed Forces and modernize the defence industrial complex", declaring that some 23 trillion roubles (US \$750 bn) would be allocated to this end in the next decade.

Tellingly, the key programmatic theses in the article begin with stressing the need to reform strategic analysis for national defence. The goal is to have foresight, an ability to estimate threats 30-50 years in advance. As far as a security strategy is concerned, the Kremlin has embraced the classical theory of nuclear containment as its main mechanism. At the same time, Russia will be following a contemporary worldwide trend of producing high-precision long-range conventional weapons that can also later be used for strategic containment purposes.

Moscow's emphasis on nuclear containment forces it to follow the classical geopolitical

conceptions of "air force" and "naval force". Hence, strategic bombers, joined by drones and fifth-generation fighter aircraft, will form the core of its Air Force. The Navy will be modernized with an emphasis on long-range submarines and securing an "oceanic fleet" with a strategic presence in regions of interest. In March 2012, Vice-Admiral Viktor Churikov, Russia's Air Force Commander, confirmed the decision to have a permanent operational unit of five to six ships from Russia's Black Sea fleet stationed in the Mediterranean and said that similar units may be formed to navigate the Pacific and Indian Oceans. According to other sources, Russia was in negotiations with Vietnam this winter about opening military bases there.

Putin is critical of modernization in the form of "spot purchases" of Western equipment (such as the acquisition of French Mistral aircraft carriers) and supports the modernization of Russia's own military industrial sector. High-priority weaponry and combat equipment for Russia's Armed Forces include modern nuclear arms (many of the existing missiles have been in service for over 20 years and must be upgraded) and air and space defence systems, complete with new anti-aircraft armaments; high-tech communications, reconnaissance and control systems; unmanned drones; personal combat protection systems; high-precision weapons and the means to counteract them. Russia's Armed Forces are to focus on nuclear containment and conventional high-precision weapons, developing oceanic naval forces, the Air Force and space defence. The goal is to create a common national system of air and space defence. Together with nuclear containment forces, it will counter the anti-aircraft systems of, above all, the USA and NATO. Geographically, Russia will be "a guarantor of stability" in Eurasia: a collective security system for the "Eurasian space" based on the Collective Security Treaty Organization is in the works, and the North (primarily the resource-rich Arctic) and the Asian-Pacific region will be

high-priority regions for the Kremlin.

As part of the military modernization effort, Putin announced significant improvements in the financial provision of military personnel and law enforcement officers. The army will gradually transition to a contractual basis: 700,000 out of the one million servicemen will be professionals by 2017, and the number of conscripts will drop to a mere 145,000 by 2020.

Putin views the defence industry as a way to modernize the country's economy. The plan is to upgrade at least 70% of the armaments and military equipment by 2020. Military modernization is expected to boost a number of sectors, both basic and specialized, such as the electronics industry, IT, telecommunications, science and technology, etc.

The reforms aim to implement the foundational principles of building a modern mobile

Russia is to spend
some
23
trillion
roubles
(US \$750
bn)
on military reform
in the next decade



PUTIN VIEWS THE DEFENCE INDUSTRY AS A WAY TO MODERNIZE THE COUNTRY'S ECONOMY

army centred on nuclear containment as opposed to a high-maintenance Soviet-style army aimed at territorial warfare. (Soviet defence spending reached 15% of the GDP by the late 1980s). Military reform principles were developed under President Boris Yeltsin and modified in light of two conflicts in Chechnya and the Russo-Georgian War of 2008. It was this war and the world economic crisis that forced the Russian leadership to rapidly implement the "Serdyukov reform" in 2008-2011, which produced some positive results but eventually appeared to be inglorious to its mastermind, Russia's first civilian minister of defence. Based on these achievements and relative economic stability, Putin launched his ambitious reform that involves much higher public spending on the military.

WILL RUSSIA HAVE ENOUGH OIL DOLLARS?

Federal spending on defence in Russia has gone up by nearly 15% ▶

Russia plans to
upgrade at least
70%
of its armaments
and military equip-
ment
by 2020



(to 2.1 trillion roubles) in 2013, even though the initial plan was a 20-per cent increase (in comparison, Russia spent 3.26 trillion on its economy in 2012). However, actual spending may be lower. The projected figures would be a reality only in conditions of economic growth, but economists increasingly doubt the government's optimistic scenarios. Under the 2018 economic development programme presented by Prime Minister Dmitry Medvedev, Russia's GDP is expected to grow by 5% annually. However, representatives of the Ministry for Economic Development estimate that, for example, the real GDP will grow by 3-3.6% in 2013, and former Finance Minister Alexei Kudrin believes it will not exceed growth of 3%. Statistics showed the first significant slump in Russia's GDP growth in January – it grew by a mere 1.5%, and fell by 2.3% in the mining industry, year to year. Russian business circles are also concerned about a slowdown in bank creditting: double-digit interest rates are too high for small and medium businesses and, at the same time, reflect the high risks to which financial institutions are exposed. Meanwhile, long-term factors that may significantly af-

fect Putin's military reforms include the structural disproportionality of Russia's economy, which remains largely oriented toward raw materials. Another negative factor is the demographic situation. According to official forecasts, the number of working-age Russians (87 million today) will decrease by 8-9% by 2020, and this crisis is unlikely to be overcome by fine-tuning the migration policy. (It includes, among other things, luring "fellow countrymen" to Russia from abroad and handing out Russian passports to citizens in neighbouring countries, including Ukraine). Other detrimental factors include the low level of institutional development and systemic corruption that is eroding Putin's regime from within. Therefore, some Russian military experts have assessed the prospects of successful military reform as slim. In particular, Mikhail Barabanov, editor in chief of Moscow Defense Brief, believes that the militarization programme is based on a utopian expectation that Russia's GDP will double between 2014 and 2020. He predicts that real appropriations for the military reform will fall short of the declared target by one-third. Exces-

sively optimistic assumptions regarding prices and unrealistic terms for the manufacture of new weaponry have also been incorporated into Russia's military modernization plan.

RUSSIA'S CLAIM TO LEADERSHIP

Putin's military reform has ideological parallels in Russia's new Foreign Policy Conception. Unlike the previously declared amorphous "multipolarity", Russia will now be focused on a "poli-centric" world order that essentially justifies the concept of "spheres of influence". In fact, there are three such regions on the Kremlin's map: Atlantic Europe, Eurasia and the Pacific. Russia is the centre of Eurasia, but the role of a regional leader is not enough, and the Kremlin is aiming for a new conception of the Atlantic European space which, it says, must be based on a partnership between Russia, the EU and the USA. This project was one of the key topics in the presentation of Russia's Foreign Affairs Minister Sergei Lavrov at the latest Munich Security Conference.

Thus, by blocking the NATO aspirations of its post-Soviet neighbours, the Kremlin is now promoting its own conception of integration with the West. However, not long ago, Russia declared modernization through



THERE IS A CONSENSUS AMONG THE RULING ELITE THAT RUSSIA SHOULD DOMINATE THE POST-SOVIET SPACE USING SOFT POWER OR DIRECT MILITARY INTERVENTION TO DEPOSE UNDESIRABLE REGIMES IN NEIGHBOURING COUNTRIES AND LIMIT WESTERN INFLUENCES

cooperation with the West as a key priority; why then is the country militarizing itself today? Leon Aaron, Director of Russian Studies at the American Enterprise Institute, believes that Putin is acting on the belief that the strategy of "a besieged fortress", i.e., defence against

“external threats”, can legitimize his authoritarian regime. Another dimension of Putin’s philosophy is geopolitical leadership, many aspects of which Russia has now lost: mainstream foreign experts do not consider it a major power. Russian political scientist Sergey Karaganov believes that “the current model of Russia’s development” does not offer any other means of securing a leadership position.

Strategic forecasts regarding the Kremlin may soon become a complicated thing to make. On the one hand, Russian authoritarianism is strongly personified and rests on Putin’s authority. Public opinion surveys offer interesting comparisons in terms of people’s trust for him personally and confidence in the Russian government and parliament. Putin’s personal popularity rating, even after plummeting to its lowest level since January 2011, is still fairly high, while confidence in the government, and especially parliament, is not increasing. With its weak institutions, Russia is reminiscent of the USSR at the time of its stagnation, so foreign analysts, just like American Sovietologists back then, are forced to resort to crystal-ball gazing in order to predict changes in the country’s course.

AT WHOM ARE RUSSIA’S MISSILES AIMED?

Russian experts are increasingly concerned about the future of their country. Lilia Shevtsova, a prominent policy expert, recently made a dramatic statement by saying that the Russian system is beginning to fall apart. Even though the regime and a faction of the liberals that legitimize it still have the strength to regroup, the throes of death are inevitable, she believes. Shevtsova boldly calls militarism a survival tool of the Russian system and stresses that it has now moved beyond rhetoric: “Today, neo-imperialist and militarist rhetoric is starting to be implemented in a doctrine, but some forces in the establishment may attempt practical implementation.” She believes that, next to the formal conception, there is a consensus among the

ruling elite that Russia should dominate the post-Soviet space using soft power or direct military intervention to depose undesirable regimes in neighbouring countries and limit Western influences.

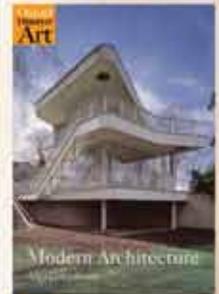
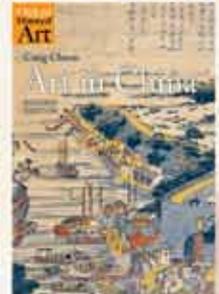
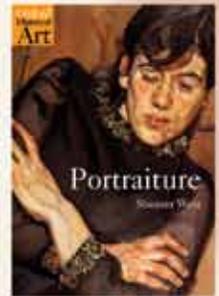
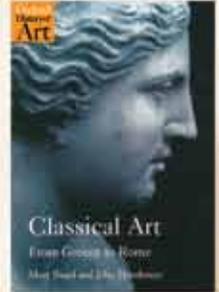
Russia’s militarization is a source of concern for some East European countries that are NATO members, above all Poland and the Baltic states. At the same time, it is attracting the close attention of the United States. The Washington Times reported that the Pentagon took notice of Russia’s nuclear training exercise in late February 2012, its largest in 20 years. However, mainstream experts do not perceive any threats to the West or NATO emanating from Russia.

Ukraine’s prospects appear quite dim in these circumstances. There is no reason to speak about a real Russian threat to the Ukrainian state. Any Russian military intervention or even a military provocation would inevitably spark strong anti-Russian sentiments inside Ukraine, and the Kremlin would have a much harder time trying to involve it in its neo-imperialist integration projects. Moscow finds it more convenient to continue to deal with Kyiv as before: putting pressure on it, essentially having it on the ropes and using its fifth column to destabilize the domestic situation. At the same time, the risk of instability in Ukraine is much higher now. There have been several examples of crises in the past. The two neighbouring states were on the verge of a military conflict, and essentially resorted to skirmishes, as they divided the Soviet Black Sea Fleet in 1992-94. Animosity also spiked during the Island of Tuzla crisis in 2003 and the Russo-Georgian War in August 2008. The borderline running through the Strait of Kerch is yet to be agreed upon due to a dispute over the rights to exploiting the gas-bearing Pallas field. The persistence of Russia’s Black Sea Fleet in Crimea is not properly regulated – Viktor Yanukovich is resisting its modernization, trying to force Russia to use the services of local factories. ■



BOOKSTORE

History of Art series at Ye Bookstore



Looking at art history from a fresh perspective*

Kyiv
vul. Lysenka, 3
tel: (044) 235-88-54

www.book-ye.com.ua

Strategic Incompatibility

While declaring its non-alignment, at the same time, the Ukrainian government expressed its intent to integrate Ukraine into the European security system. The real steps it has taken suggest, however, the implementation of an operation designed to cause the self-destruction of Ukraine's Armed Forces

Ukraine is still in the grey zone of continental security, squeezed between two blocs: NATO (the EU) and Russia (CSTO, EurAsEC, Customs Union). Having declared the non-aligned status officially, the government has also expressed intention to integrate Ukraine into the European security system. The Ukraine-EU Association Agreement contains the relevant provisions. However, limited real steps to European integration, underfunded Armed Forces and the lack of a strategic vision leave Ukraine outside collective security, threatening its sovereignty as pressure from Russia grows.

THE NON-ALIGNED STATUS

Although both government and opposition representatives welcome European security transformations, Ukraine's active participation in the continental security system is quite problematic for three main reasons: the values of the Ukrainian ruling elite are, in essence, more Russian or post-Soviet than European; technocratic helplessness reigns supreme in the security sector and strategic and operational management as well as analysis are lacking; the public at large is poorly informed and indifferent to security issues.

Today, Ukraine continues to cooperate with both the EU and NATO, participating in NATO missions in Kosovo, Afghanistan, the Mediterranean, Iraq, etc. However, experts say that Kyiv's cooperation with the alliance has become limited. Of NATO's three past summits not one was with Ukraine. British political scientist James Sherr aptly said recently, that their relations today have become "technical and formal, lacking a spirit, warmth and persuasion."

Pro-government experts have embraced the thesis that a non-

Author:
Maksym Bugriy

aligned Ukraine can integrate with the EU security system but not with NATO. While feasible, this project is unlikely to truly guarantee Ukraine's national security. It is unlikely not simply because NATO remains the main efficient security system on the continent but also because NATO and EU members are closely integrated and eager to complement each other. An October 2012 resolution of the European Parliament asserted the need to avoid duplicating EU initiatives in the pooling and sharing strategy and NATO's "smart defence". However, any close cooperation with NATO risks drawing criticism and pressure from the Kremlin, something that the Yanukovich regime wants to avoid.

While cooperating with the European Union, Ukraine is mainly interested in participating in its tacti-

management and peace protection, was passed at the February summit in Warsaw. The project is quite ambitious, in that it is designed to operate on a permanent basis, implementing new military standards among member-countries. However, Kyiv has yet to make an official decision on joining this battle group.

UKRAINE'S PROSPECTS

In joint EU and NATO programmes, Ukraine could make use of its technological capacities, for example in the aerospace industry. However, Russia could object to Soviet technologies being used for this purpose. Thus the question is whether Ukraine will manage to cooperate with Russia and Europe at the same time, clearly separating the two. Equally problematic is Ukraine's participation in NATO's antimissile defence system.

Military experts admit that Ukraine's Armed Forces today lag far behind modern European armies in the technological aspect, in some areas they are also inferior to Russia's military and have exhausted the potential they had since the late 1980s. As far as the technological advancement of the defence industry is concerned, Ukraine is still capable of making modern products in cooperation with Western enterprises. Today, Ukraine is losing out to Russia in aircraft engineering, primarily due to the inept management of government enterprises throughout its entire independence. Moreover, latest data shows that Ukraine will share its goodwill regarding the AN-140 airplane with Russia and will thus lose the advantage of being a centre of aircraft engineering R&D. Hence, Ukraine's priorities may lie in developing its own armaments in cooperation with Western companies and modernizing its defence industry through the transfer of Western

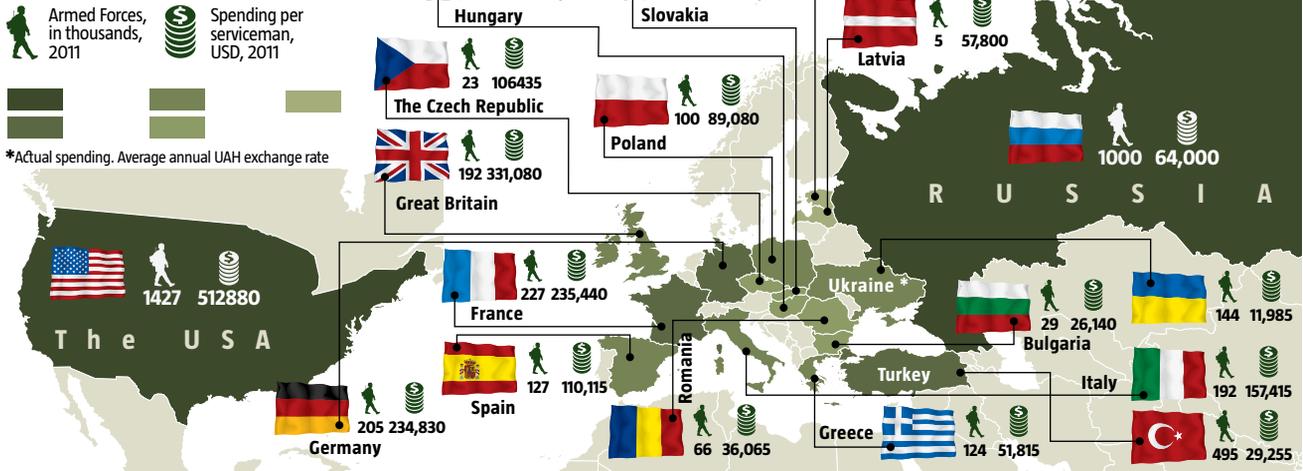


THE REFORM INITIATED BY THE GOVERNMENT WILL INVOLVE REFORMATTING AND SOMETIMES ELIMINATING EXISTING TERRITORIAL COMMAND CENTRES

cal combat groups. Ukraine has already participated in a combat alert mission of the HELBROC group (Greece, Bulgaria, Romania and Cyprus) in summer 2011 by sending 10 staff officers, a company of marines with armoured vehicles and an Il-76 transport airplane. The frigate, Hetman Sahaidachny, with a helicopter and crew will join Antanta, an anti-piracy EU operation off the eastern coast of Africa.

Ukraine's biggest project to date may be participation in the Visegrád Battle Group which will involve up to 3,000 military personnel. A decision to set up the battle group to carry out operations, aimed at crisis

Defence spending in Ukraine and NATO members, USD



technology. The development of this area is possible, even with a non-aligned status, because in economic crisis conditions, Europe and the USA are interested in cooperation with third countries.

Another important and quite feasible line of cooperation is for Kyiv to accept Western aid to reform the security and defence sector. Throughout its independence, the Ukrainian government has received various types of aid in this field. As a result, some units of Ukraine's Armed Forces and NATO countries are now mutually compatible; the Border Guard Service has been successfully reformed and Ukrainian officers have received training in the West. However, a number of fundamental elements of security sector reform have been eliminated. These include, among others, parliamentary oversight, the demilitarization of the sector has been virtually halted and corruption in the defence sector remains an urgent problem.

DIFFERENT VALUES ON THE RADAR

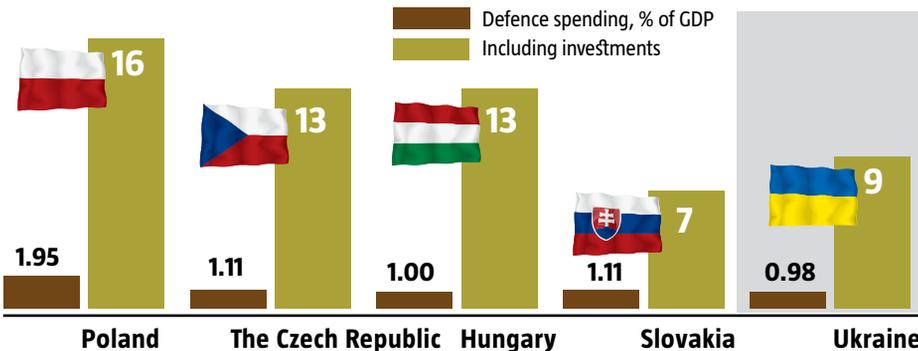
Western aid has been largely squandered and spent on the needs of bureaucrats. As a result, the military reform promoted by the Party of Regions today, calls for reducing the Armed Forces and rejecting participation in the European security system. According to defence experts contacted by The Ukrainian Week, the reform initiated by the government will involve reformatting and sometimes eliminating territorial operational and tactical-level command centres, which should have been turned into training centres for the formation of a large Armed Forces reserve, something a country with a self-sufficient defence system would need in order to guarantee its territorial security.

This raises the question of values in the defence sector. It may seem, erroneously, that this sector is essentially technocratic and functional, because national security is needed by countries such as

Venezuela, Belarus and Switzerland alike. It can be claimed here that on the level of the power elite, Ukraine does not share European values, which are based on the vision that national security must minimize threats to individuals, communities and the state. The role of the government remains excessive in Ukraine as it is served, first and foremost, by a large police force rather than an army. Thus, Ukraine continues to move further away from the West. Norwegian analysts say that the European vision of defence is best reflected in the conception of a "security community" the member-nations of which are convinced that conflicts should not be resolved by force and have a collective sense of "we", i.e., a common security identity.

So, is Ukraine prepared to be an independent player in the security sector? Will Ukraine's vision and strategy transform depending on trends in Europe's development? Civilizationally, Ukraine is closer to the "Atlantic" ideology of Central and East European countries than to pro-Kremlin security and defence integration projects. Therefore, Ukraine stands a fair chance of becoming an element of the European security system in the long-term. However, so far the official National Security Strategy proposes building a new architecture of European security in close cooperation and interdependence between the EU, Russia and the USA, but the current Ukrainian government seems to be more inclined to coordinate its policy in this segment with none other than Moscow. ■

Comparison of defence spending in Ukraine and the Visegrád Group in 2011



Source: official statistical data

Import Duty as Geopolitics

Raising car import tax is reminiscent of the implementation of luxury tax and may signal that the government is making a choice in favour of the Customs Union with Russia

Author:
Lyubomyr Shavalyuk

Two weeks ago, *Uriadovy Kurier* (The Government Courier), an official government newspaper, published the decision of the Interdepartmental Commission on International Trade to impose a special duty on imported cars. As of mid-April, for three years, passenger cars with an engine capacity of 1.0-1.5l or 1,000-1,500 cu cm will be subject to a 6.46% duty in addition to the current 10%, while vehicles with a 1.5-2.2l or 1,500-2,200 cu cm capacity will face an additional tax of 12.95%. Maybe under different circumstances, the decision could be a reasonable economic policy tool. In this case, however, some details signal that this is yet another shameful decision by the government, which could potentially have an adverse impact on both the economy and Ukraine's European integration.



Serhiy Arbuzov admits that he will not switch to a Ukrainian car anytime soon
"When our plants start working as they should, when we draw the necessary investment and design cars... I think I would then gladly switch to a car designed in our country."

and most important of all problems with replenishing the budget, reminded the "Family's young reformers" of this readily available solution. The decision was finally published.

Naturally, it sparked strong reaction in society. Increased duties only cover passenger cars with an engine capacity of 1.0-2.2l – almost 75% of the total domestic passenger car market. Meanwhile, duties on cars with a larger engine capacity, such as the Mercedes S600 or Porsche Cayenne preferred by Ukrainian MPs, have not changed. It appears that the government delivered on its promise of imposing a luxury tax, but only for the nominal middle class, digging into the latter's wallets to fill the pockets of only a few oligarchs. The new tax will also benefit Party of Regions' Tarek Vasadze with his UkrAuto, the plant producing ZAZ Lanos, ZAZ Sens and ZAZ Forza passenger cars and assembling Chevrolet Lacetti, Chevrolet Aveo and Chev-

rolet Evanda, VAZ-21093, VAZ-21099, Opel Astra, Opel Vectra and Opel Corsa, Chrysler 300C, Kia cee'd, Kia Sportage, Daewoo Lanos and Daewoo Sens. Moreover, like it or not, this decision could signal of some agreements between the government and Poroshenko. He has suddenly started to play an opposition role without any negative consequences to his business, which is not realistic, given the experience of the past three years. And his car business has indirect government support now that he is in the opposition, which he did not have when he was a member of Azarov's Cabinet. This urges many to think that the new-old image of Poroshenko as an opposition politician is orchestrated by the Presidential Administration which could be planning to use his dissent for its own interests in the future. For instance, he could win the Kyiv Mayoral election, secretly playing for the government, while publicly running as an opposition candi-

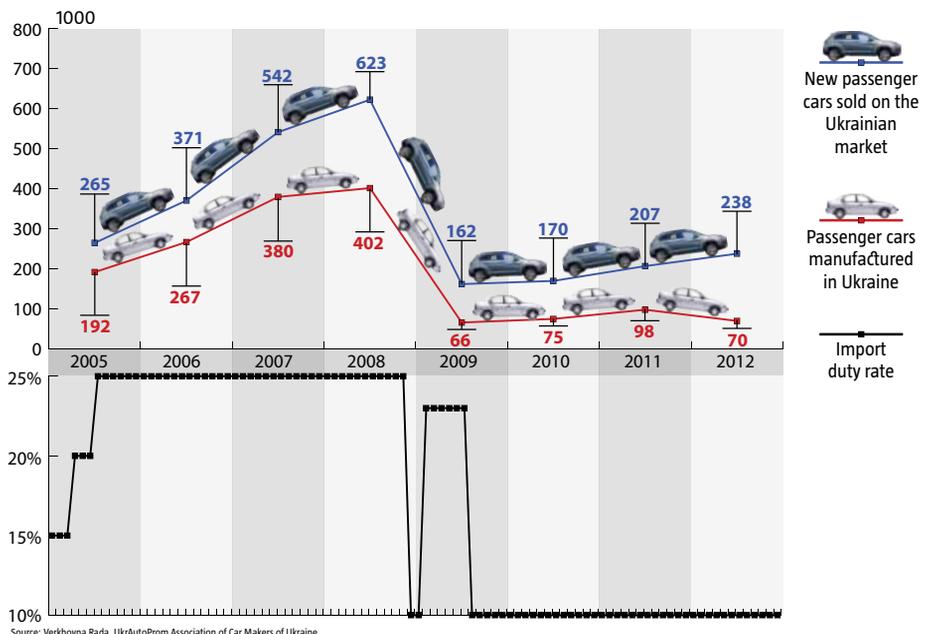
A TAX ON THE MIDDLE CLASS

The history of the new act began in June 2011 when the Interdepartmental Committee launched a special investigation into passenger car imports. Eventually, a decision to impose special duties was passed on April 28, 2012. However, Viktor Yanukovich Jr. as the First Vice President of the Automobile Federation of Ukraine criticized it publicly. Even the influence of Petro Poroshenko, the then Minister of Economic Development – someone clearly interested in the act (he controlled Bohdan Motors JSC that assembles vehicles, such as LADA, Hyundai Tucson, Elantra XD and Accent in Ukraine – Ed.) was not sufficient for the act to be passed. As a result, the decision was never published or put into effect.

After less than a year, the situation changed dramatically. It seems that the political, economic and geopolitical circumstances,

Even customs duties won't help

With Ukraine's inefficient car manufacturing industry and the poor quality of domestically assembled cars, higher import duties are virtually the only way to boost domestic car output. But even this does not always work



date. Only now has the buzz started on Poroshenko's possible advance on Kyiv as an opposition candidate.

THE WORLD IN SHOCK

The West does not hide its confusion with the Ukrainian government's tax games. Six months ago, Ukraine, a WTO member, sent it a notification on the review of customs duties on an unprecedented 371 goods. The reaction from most WTO member-states was negative. In addition, it emerges that the government has yet to submit the list of new rates and compensation mechanisms to WTO members. This has fueled many negative comments from the EU, WTO and the US Embassy, but has not stopped Kyiv from imposing special import duties on cars that are already on the list of 371 items it wants to be revised. In terms of international politics, the government's new customs policy looks like just another attempt to provoke the EU into distancing itself from Ukraine, so that in time the latter has justification for drawing closer to the Customs Union.

ECONOMIC PROSPECTS

Obviously, the government is promoting the decision to impose the special duty on imported passenger cars as a protectionist move. Although the world views tariff protectionism as an obsolete and rough instrument to boost economic growth, it can be effective under certain circumstances. Everything is in the details.

First of all, protectionism always adds to the cost for the ultimate consumer: those who give preference to good quality imported cars will pay the new tax with cash, while those forced to buy cars produced in Ukraine – with their time and nerve cells for a poor quality product. With the restrictions on imports of certain cars, consumers are deprived of the right to quality.

Secondly, importers face problems as their revenues drop significantly. Increased customs duties have never improved overall sales of cars on the domestic market or boosted the output of the domestic car manufacturing industry. Instead, there would be a mad dash to buy cars at old prices before customs hikes were put into effect, followed by a deep slumber once duties were actually raised (see **Even customs duties won't help**). As a result, car dealers cut jobs although they generally employ more people than Ukrainian car assembly plants do. Then comes the chain reaction of depleting turnover on other markets linked to car imports, including insurance, banking, leasing and more.

Thirdly, this protectionist move will not generate extra revenues to the bud-

get. After three years of "improvement", people's income is shrinking. Coupled with the inaccessibility of loans, this will hardly facilitate car sales. Meanwhile, the latest changes could make it unprofitable for car dealers to operate in Ukraine. As a result, they will move to the shadow or close down their business altogether. Thus, the effect in the budget of the new special tax could be minimal, or even adverse in the current situation.

Hypothetically, the new tax should improve the situation for domestic car producers by increasing their market share and revenues. But even here, things are not that simple. If they do earn profits, which they then transfer to offshore zones, neither consumers nor the industry will ultimately benefit from the duty. And this is exactly how they work after a crisis, avoiding investments into the localization of car manufacturing. They find this sort of investment unprofitable: before the crisis, they expanded assembly capacity while customs duties were much higher. After the crisis they merely minimize costs because the capacity of available facilities significantly exceeds market demand. In reality, whenever the market plummets, Ukrainians opt for quality. In 2009, despite a 13% duty imposed for six months, domestic output of passenger cars shrank by 84% although the total market declined by 71%. So, the main question now is whether the new duties will help domestic car producers in the current macroeconomic situation. And even if they do manage to earn extra revenues, is there any guarantee that they will be used to develop the industry?

After all, the decision to raise import duties on cars made by the "young team" of ex-NBU Governor Arbutov & Co is hardly different from Azarov's Soviet approach to economics. On the one hand, the "reformers" are quite proactive. Their self-confidence and the Family's trust in them, so far limitless, leads to rash and wrong decisions that could fail in the future. On the other, their creative efforts are limited to a deeply Soviet style, while their views of economic prospects do not go beyond the current obsolete structure. They believe that the country can only develop with power and cash flows being fully consolidated in the hands of the government and major restrictions for economic counterparties. This "reform strategy" proves that the "young reformers" are several decades behind current international economic debate. The worst thing is that Arbutov & Co share the old Cabinet's foreign policy vector which is looking towards the Customs Union, threatening to turn Ukraine's economy into a closed and technologically obsolete one. ■



World press at Ye Bookstores



AD
ARCHITECTURAL DIGEST

COSMOPOLITAN

DER SPIEGEL

FINANCIAL TIMES

Forbes

Herald Tribune

LE MONDE
diplomatique

Newsweek

The Economist

THE TIMES

THE WALL STREET JOURNAL

Kyiv

**vul. Lysenka 3
tel: (044) 235-88-54**

**vul. Spaska 5
tel: (044) 351-13-38**

Lviv

**7, Prospekt Svobody
tel: (032) 235-73-68**

www.book-ye.com.ua

The Mythical Benefits of the Customs Union

The Customs Union is causing major economic problems not only for its “minority” members, Kazakhstan and Belarus, but even for the major stakeholder – Russia

FROM DAWN TILL DUSK:
The CU of the three “brotherly”
presidents started out
optimistically, but its bright
prospects are now in serious
doubt



Domestic political agents, associated with the Kremlin in one way or another, have lately intensified efforts to promote the idea of Ukraine's membership in the Customs Union (CU). The most visible is Viktor Medvedchuk's Ukrainian Choice project. It seems to have reached the final stage of "subliminal infusion" of the idea, as numerous billboards and lightboxes throughout Ukraine send a clear message: "The Customs Union – together to wealth and success" (the previous message was of "individual governance" through an "all-Ukrainian referendum"). This was after the Communist Party's Oleksandr Holub announced plans to launch preparations for a referendum on Ukraine's joining the Customs and Eurasian Unions in early spring. After these two attempts, yet another massive media campaign to persuade Ukrainians of their potential "success" through CU integration. All this in spite of the economic reality in Kazakhstan, Belarus and Russia; all CU members, all showing the opposite.

KAZAKHSTAN: "AWAY FROM MOSCOW"?

After three years in the CU, the Kazakh economy and population faced previously unpredicted negative consequences. According to expert estimates, Kazakhstan is rapidly losing its position in international trade, even with its CU partners. Compared to a USD 3.4bn trade deficit with CU partners in 2011, the figure hit USD 4.7bn in the first six months of 2012, while the amount of trade with its CU partners shrank by 4%. CU protagonists advertise some indicators of Kazakh budget growth as the "successful outcome of the union". However, the Chairman of the Kazakh Association of Customs Brokers, Genadiy Shestakov, explains this as the consequence of increased customs duties. This has sent retail prices for many groups of goods on the domestic market soaring. In 2009, before Kazakhstan joined the CU, the weighted average of customs duties in Kazakhstan was slightly over 5% compared to the maximum 7% required by the WTO, and 18% in Russia or 12% in Belarus. Today,

all CU member-states have virtually matched Russia's average, hitting 16%. In Kazakhstan, customs duties on some goods grew three to four-fold and several times over for cars.

The hardest hit were local producers of importing raw materials for goods manufactured, using imported equipment and technologies. The situation has become absurd: for instance, laminate flooring made in Kazakhstan using Belgian equipment is more expensive than laminate flooring imported from Belgium. But the worst outcome of CU integration in Kazakhstan is the steep increase in the price of essential and fast-moving consumer goods, despite the fact that the government has already frozen prices and implemented price regulation. However, it failed to prevent the price for buckwheat from growing 2.5 times, beef by 40%, and mutton by 33%. Sugar and oil prices have doubled.

The recent World Bank report indicates that as a result of common external tariff implementation in Kazakhstan, "the cost of imported goods to businesses and consumers has increased, and resources shifted to areas of inefficient production under the tariff "umbrella". ... the customs union has depressed real wages by 0.5% and the real return on capital by 0.6%. Kazakhstan trades less with the rest of the world and more with Russia, Belarus, and the rest of the CIS, resulting in less imported technology from the more technologically advanced European Union and other countries – leading to a loss of productivity in the long run... Kazakhstan will lose about 0.3% in real income per year as a result of the full implementation of the common external tariff... Real wages and return on capital will shrink even more".

Clearly, these negative results will hit the low income population, and SMEs most, driving the domestic situation to an explosive situation. Some are already calling on Nursultan Nazarbayev to renounce the deal and leave the Customs Union. Perhaps, this was why his Independence Day speech had a somewhat atypical title: "Strategy: Kazakhstan 2050" and had some unexpected and intriguing

THE CUSTOMS UNION: A BAD MARRIAGE?

While Russia is forcing the issue of Ukraine joining the CU, advertising the "all or nothing" policy, but internal conflicts are brewing under the surface

July 2010

The CU is established

Massive rallies against joining the CU take place in Kazakhstan while opposition leaders, including the Communist Party, are calling on the government to denounce the agreement to found the CU as an act that "restricts Kazakhstan's sovereignty". Veterans of the 1986 December revolt described Kazakhstan's entrance into the CU as "the beginning of the territorial, economic and political colonization of Kazakhstan" in their letter.

Alyaksandr Lukashenka describes the outcome of Belarus' entrance into the CU as follows: "We are not losing anything yet, but are not gaining anything, either".

April 2011

It becomes known that Russia has 57% of votes in the CU and receives 87.87% of the customs duties, which causes even greater resentment among the people of Belarus and Kazakhstan

September 2011

Representatives of the Belarusian government admit to massive exports of foodstuffs to Russia and the rapid dilution of FX in the country. Monitoring shows that Belarusian meat and dairy products account for 70% of near-border trade in Russia, with "the country's budget being exported as well, because meat and dairy production in Belarus is government subsidized".

January 2012

The Common Economic Space is set up for the free cross-border flow of goods, services and income between Russia, Belarus and Kazakhstan.

October 2012

Nursultan Nazarbayev condemns the Russian colonization of Kazakhstan and offers an initiative to create the Turkic Union at the World Economic Forum in Istanbul. "We live in the motherland of the entire Turkic people," he said. "After the last Kazakh khan was killed in 1861, we have been the colony of the Russian Empire and later, the Soviet Union. Over 150 years, Kazakhs have almost lost their national traditions, customs, language and religion." Potential members of the Turkic Union are Kazakhstan, Uzbekistan, Azerbaijan, Kyrgyzstan, Turkmenistan, Turkey and the Turkish Republic of Northern Cyprus.

January 2013

Russia's Ministry of Foreign Affairs sends an official notice of protest to Kazakhstan regarding Astana's attempts to restrict the exploitation of the Baikonur Cosmodrome leased to Russia.

Alyaksandr Lukashenka describes Russia's initiatives to intensify cooperation within the CU: "Perhaps, Russia would like to take some swifter, more radical steps. But neither Kazakhstan, nor Belarus will go for it willy-nilly... Belarus has its own interests."

Nursultan Nazarbayev admits that Kazakhstan could leave the CU if its sovereignty is threatened: "The issue of the country's political sovereignty is not debatable. We will leave the union if any of its actions threaten our independence."

March 2013

Kazakhstan's Oil and Gas Minister Sauat Mynbayev threatens to suspend gas supplies to Russia from its biggest field, Karashaganak: "If we do not agree on the price right now, all this gas may be redirected southward from 2015 and possibly to China after the construction of the Beineu-Bozoi-Shymkent gas pipeline is completed."

The Da Vinci think tank states that the removal of customs borders within the CU has boosted drug trafficking to Russia from Kazakhstan and Afghanistan.

Lukashenka expresses his dissatisfaction with the CU because Russia continues to levy high duties on Belarusian goods.

points that shocked Moscow. A number of experts hastily described the strategy as the “Marshall Plan” for Kazakhstan, especially given that it is based on the concept of Jeremy Rifkin’s Third Industrial Revolution. Nazarbayev made it clear that Astana would not only protect national identification, but revive the Kazakh language and focus on Western innovative technologies rather than limit its foreign policy to the CU project alone. Moscow is particularly concerned with Kazakhstan’s intent to focus on deeper relations with China and integration with Turkey and the new project of a Turkic Union, also known as the Great Silk Road. The Russian media immediately began to buzz with phobias, warning of “anti-integration threats” and that “Kazakhstan could bury both the Customs and the Eurasian Union”.

BELARUS: AN EXPORT BUBBLE

Direct investment into the Belarusian economy dropped fourfold in 2012 compared to 2011, although it should have grown, given the logic of the CU benefits widely advertised by Russia. Over January-November 2012, its current account deficit was USD 1.1bn. According to the Belarusian Institute for Strategic Research, Belarusian exports to Russia and Kazakhstan have increased by nearly 36% since it joined the CU in 2010. However, its trade deficit with Russia has grown by more than USD 3bn. A slight trade surplus with Kazakhstan is more the result of shrinking imports from Kazakhstan to Belarus than of Belarus’ skyrocketing exports in that direction. In fact, the positive dynamics of selling “good quality and inexpensive” goods made in Belarus on the markets of its CU partners is mostly a result of dumping, the devaluation of the Belarusian currency, cheap fuel and direct subsidies from Russia, which cannot last forever. This export “communism” poses the threat of rapid depletion, if Russia is forced to cut the “brotherly” subsidies to Belarus’ economy during a crisis. Similar consequences, i.e. re-

In March 2013, Mykola Azarov stated that “Ukraine will become an observer” in the CU. “Our representative will participate in the decision-making process and have an advisory vote. He will not take part in the passing of a final decision but will express our stance. This form of participation means that we will not just be confronted with accomplished facts. Ukraine will be aware of how any decision is developed... Since we are not a CU member, we are not looking at any privileges linked to it, but we also agree not to have any discrimination in the trade between our countries.”

striction of Belarus’ exports at dumped prices, are likely after Russia and Kazakhstan predictably enter the WTO. Belarusians could then face a very likely economic collapse similar to that in spring 2011. Notably, Alyaksandr Lukashenka said recently that his country did not benefit in any way from joining the CU and called this Eurasian entity “useless”.

RUSSIA: SMUGGLING IN FULL SWING

Paradoxically, even Russia faced major hurdles caused by CU practices despite its lion’s share of the financial and customs benefits, given its “majority stake” in the entity. Thus, 87.87% of all customs duties go to the Russian budget, leaving 7.33% and 4.7% for Kazakhstan and Belarus respectively. Based on a recent study by the Higher School of Economics, conducted for Russia’s Ministry of Economic Development, the anticipated “growth” of trade among CU partners didn’t happen. “In the two years since the CU was created, total trade among the member-states has not changed. Moreover, the

scale that is dangerous for Russia’s economy. Moreover, experts assume that Kazakhstan and Belarus customs services distort official trade statistics. According to Russia’s Ministry of Economy Development, in 2012, the abolition of the mandatory customs declaration of goods resulted in a USD 9bn underestimation in the import volume of goods. This is the approximate value of smuggled goods. Some sources claim that the Russian Ministry of Industry and Trade is overwhelmed with complaints from Russian manufacturers about the inflow of goods smuggled from China and Europe. They sell at half the price of those made in Russia, and range from shoes to home appliances, flowers and plastic packaging.

In October 2012, Russia demanded compensation from Belarus in the amount of USD 1.5bn, for estimated Russian budget revenue losses, caused by the export of Belarusian petroleum, which is reported as solvents and lubricants that are duty-free. Russian authorities also discovered that Belarus was re-exporting oil products made from Russian oil, reporting them as solvents. The scam allows dealers to evade significant duties for exporting fuel outside the CU. This is just one of the many telling examples of the “brotherly civilized” relations within the CU. Some Russian economists have even described the CU’s customs policy as “government-authorized smuggling”.

It appears that the “success for every Ukrainian” on entry into the CU promised by Viktor Medvedchuk and the Communists is a cynical and dangerous manipulation. In fact, the Yanukovich regime should think twice before naively buying Putin’s promises of a USD 9bn annual income and a staggering 10% GDP growth – what Ukraine will gain once in the CU, based on Moscow’s estimates. The real experience of CU member-states shows that the price of joining it could be much higher than just zero economic effect – the new member-state could plunge into long-term decay in the technologically obsolete Soviet space and face a threat to its national independence. ■



KAZAKHSTAN IS RAPIDLY LOSING ITS POSITION IN INTERNATIONAL TRADE, EVEN WITH ITS CU PARTNERS

figures remain unchanged since 2005... In 2011, the share of regional trade in the total foreign trade of Russia, Belarus and Kazakhstan did not exceed the average indicators of the five years prior to CU Agreement enactment (2005-2009). The indicator has long fluctuated between 10% and 12%. Meanwhile, trade, with the exception of fuel, is clearly shrinking.”

At the same time, Russia is facing another problem. After the opening of its economic borders, many (if not most) goods are imported unofficially. As a result, relevant budget revenues are critically below what was initially expected. According to the Russian Customs Service, 50% of trade within the CU is grey. More relaxed customs controls have led to an increase in smuggling, which has now reached a

Da Vinci think tank: “The CU does not demonstrate a clearly visible positive dynamic. It is far behind other economic and trade unions in terms of trade integration. Sluggish trade growth within the CU stirs trade wars between its member-states and external partners with regards to certain groups of goods. This protectionism could lead to the hampering of industrial modernization in the CU member-states.”



Help Yourselves, and Europe Will Help You. Maybe...

Author:
Philippe de Lara,
France

Does the Ukrainian government truly want to join both the EU and the Customs Union? If it is bluffing, then who is the true partner and who is the fake? These are highly relevant questions today. EU leaders have stipulated terms (May and November) and formulated questions on democracy with clear points (judicial reform, a law on elections and freedom of the press) which are much more precise than nebulous talk about “our deep concern about the situation with human rights and selective justice”. All of this is fine, but why raise your voice? Do Europeans realize that Ukraine’s independence is at stake at a time when it may turn into a province of an empire? By using gas blackmail, the Customs Union is working on Ukraine’s future much more seriously than is the considerate European community.

Such reactions are aggravating the misunderstanding between the European Union and Central and Eastern Europe: the EU perceives East European countries which do not have the experience of post-national political culture less than adequately. Brussels sees evolution beyond national boundaries on the horizon, while Central Europe tends towards democratic national states, which is a natural consequence of its painful history, quite dissimilar from that of the West. I am not discussing the political model for building Europe. More than anything else, I am interested in having the powers of the European Union play a useful role for post-communist nations. The word “border” is an archaism to Paris and Brussels, while it is filled with sense and anxiety in the view of Eastern Europe. One part of the continent is dominated by “post-national” discourse, while in the other, recently established borders are in danger of regressing into an imperial sphere of influence. The problem is not that the two regions have different historical and political experiences. It is quite normal for them to have different views. No, the problem lies in the intellectual inability of Western Europe to grasp that East European countries are different. This limits the impact of the European Union and its ability to act.

European standards and the hastily arranged accession of Poland and the Baltic states to the EU were a factor of stabilization and democratization for them,

just like for the entire region, but this game was played more by diplomats from Poland and its neighbours than by Brussels where bureaucrats failed to agree and hesitated at times when various processes stalled, from the unification of Germany to Ukraine’s independence. European standards inspired Poland and its neighbours to peacefully solve the issues of minorities and borders, but it is unlikely that the European Union realizes what is at stake now. In a similar fashion, it failed to predict and understand the fire that erupted in the Balkans.

In 2000, the EU was outraged that the ultra-right had joined the government coalition in Austria but later reacted much more softly and shyly to the authoritarian, anti-Semitic and xenophobic perversions of the Viktor Orban Administration in Hungary. In early 2012, a firm declaration was issued proclaiming possible sanctions, but faced with a real tragedy, the EU appears to be at a loss. In these circumstances, what can be expected of its political elite in the face of a real Ukrainian crisis, which is more complicated and

acute and much broader geopolitically? Another manifestation of the West’s lacking political culture with regard to the East is that European democracy leans towards something like a constitutional oligarchy in which the ruling elites consider

DOES KYIV TRULY WANT TO JOIN BOTH THE EU AND THE CUSTOMS UNION?

IF IT IS BLUFFING, THEN WHO IS THE TRUE PARTNER AND WHO IS THE FAKE?

themselves obliged to honour the fundamental rights and the established order but not the will of the people. A disappointed electorate increasingly often votes in defiance of all expectations (as proved by the recent elections in Italy), while political leaders shrug their shoulders and mumble something about “populism”, a word which is little understood but is used when the opinion of the electorate is viewed as an obstacle to “democracy” (which is, in fact, an oligarchy). You want leaders concerned about themselves to take serious interest in the problems of post-communist nations and to help them in their struggle for democracy, i.e., to live like citizens responsible for their own future?

The French were highly sympathetic and supportive of post-communist changes and the Orange Revolution, which was truly a popular revolution. But that sympathy had no consequences. A need exists to restore the sense of solidarity between European nations beyond the passive European Union. ■

The Third Gas Revolution

After the first two gas revolutions – natural gas in the 20th century and unconventional fuels in the early 21st century – the world seems to be on the eve of a methane hydrate era

It seems that every form of methane in the energy history of humankind has its own era. As soon as we make another technological leap, we obtain access to more of the planet's methane resources. Today, an important aspect of energy production is ensuring that the process is safe for an environment already heavily burdened by growing human demands.

On March 12, 2013, the world's first successful experiment in offshore production of methane gas from the undersea hydrate reservoir was conducted. Gas was extracted from a layer 1,300 metres below sea level in the bed of the Sea of Japan south of Honshu.

JAPAN'S OWN ENERGY SOURCE?

The undersea area surrounding the Japanese archipelago holds an estimated 7 trillion cubic metres of methane hydrate. Japan launched its research of oceanic methane hydrate extraction back in the mid-1990s supervised by its Ministry of Economy, Trade and Industry. The research consortium MH21 was set up for this purpose. The work was split into three stages: the first was to find basic technologies to facilitate extraction; the second was trial extraction offshore; the third was to implement the technological process on a commercial scale. Stage two began in 2009 and soon enough, in June 2011, the Methane Hydrate Research Centre in Sap-

Author:
Mykhailo
Honchar

ABOUT THE AUTHOR:
Mykhailo Honchar is
President of the Kyiv-
based Strategy XXI
Centre for Global
Studies and Energy
Programme Director
for the Nomos think-
tank



poro launched the first full-scale experimental simulation of this type of gas extraction. Drilling began in 2012, and the first methane gas was obtained in 2013. The next step is to conduct a commercial production trial in the eastern part of the Nankai Trough. In 2016-2018, the technology is supposed to be adapted for commercial production.

The Japanese Oil, Gas and Metals National Corporation (JOGMEC) announced the successful experiment in methane gas production on the second anniversary of the Fukushima Daiichi disaster. This is hardly a coincidence. Given its nuclear concerns, Japan is speeding up the exploration of unconventional energy sources, including methane hydrate. In this, Tokyo occupies a pioneering role similar to that of the US in shale gas R&D in the 1980s. Japan is the biggest con-

sumer of liquefied natural gas (LNG) in the world, relying entirely on imported resources. In 2012, it imported 87.3mn tonnes, an equivalent of 122bn cubic metres of traditional gas, and the imports are growing rapidly as Japan cuts back on domestically produced nuclear energy. Thus, the country is accelerating its methane gas production experiments hoping to meet at least part of its gas needs with energy resources available under its own surrounding seabed by 2020.

So far, over 220 oceanic and sea methane hydrate reservoirs have been discovered worldwide. Most of them are at layers where the temperature remains below +4°C and the pressure is at least 20 atm. Methane hydrates are typically contained in sediments comprised of 70-80% sand and clay and 20-30% ice-like hydrates. The biggest deposits lie off the Atlantic and Pacific shores. In seabed reservoirs, hydrate layers sometimes run several hundreds of metres deep.

Another sign of the nearing gas revolution came from the US Department of Energy less than a year ago. On May 2, 2012, it announced the successful com-

pletion of a test to extract a steady flow of natural gas from onshore methane hydrates in the Alaskan North Slope permafrost. The test took place at the Ignik-Sikumi 1 test well in partnership with ConocoPhillips. In fact, the international consortium of research centres from the US, Canada and Japan had already extracted methane gas from the Mallik offshore gas hydrate test well in the Canadian Arctic as part of an experiment in 2002.

THE FIRST SUCCESSFUL EXTRACTION OF GAS HYDRATES FROM A SEABED WAS CONDUCTED IN THE BLACK SEA FOUR DECADES AGO

However, they did not use the gas exchange technology to release methane by replacing it with carbon dioxide.

Both experiments utilized an extraction technology in which carbon dioxide is injected into the gas hydrate-bearing medium where molecules of methane are replaced with carbon dioxide molecules. This technology has been developed and enhanced in various countries, including some in Europe – at the University of Bergen in Norway and as part of the SUGAR (Submarine Gas Hydrated Reservoirs) in the Leibniz Institute for Marine Sciences in Kiel, Germany. Moreover, carbon dioxide hydrate is more stable structurally than methane hydrate. This practice is considered to be the most promising for extracting methane from gas hydrates. If it does prove successful, it will solve two major global problems of simultaneous methane recovery and carbon dioxide utilization.

THE BIGGEST RESERVES

Total reserves of methane hydrates on the planet are currently estimated at 250 trillion cubic metres. Although pessimistic, this is still better than 187.1 trillion cubic metres of explored natural gas deposits based on the 2011 BT Statistics Review, plus all known unconventional energy sources, such as shale gas, tight gas and coal-bed

JOGMEC's Chikyū drilled for methane gas from undersea gas hydrates on March 12, 2013

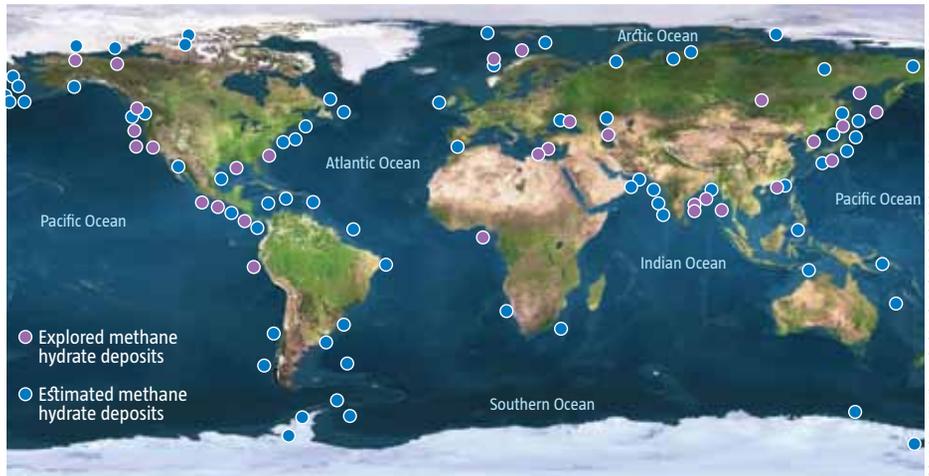
WWW.JAMSTEC.GO.JP

methane. Nearly 98% of the world's gas hydrate deposits are under the ocean, and only 2% lie under the Arctic permafrost. Oceanic hydrates seem to be the most promising energy source.

Apart from Japan, the US and Canada have also been involved in consistent methane hydrate research and development since the 1990s. They run national programmes aimed at explore these resources and beginning industrial recovery. India and South Korea, too, research gas hydrates intensely. China launched a similar programme in the past decade. New countries join the list of those interested in unconventional gas every year, among them Brazil, Chile, Australia and New Zealand. The development of gas hydrate extraction will promote economic development and liberation from politicized conventional natural gas supplied via pipeline. This will inevitably bring an end to the era of gas dinosaurs like Gazprom.

In practice, every extraction project carries a slew of hurdles and risks, especially technical and environmental. Drilling deep under water is challenging. If released in large amounts, methane will increase greenhouse emissions. Another risk is the unmanageable degradation of methane hydrate deposits.

The EU is not a leader in methane hydrate research despite its heavy reliance on imported natural gas. The German Marine Research Consortium accurately described the EU's prospects in methane hydrate extraction in an analytical report for the European Parliament: "Gas hydrate deposits are in the waters around Europe – the Norwegian Sea and the Barents Sea, the eastern part of the Mediterranean Sea, and huge reserves lie in the Black Sea. No European country today has researched or developed programmes focused on gas hydrates as an energy source." A number of R&D centres in European countries, including the UK, Norway, Germany, Italy and Bulgaria, have done some research on the matter, some of them financially supported by the European Commission. Yet, these are merely scientific research with no actual results in practice.



Explored and estimated methane hydrate deposits

PROSPECTS FOR UKRAINE

In 1988-1989, exploratory expeditions found vast methane hydrate deposits beneath the Black Sea at depths of 300 - 1,000 metres. Overall, the Black Sea holds 45-75 trillion cubic metres of natural gas in gas hydrate deposits based on estimates performed in different time periods and countries. In 1972, the Black Sea was the site of the first successful extraction of gas hydrates from a seabed.

In 1993, the Ukrainian government approved the Black Sea Gas Hydrates programme to conduct vast geological exploration and develop extraction technology.

considered merely a field of academic interest that has no practical implementation in the foreseeable future.

Today, however, the shale gas revolution has spurred growing interest in methane hydrates both in some EU member-states and Ukraine. In 2010, cooperation began between the Institute of Biology of Southern Seas under the National Academy of Sciences in Sevastopol and MARUM, the Centre for Marine Environmental Sciences at the University of Bremen, to use research vessels to explore undersea deposits. Thus, the 2010 expedition by the German Maria S. Merien vessel once again confirmed a vast gas hydrate deposit in the western shelf of the Black Sea and the area of Feodosia Bay.

In the future, major US and European companies like Exxon-Mobil, Chevron or Shell – all of which have explored unconventional gas deposits in Ukraine – may join the exploration of methane hydrate reserves in the Black Sea. So far, though, ConocoPhillips is the undisputed leader in the industry, and it does not operate in Ukraine.

The Institute of Biology of Southern Seas and the Leibniz Institute for Baltic Sea Research Warnemünde planned to explore the Black Sea prospects in a number of joint Ukrainian-German expeditions. In 2012, they signed an agreement to send three expeditions on the Ukrainian research vessel "Professor Vodyanytsky". The project ultimately failed as the Ukrainian side could not cover its part of



EXPLORATION OF GAS HYDRATE DEPOSITS WILL DECREASE DEPENDENCE ON THE OFTEN-POLITICIZED SUPPLY OF CONVENTIONAL GAS AND BRING AN END TO THE ERA OF GAS DINOSAURS LIKE GAZPROM

gies. Several seismic studies were carried out and a number of expeditions sent. However, the economic crisis of the 1990s, the shortage of funding and indifference, incompetence and the major problem of government shortsightedness never allowed the industry to develop in Ukraine. This has not changed over 20 years. Notably, methane hydrate resources have not made it into the revised draft Energy Strategy of Ukraine. By inertia, this new energy source is still



The first fire from undersea deposits at Chikyū

WWW.JAMSTEC.GO.JP

Overall, the Black Sea holds **45-75 trillion m³** of natural gas in gas hydrate deposits based on estimates performed in different time periods and countries

of methane hydrate resources at the European Parliament session in September 2012, a short yet lively discussion followed. European MPs concluded that, instead of lagging behind, Europe should invest more efforts into unconventional energy sources.

Just like the shale gas revolution preceded by 20 years of painstaking work by American scientists and engineers, the methane hydrate revolution did not happen overnight on March 12, 2013. Perhaps, the current decade will show which country can legitimately mark the beginning of the methane hydrate era. Could it possibly be the EU or Ukraine? A positive answer

THE BLACK SEA HOLDS SOME OF RICHEST METHANE HYDRATE DEPOSITS IN THE WORLD, YET UKRAINE STILL IGNORES THIS POTENTIAL, TURNING FROM A PIONEER IN THE EARLY 1990S TO AN OUTSIDER TODAY

Deep sea drilling to extract methane hydrates

would only be possible through a collaboration and synergy of interested parties. So far, Japan and the US have taken the lead. Ukraine has been transitioning from its pioneering role of the early 1990s into that of an outsider, despite its obvious and threatening energy dependence on Russia as a monopolistic gas supplier. ■

the funding. As always, the authorities viewed the funding of the repressive apparatus, the huge bureaucratic machine or the renovation of the President's dacha as greater priorities than science. As a result, news of successful trial methane gas extraction from gas hydrates is coming from Japan, although Ukraine may have been a pioneer, having launched its research earlier than Japan. Yet Ukraine's research never progressed beyond theory, despite many serious scientific accomplishments made by the National Academy's research centres, including the Marine Hydrophysical Institute, the Institute for Physical Chemistry, the Institute for Geological Sciences, the Institute for Materials Engineering, the Institute of Gas, the Institute of Biology of Southern Seas, Odesa State Refrigeration Academy, and more.

What could possibly be done to facilitate research and exploration in Ukraine? It would make sense to launch a multilateral research programme based on a Ukrainian-German partnership involving experts from the Black Sea basin. This should be done within a Ukraine-EU framework. The interested parties could set up a Black Sea MetHydro R&D International Consortium to launch cooperation with big transnational energy companies already operating in the Black Sea. One potential objective would be to research and explore the Black Sea region, develop technologies to extract gas from offshore methane hydrates and the infrastructure to collect and transport methane to the shore,

research environmental risks, and enhance the extraction technology to make it economically viable.

Another important aspect would be to obtain funding under the European Commission's Framework Programme for Research and recall the Memorandum of Understanding between Ukraine's Energy and Coal Ministry and Qatar Ministry of Energy and Industry signed on May 8, 2012. Among other things, the latter mentions the "Research and development of gas hydrates". Following their bad bureaucratic habits, the authorities forgot about the document soon after they signed it.

Meanwhile, urged by the accomplishments of the U.S., Europe is also focusing more on unconventional sources of natural gas. When I mentioned that the EU should facilitate the research



Unconventional Prospects

Shell's Vice President on Ukraine Graham Tiley talks to *The Ukrainian Week* about Shell's Ukrainian partners and inflated fears of the damage shale gas production could do to the environment

Despite Ukraine's acute energy dependence on Russia, the recent production sharing agreement (PSA) for Yuzivska area in Kharkiv and Donetsk Oblasts between the Ukrainian government and Shell stirred negative feedback from a number of environmental organizations and opposition parties. Their concerns include potential pollution of water through hydraulic fracturing and unprecedented tax cuts for Shell, plus suspicions of corruption involved in the deal.

Shell will extract tight gas at Yuzivska area in partnership with Nadra Yuzivska LLC (Yuzivska Deposits) founded by Nadra Ukrayiny NJSC (Ukraine's Deposits), a company with a 90% government stake, and the little known private firm SPK GeoService as the holder of the other 10%. When asked whether he knows who owns SPK GeoService earlier, Energy Minister Eduard Stavitsky did not answer the question directly, just stating obscurely that "it is owned by geologists". Many experts thus believe that the purpose of the company was to legitimize a kickback for access to Ukrainian tight gas. Given the few disclosed details of the PSA, this private Ukrainian company may end up with a relatively large share of gas extracted at Yuzivska area. Experts have already connected "geologists" to the Family.

Meanwhile, Shell as an investor of at least USD 200mn at the stage of exploration, has yet expressed no complains about it. *The Ukrainian Week* talks to Shell's VP-Ukraine Graham Tiley

Interviewer:
Marharyta Ormotsadze

Photo:
Andriy Lomakin

about controversies in the local unconventional gas production.

UW: How do you see the impact of the production of unconventional gas in Ukraine by Shell on the country's energy security? Could this gradually squeeze Gazprom as the monopolist out of the market?

We are in Ukraine to help it develop its domestic resources. The unconventional gas revolution has had an impressive impact on the US energy sector in terms of lowering gas prices, creating jobs and bringing back industries developing of that gas. Petrochemical industry is just one example. Only a few years ago, the US had to import significant amounts of gas while now it exports it. As to other countries, Canada and China have also developed successful unconventional gas industries. And we have seen the same thing increasingly happening around the world.

Our ambition is to be a preferred partner for Ukraine in developing these resources. How Ukraine itself manages its energy balance is an issue for the government. Currently, we are only at the exploration stage. And the reason we'll be drilling our first wells is to find what the potential is. We think it is good. But it is too early now to talk about the amounts of final production. The exact figures will depend on each well. In Yuzivska, for example, we are going to acquire seismic data and drill some 15 wells during the initial exploration period. In a few years, we hope to have a good

understanding of the actual potential.

UW: How much does Shell plan to invest at the exploration phase? Who will control the expenditures?

We now have two projects in Ukraine – one is the joint activity with UkrGazVydobuvannia, and the other one is the PSA on the Yuzivska area. Under the Yuzivska PSA tender, the minimum commitment of the investor at the exploration phase was USD 200mn. The minimum amount of investment into the joint project with UkrGazVydobuvannia is similar. We are the operator in both projects, so all invoices come through my financial department. Shell applies consistent spending control standards around the world. We are subject to quite stringent regulations, including the UK Foreign Corrupt Practices Act. So, our global operations are conducted under very strict accounting standards.

UW: Could you shed any light on your Ukrainian partner SPK GeoService? The public is concerned about its goodwill...

We do not have direct control over other companies. However, this very project will be operated under Shell's corporate international standards. Our partner in the PSA is Nadra Yuzivska LLC. This was a mandatory partner under tender requirements. It's not unusual for governments around the world to have a state partner in PSAs. The involvement of SPK GeoService in Nadra Yuzivska was part of the public tender process held by the State Geology

and Deposits Service of Ukraine. We have worked with SPK Geoservice specialists in the past; we've known them as a geological service company ever since Shell came to Ukraine.

UW: How do you assess political risks? Opposition parties in Ukraine have already suggested investigating details of the PSA.

A production sharing agreement is a confidential document. It is common international practice to make these documents confidential. Meanwhile, political risks exist in any country. Interestingly, when people talk about changes in taxation, the one country that seems to change its system more than others is the United Kingdom. But the PSA in Ukraine was signed for 50 years and it needs to be sustainable. Can you tell me how many Ukrainian governments and presidents will change over 50 years? We need to have guidelines for decades. We have signed the agreement with the government of Ukraine, not a particular party or individual. I will not comment on the democratic process in Ukraine. But I can say that I have heard very positive assessments of the agreement from various opposition parties.

UW: How did Shell manage to persuade the Ukrainian government to give it significant tax discounts?

When a government gets a share in the production under a PSA, it is normal that it can cut some taxes for the investor. Unfortunately, I cannot go into details of the commercial agreement, but I can assure you that all terms and provisions of the document we signed fully comply with the Ukrainian legislation.

UW: There are concerns about environmental risks the technology involved in unconventional gas extraction carries. How do you evaluate the risks in Ukraine?

Hydraulic fracturing was applied in more than a million wells in the US. This technology has been used for 60 years already. Consistent reports by the US Environmental Protection Agency and the relevant regulators state that they do not find evidence

linking hydraulic fracturing to any fresh water contamination. Moreover, hydraulic fracturing is not new to Ukraine. It has been applied here for several decades now.

I think it's useful to talk briefly about the process of production. The critical point here is that the rocks where gas is held are very tight. Gas is in small pores inside the rocks. To get it out and produce it in commercial quantities, you need techniques like hydraulic fracturing. The latter is the process of using fluid – water in this case, with sand and some additives – to transmit pressure down the well. That pressure creates tiny fractures in the gas bearing rock. The sand is used to hold these little fractures open. The chemical additives I mentioned are added, for example, to prevent bacteria from growing in the water or to improve the reaction of the water in the ground. As to the chemicals, Shell is committed to disclosing what it uses as far as the law allows it. Many of these chemicals are normally used in food industry or household.

One of the concerns people have about these chemicals is possible contamination of drinking

water. I'd like to explain why this is unlikely using the Biliaivska 400 well we are already drilling jointly with UkrGazVydobuvannia. The well will go down to 5,000 metres. The fresh water people use for drinking is probably a few hundred metres down. The gas bearing sandstones we currently explore go down from 3,000 to 5,000 metres. The fractures will typically stretch for up to a few tens of metres. So, there is a lot of solid rock between induced fractures and drinking water. Furthermore, when we drill through the shallow water, we use either air or fresh water to avoid any contamination. Once we drill through this layer, we put down a steel shield, known as casing, cemented in place. By the time we drill the whole well, there will be several layers of steel and cement protecting the water layers. ■



Russia's Wounded Giant

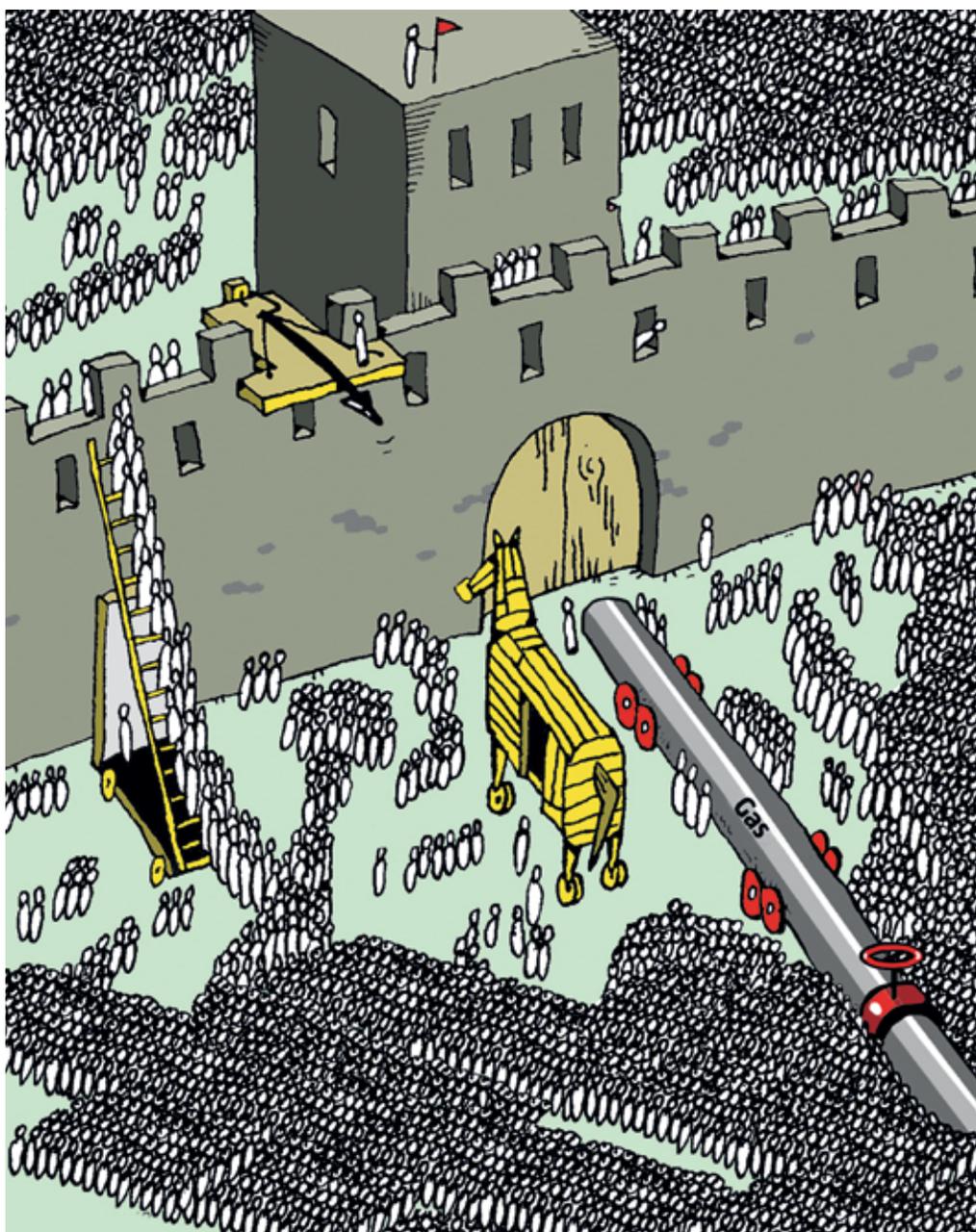
The world's biggest gas-producer is ailing. It should be broken up

The good times for Gazprom once seemed like they would never end. The world's largest natural-gas producer, founded out of the old Soviet gas ministry, enjoyed sky-high gas prices for years. The gas flowed along pipelines into Europe; the profits flowed back. Gazprom began work on a \$1.9 billion headquarters in St Petersburg and acted as a bottomless wallet for Russia's rulers. Whatever problems it encountered, it could "drown with money", as Natalia Volchkova of the New Economic School in Moscow puts it.

All this is now under threat. Its ageing gasfields are in decline. Thanks to America's shale boom, gas is more plentiful on the world market. Gazprom's European customers are realising that they have other choices. The prices it can charge are falling, and with them the firm's prospects.

Years of easy money have made Gazprom fat and slow. It dominates its domestic market, producing 75% of Russia's gas. It enjoys a monopoly over exports of the stuff. Until recently, it had a tight grip on western Europe, where it supplies around 25% of gas. It retains an even tighter grip on former Soviet-bloc countries in eastern Europe. For a long time, this insulated Gazprom from shifts in global gas markets.

Gazprom is not a normal company. It serves two masters. As a firm that issues shares to outside investors, it should in theory strive to maximise profits in the long run. But since it is majority-owned by the Russian state, it pursues political goals, too.



In practice, it serves one master more assiduously than the other. As President Vladimir Putin consolidated his power in the early 2000s, he built Gazprom into a main instrument of Russia's new state capitalism. He appointed allies to top positions. He used Gazprom as a tool of foreign policy, for example by cutting off gas supplies to Georgia, Ukraine, Belarus and Moldova during political rows.

Gazprom's deep pockets have helped Mr Putin at home, too. It sells gas cheaply in Russia, so that the poor do not freeze in winter. Oddly for an energy company, it has bought television stations and newspapers, all of which are now friendly to the Kremlin. Mikhail Krutikhin of RusEnergy, a consultancy, says, "Gazprom has one manager: Putin."

With friends in high places, Gazprom has enjoyed low taxes and privileged access to gasfields. But its costs are startlingly high. It treats its executives generously: a 2008 tender, for example, included a solarium and a special bath for horses. It buys supplies in an idiosyncratic fashion, too. The Peterson Institute for International Economics, a think-tank, reckons that although Gazprom posted nominal profits of \$46 billion in 2011, it lost \$40 billion to corruption and inefficiency.

And some projects favoured by Mr Putin are of questionable economic value. For example, he is dead set on building a \$21-billion South Stream pipeline between southern Russia and Austria via eastern Europe. This project has political appeal because it would bypass troublesome Ukraine as the main transit route for gas to Europe. But given weak prices and demand, it is "commercial idiocy", says Mr Krutikhin. The opening in 2011 of Nord Stream, an offshore pipeline to Germany, was a diplomatic coup for Mr Putin, but it is still running far below capacity.

These days, Gazprom is finding itself in an unfamiliar situation: it has more problems and less money with which to drown them. On March 4th its shares hit a four-year low. Investors reckon Gazprom is worth only a third as much as it was in 2008. By one broker's calculation its market capitalisation of \$110 billion is barely half the value of its assets.

OF PIPES AND POWER

The central battleground for Gazprom is Europe, its traditional stronghold and the source of 40% of

its revenues. Gazprom is fighting to preserve its old pricing system, whereby big European customers sign long-term contracts linked to the price of oil. But those customers now have the option of buying liquefied natural gas (LNG) that America no longer needs to import.

Gas on the spot market is often much cheaper than Russian gas delivered under long-term contracts. Norway's Statoil, a nimbler state-controlled energy firm, has cut its prices and grabbed market share. Gazprom has slowly and reluctantly offered price cuts too, which it expects will cost it \$4.7 billion this year. Citi, a bank, calculates that every drop in European gas prices of \$1 per million British thermal units reduces Gazprom's profit by \$4 billion. Gazprom's managers act as if this is a temporary inconvenience. They insist that the old system of oil indexation is here to stay.

Because so many of its customers are tied to contracts, the full effects of the global gas glut on Gazprom's bottom line will not be felt straight away. But it is already cramping investment. Last August Gazprom and its partners, France's Total and Norway's Statoil, decided to freeze a colossal offshore project in the Barents Sea, which was intended to produce gas destined for export to America.

The final threat to Gazprom's old way of doing business is legal. An antitrust probe launched by the European Commission alleges that Gazprom is using its dominant position in central and eastern Europe to restrict competition and hike prices. If it loses the case, it could face a fine of up to \$14 billion and lose the mighty lever of being able to charge some European countries more than others.

An adverse ruling might also threaten its strategy of trying to dominate the European gas market by owning both the supplies and the means of distributing them. Gazprom has quietly bought gas pipelines and storage facilities. It has tried to strike deals whereby it lends money to impoverished European utilities in order to secure their custom. If this strategy stops working, Gazprom will no longer be such a potent foreign-policy tool for the Kremlin.

THE MILLER'S TALE

For years, Gazprom's bosses were in denial about threats to its business model. Alexey Miller (pic- ➤

New Non Fiction from the EU



Kyiv
3, vul. Lysenka
tel: (044) 235-88-54

www.book-ye.com.ua

Pipe nightmare

Gazprom's share price, \$



Source: Bloomberg

tured), the chief executive, called the shale-gas boom a “myth”. Of late, however, Mr Putin appears to have woken up. He admitted last year that there has been a “real shale revolution” and said Russia must find “mutually acceptable forms of co-operation” with consumers.

Gazprom's future may involve more robust competition even at home. Two domestic rivals have emerged: Novatek, a gas producer part owned by Gennady Timchenko, an old acquaintance of Mr Putin's, and Rosneft, a state-owned oil firm led by Mr Putin's trusted adviser, Igor Sechin. Put together, non-Gazprom firms now account for a quarter of all Russian gas production. The rise of Novatek and Rosneft do not suggest that the Kremlin “set out to create competition”, says Ms Volchkova, but rather that it decided not to block it, as it might have earlier.

Novatek, which is developing a vast gasfield in the Yamal peninsula with France's Total, wants the Kremlin to revoke Gazprom's export monopoly. No decision has been made yet, but the Kremlin could decide to loosen the monopoly by liberalising LNG exports while keeping Gazprom as the only exporter of piped gas.

In the short term, Gazprom's troubles in Europe could protect it from its rivals at home. The Kremlin is likely to react defensively to pressure from hard-bargaining European customers and regulators. It may opt to shelter Gazprom at the expense of Novatek and others. But the overall message is clear: Gazprom cannot

count on its gilded position lasting forever.

That means it must think about what sort of company it will be in the years to come. If things don't go Gazprom's way, it can still threaten to withhold supplies. It hopes to avoid such a scenario, says Sergei Komlev of Gazprom's export division, but the company “has the right not to deliver gas if we don't like the price.”

Act too much like a bully, however, and customers will shop around. Besides buying more LNG, some EU countries are keen to start fracking on their own territory. Exploratory drilling proceeds apace in eastern Europe, though fracking is still banned in France, Bulgaria and the Czech Republic.

Gazprom badly needs to find two things: new sources of gas, and new markets. Neither will be easy. Its gasfields are running down. The International Energy Agency, a rich-world energy club, reckons Russia's gas producers must spend \$730 billion by 2035 merely to replace most of their current production of 655 billion cubic metres a year. But much of Gazprom's 35 trillion cubic metres



AS PRESIDENT VLADIMIR PUTIN CONSOLIDATED HIS POWER IN THE EARLY 2000S, HE BUILT GAZPROM INTO A MAIN INSTRUMENT OF RUSSIA'S NEW STATE CAPITALISM

of reserves are in barely accessible places such as the Yamal Peninsula, the Far East and Eastern Siberia. Gazprom will have to pay much more to get this gas out of the ground. Can it do that? The omens are not good.

In 2011 it invested \$40 billion with little to show for it. Production has not grown since 2001. Meanwhile Gazprom is losing its technological edge. Some insiders predict that the company will be able to sell gas at high prices to Europe for long enough to raise the necessary cash to invest in developing new gasfields. That sounds optimistic. If the firm were better run, it would have found ways to move more gas to Asia, where prices are much higher than in Europe (let alone America).

One way would be to liquefy the gas and ship it. But Gazprom has been slow: despite pumping a sixth of the world's gas, it has just a 20th of the LNG trade. A planned \$7 billion LNG facility in Vladivostok will help, but Gazprom will need to invest billions to ramp up production.

The other way to get gas to Asia would be via pipeline. The obvious destination is China, which sits on Russia's doorstep and is potentially the world's biggest market for gas. The two countries have haggled unsuccessfully for a decade. In February they revealed they had agreed to everything related to pipeline exports apart from the price. China has signed up to import gas from Central Asia, Australia, the Middle East and west Africa; almost everywhere, in fact, except Russia. China refuses to pay Asian prices; Gazprom won't budge.

Creating a more nimble, commercially minded Gazprom would require massive political will. The firm has traders around the world who could take advantage if Gazprom started producing lots of LNG. It has built-in advantages, like access to once-frozen Arctic routes for shipping LNG. It might even try to woo more investment from the world's big oil firms, though they may prefer to invest in easier countries than Russia.

The rational approach, many analysts agree, would be to split Gazprom's pipeline business from the production and sale of gas. This would ensure that economically senseless pipeline projects are not subsidised by exports. Beyond that, Gazprom would probably benefit from being split into a handful of separate gas producers which would then compete to extract and market smaller “corridor” gasfields close to existing ones or pipelines. These fields have plenty of gas but are too small for Gazprom to bother with. A bit of competition might help to control runaway costs.

Gazprom still has many advantages, from vast gas reserves to gas-hungry neighbours. But it has exploited them so ineptly that one analyst likens the firm to “a dinosaur on jet-powered rollerblades”. For now, only Mr Putin can change that. If he waits, soon neither he nor Gazprom will have much choice. ■

© 2013 The Economist Newspaper Limited. All rights reserved

Knowledge is Power – and Cash

How university rectors are turning their offices into lucrative lifelong sinecures

Three bills on higher education submitted to the Ukrainian parliament have become the objects of a fierce battle. This comes as no surprise considering that one of them, Bill 1187 sponsored by Party of Regions members Serhiy Kivalov, Hryhoriy Kaletnik and Mykola Soroka, perpetuates the current inefficient system of education, according to experts, public activists and a large number of Ukraine's students. The other two bills – one sponsored by opposition members (Bill 1187-1) and the other by MP Viktor Baloha (Bill 1187-2) – propose methods for integrating Ukraine's higher education system with the European education space.

However, several Ukrainian university rectors are constructing a veritable fortress against bills 1187-1 and 1187-2. Most are surprisingly unanimous: parliament must support the Party of Regions' bill. What is the motivation for this "principled" opposition? There are at least six answers to this question.

LIFELONG "HEROES"

The average age of Ukrainian rectors whose universities made up the top 30 in the Kompas-2012 ranking of Ukrainian universities is 62, and the average term in office is 14 years. Some have led their institutions for more than two or three decades, which is outside the limits of propriety by European and world standards.

The situation is very much like the late Brezhnev era in terms of both the age group and the essence of a rector's job. A Ukrainian university rector is a person of special stature. At one point, the rector lobby succeeded in

Author:
Ihor Likarchuk,
Director of
the Centre for
Testing
Technology
and the
Monitoring of
Educational
Quality



**UKRAINIAN UNIVERSITIES
GENERATE NEARLY 90-95%
OF THEIR INCOME BY SELLING
EDUCATION SERVICES OF
DUBIOUS QUALITY**

having the Constitutional Court cancel the legislative age limit of 65 specifically for them. Instead, a different regulation was introduced: if a rector has served two subsequent terms and has been fired, he can be appointed as lifelong counsellor to the new rector and keep his old office and salary. Bill 1187 leaves this norm virtually intact. Thus, if it is made law, rectorship may become lifelong... and lucrative.

The second reason why Ukrainian rectors are opposing bills 1187-1 and 1187-2 is that a rector's office is beneficial to its holder. Take, for example, the

salary. It is impossible to obtain this information from public universities using the procedure prescribed by the law on access to public information, even though data on budget spending should be public. So a different source was found, namely income declarations submitted by rectors running for parliamentary seats prior to the 2012 election and published on the website of the Central Election Commission. It turns out that the lowest monthly salary among rectors is, on average, UAH 16,000 and the highest UAH 64,000. The data is obviously incomplete. Some rectors are paid more than UAH 100,000 a month. But the problem is not so much the outrageously high pay as its incongruence with the realities of Ukraine's educational

system. Ukrainian universities have, in essence, failed to implement the main aspects of the Bologna process. University-based research has been neglected, and the education process in many colleges has turned into a cheap opera – teachers fake teaching and students fake learning. Universities generate nearly 90-95 per cent of their income by selling education services of dubious quality.

A rector's office also offers a number of advantages and privileges. For some unknown reason, rectors more frequently win elections to national academies of sciences in different areas. Among other things, these academic titles entitle them to lifelong pensions that are much higher than the average pension received by associate professors that have worked for dozens of years. Rectors have a particular craze – the pursuit of the official title "Hero of Ukraine". The top 30 Ukrainian universities mentioned above already have six such "heroes".

CONTROL IS AT STAKE

Could Ukrainian rectors take at least some steps to truly reform higher education in Ukraine, even under current conditions? The Law "On Higher Education" and other regulatory acts offer some space to manoeuvre, but only a handful of rectors have taken advantage. The rest, it turns out, find it more convenient and less stressful to maintain good relationships with top officials in the Ministry of Education and Science, avoid major cadre reshuffles, neglect innovations and not bother selling licenses to patents, conserving en- ▶

ergy or introducing masters-level programmes taught in foreign languages. This approach guarantees rewards, honorary titles, bonuses and other privileges in exchange for loyalty to dubious bureaucratic “innovations” imposed by the ministry. This is why rectors are so obsequious before even low-ranking ministerial bureaucrats.

The third reason why Ukrainian rectors are throwing their support behind Bill 1187 is a fear of university autonomy. Bills 1187-1 (to a greater extent) and 1187-2 (in a more limited way) declare institutional autonomy to be one of the cornerstones of the future law. If this norm is passed, particularly as formulated in Bill 1187-1, rectors will no longer be the overlords of their feudal kingdoms, as is the case in many Ukrainian universities today. Instead, communities and influential supervisory boards will manage universities, which is an established practice worldwide. The opposition-sponsored bill grants a university community the right to pass a vote of no confidence in the rector, and the owner of the institution in question must then fire him. Bill 1187 also delegates the right of recall to a university’s public self-government body but makes its decision only advisory to the owner.

Under bill 1187, the rector is the only person in a university who “decides on financial-economic matters”. In doing so, he is monitored by an academic council which he appoints, heads and hence controls. Thus, all leverage in the university’s triangle of money, property and profits will usually be held by rectors. In contrast, the opposition’s bill would greatly limit rectors’ authority in managing finances and property through the function of supervisory boards which may not involve any employees of the institution in question, including the rector.

The fourth reason is that Bill 1187 preserves the current model of rector appointment. Under the bill, this office cannot be taken by an “outsider” because its prerequisites include an academic degree and title and a period of research and instruction. These criteria are laughable to those who

know how such things are obtained in Ukraine and how competitions to fill university positions are held. Ironically, rectors will have to be doing something totally different – managing a large organization and being an efficient manager. The selection and appointment procedures proposed in bills 1187 and 1187-2 would deal another blow to university autonomy. Under bill 1187-1, however, university communities would be responsible for establishing selection criteria and election procedures for rector appointments.

The fifth reason that Ukrainian rectors are opposed to bills 1187-1 and 1187-2 is that bill 1187, which they support, preserves the autocracy of rectors, granting them virtually unlimited power in their universities and failing to institute any system of accountability before public governance or self-government bodies. In most countries of the world, university presidents report to supervisory boards, but under Bill 1187, a supervisory board is merely a club of people “useful” to the university, while real authority is



vested in rector-controlled academic councils.

INDEPENDENT TESTING: A THORN IN THE RECTOR'S SIDE

One of the quintessential differences between the three competing bills is the way they distribute authority between rectors and the owners/founders of educational institutions. The relationships between the two sides in private institutions have a different basis, so the bills apply, in this part, primarily to public universities and the Ministry of Education and

Science, which acts as their owner. The Kivalov-Kaletnik-Soroka bill essentially maintains the current system of subordination and relationships to which rectors are well accustomed and with which they are fully content. Bill 1187-2 gives rectors much more authority by taking it away from the ministry, but in fact it is more



IF THE PARTY OF REGIONS BILL IS MADE INTO LAW, MANAGING A UNIVERSITY MAY BECOME A LIFELONG SINECURE

concerned with carving up the “power pie” in a new way or, most likely, making rectors “autonomous”. Bill 1187-1 eliminates any such autonomy and rules out authoritarianism: educational institutions independently establish rector appointment procedures and the functions of rectors are limited to operational management. The rest is the provenance of supervisory boards and academic councils, as well as student self-government bodies. In other words, rectors will be nothing more than efficient managers tasked with developing their universities. It is easy to see how unappealing this is to those who are in charge of universities today and have built monuments to themselves, in a figurative and sometimes literal sense.

Finally, the Party of Regions bill introduces entrance examinations and rejects external testing for tuition-paying students. Envisioning rivers flowing with milk and honey, the rectors are undoubtedly relishing the thought of this becoming a reality. Add to this the “financial autonomy” of universities mandated by Bill 1187. This proposal flies in the face of public support for external testing. The latest opinion poll surveys carried out by the Democratic Initiatives Foundation in October 2012 showed that 62 per cent of respondents favoured university admission based on external test scores. As one of their key requirements, protesting students demanded keeping external testing as part of the admissions procedures. Research points to a very strong correlation between test scores and first-year student performance. Pro-government forces are ignoring all of this. They are not concerned with the interests of students or consumers of education services, but with those of the odious rectors, faculty representatives and bureaucrats in the education sector who have been running universities into the ground for many years.

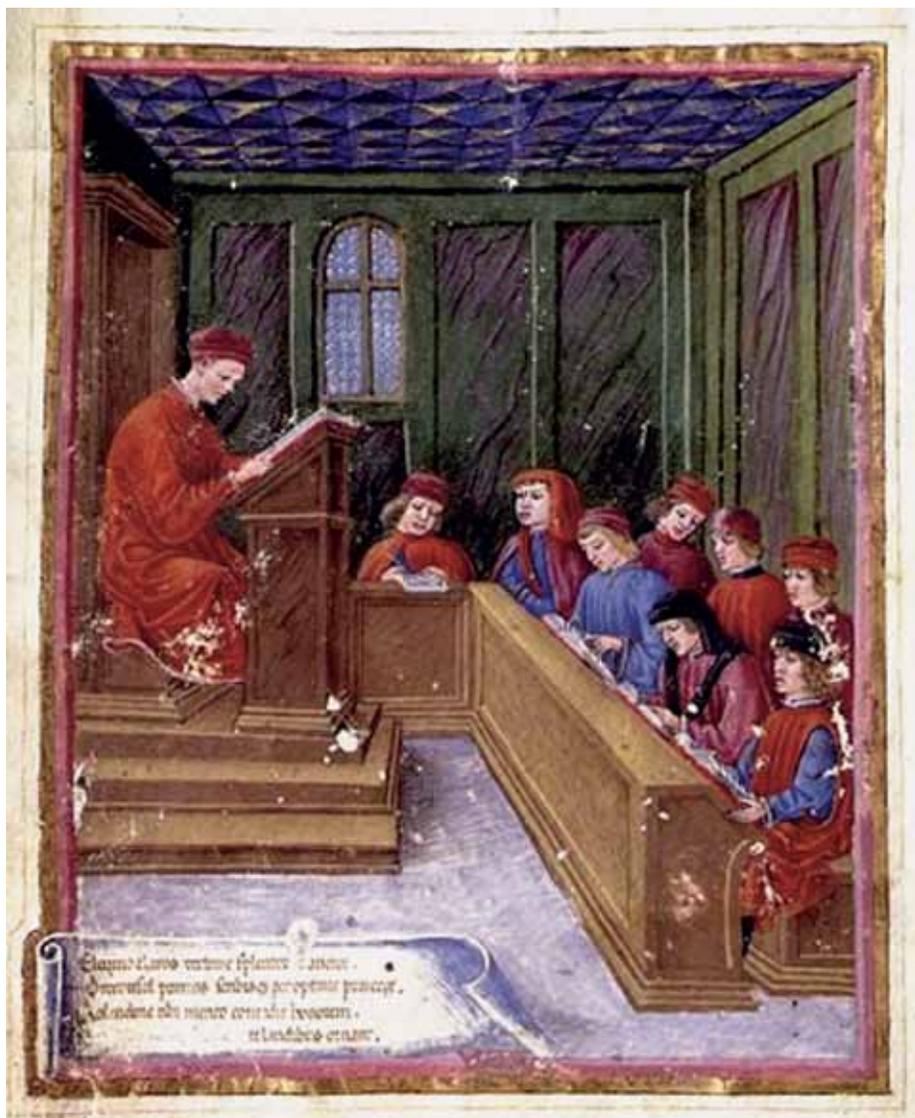
It's no surprise that Ukrainian rectors have launched a fierce campaign against bills 1187-1 and 1187-2, which would truly reform higher education rather than merely giving it a facelift. Does Ukraine's education system really need such managers? ■



DRAWING BY HGOR LUKIANCHENKO

The Light of Educ

How education became secular, universal and accessible to the public at large



LESSONS IN A MEDIEVAL MONASTIC SCHOOL. DRAWING

Author:
Volodymyr
Masliychuk

From the time that the Christian church came to dominate Europe, education was largely religious and oriented towards denominational and often missionary needs. The church was the institution where formal education could be obtained and the clergy were the educators. Any alternatives were persecuted and punished. However, medieval schools should not be viewed as

something retrograde and horrible, as institutions that used physical punishment and had exclusive gender orientation (education for males) with rigid Latin, rather than the vernacular, as the language of instruction.

THE NEW LEARNED WORLD

In fact, the “old” school was the starting point for great transformations: the recognition of the

value of learning, education and books; attention to grammar and knowledge in general; the significance of writing and the written word; the first specialized education institutions and so on. The essence of education in the old days was not reduced merely to scholasticism: there was a huge layer of vocational training (when a master craftsman taught his apprentices the tricks of the trade) and folk pedagogics. In the 13th century, urban schools funded by municipal communities emerged in Europe. At the same time, the majority of the population of the Middle Ages was completely illiterate, and learned men were often held in contempt or accused of heresy or witchcraft.

Medieval education in Europe reached its peak when education left the premises of churches and monasteries. Homeschooling spread and universities were opened. The idea of providing multifaceted knowledge was evidently borrowed from the Muslim world – contact with Muslims during the Crusades fundamentally changed Western Europe. The first universities in the Old World were former church schools in Bologna, Oxford and the Collège de Sorbonne in Paris (named after its founder, Robert de Sorbon). The very lifestyle of bachelors and students and their conduct formed a unique subculture. In England, the word bachelor (from Latin, meaning ‘crowned with laurels’) became synonymous with an unmarried man or even a tramp.

When this new “learned world” came into contact with the local population, it often led to extraordinary events with ambiguous consequences. For example, a conflict between, on the one hand, students and faculty and on the other, Oxford residents in 1209 causing part of the faculty to move to Cambridge where England’s second university was founded.

ation

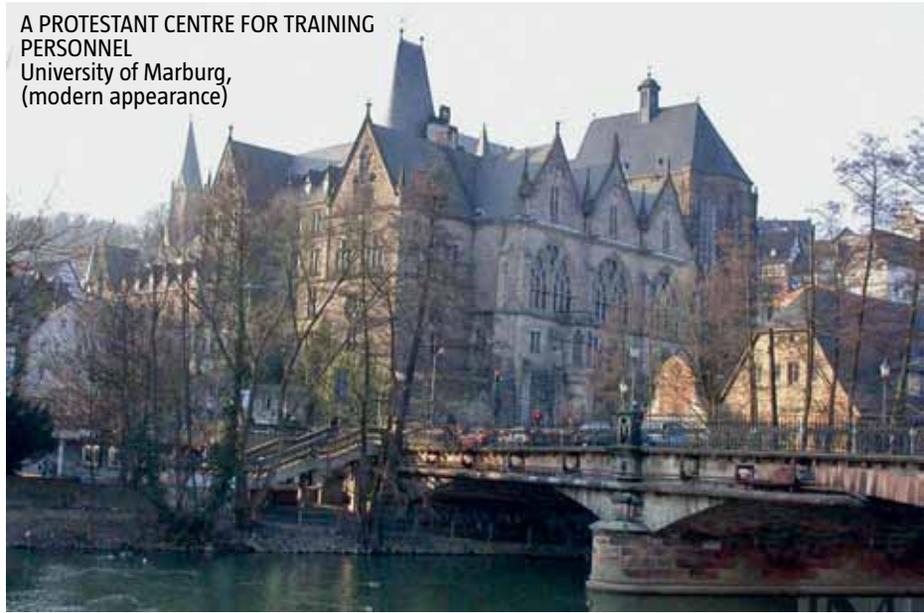
IN THE ARENA OF RELIGIOUS CONFLICT

In this context, Ukrainian lands were a distant province of Europe. The adoption of Christianity from Byzantium, with its Orthodox tradition of schooling, defined the future development of education in Ukraine for many years. At the same time, the main appeal of Ukrainian culture in the early Modern Age, namely the sustained combination of Western Catholic and sometimes Protestant influences with the dominant Orthodoxy, was vividly and best manifested in education. In the 16th and 17th centuries, education became the arena of fierce religious conflict, laying the foundation for Orthodox brotherhood schools and printing houses.

In the Ukrainian context of the early Modern Age, the words school and student had wide social significance. Schools were often institutions or buildings attached to churches, which offered not only the basics of reading and writing but also provided a kind of shelter for beggars and “perpetual students”.

However, it was the learned clergy that later became the source of great changes. Ideas, often produced by theologians, eventually led to the great Reformation, a rebellion against the Catholic Church, and gave a new meaning to education. Protestants – or in the case of Ukraine, Orthodoxy – had to have perfect education and their own fully-fledged education institutions in order to be able to debate religious topics with highbrow Catholic theologians. The first harbinger was the Protestant University of Marburg in Germany, opened in confiscated monastic cells by Landgrave Philip I of Hesse in 1527. In Ukraine, we have the example of the Ostroh Academy, which was founded by Kostiantyn Vasyly Ostrozky in 1576.

A PROTESTANT CENTRE FOR TRAINING PERSONNEL
University of Marburg,
(modern appearance)



Learning.
Medieval
engraving

The invention of the printing press also had a major impact on education. As the print-runs of books and textbooks grew and their educational potential increased, the ideas of and demand for education spread under conditions of drastic socioeconomic change.

In its turn, the Catholic Church introduced a wide system of education institutions run by the Jesuits (Jesuit collegiums), offering accessible education to students, often regardless of their financial situation or professed faith. The collegiums in Lutsk and Ostroh were among Ukraine’s leading education institutions in the 17th and 18th centuries. The Orthodox education system often followed their example. The first university on Ukrainian territory was founded in 1661 in Lviv, thanks to the Jesuits. The curricula at Orthodox and Greek Catholic institutions were based on what was taught at Jesuit collegiums.

EDUCATION GOES SECULAR

In addition to the Reformation, the idea of education rested on another powerful pillar – humanistic philosophy, with its special attention to man as the crown of creation. John Amos Comenius (1592-1670) made a breakthrough in pedagogics and changed the overall attitude towards education. His key ideas became the foundation for the introduction of new teaching methods: overall comprehensive education in the native language, differentiation by age, the concept of higher education and particular attention to individual aptitudes. However, all these trends were embodied all too slowly in the European world over the next couple of centuries.

At the same time, in the 16th and 17th centuries, religious education saw the emergence of serious rivals. The Collège de France was founded in 1530 with the support of King Francis I of France and offered disciplines not available at the Sorbonne. In fact, increased competition in education and science and the dissemination of printed books helped

DIFFERING INTERPRETATIONS

East Slavic languages differ in the ways they designate the knowledge acquisition process. The Ukrainian language adopted the word *osvita* ‘education’, from *svitlo* ‘light’ and *osvichuvaty* ‘to throw light on’, probably prompted by major figures of the Slavic revival. In contrast, the initial Russian word *prosveshcheniye*, also based on the idea of light, yielded to *obrazovaniye*, was copied from the German *Bildung*, literally the shaping of new man. The latter coinage later coincided with the goals of the Bolshevik government.

France maintain intellectual leadership in the world in the 17th through early 19th century. French thinkers launched the Enlightenment, a new philosophical movement aimed at not only rational explanations of phenomena but also at fighting religious obscurantism, giving education a leading role in the process.

Learned men from Ukraine were, in many respects, the main motivational force in education reform in the Russian Empire. After church reform and the adoption of the Ecclesiastical Regulation in 1722, Peter I set about changing the Russian education system. Teofan Prokopovych, the mastermind behind the reform, used the Kyiv Mohyla Academy, where he had previously taught, as a model for ecclesiastic education reform. In Ukraine, this system had a solid foundation: the Kyiv Mohyla Academy was already functioning on these principles, the Chernihiv Collegium was expanded, a new collegium was founded in Belgorod in 1726, which was later moved to Kharkiv and the Pereislav Collegium was established in 1734. These institutions were special in that, for a number of reasons, they admitted representatives of the most diverse social strata. In contrast, the formation of the class structure in imperial society, required a narrow class approach to education.

The founding of new schools came at a time when many European countries adopted a secularization policy. Its primary goal was to transfer church property to the state, but it also envisaged a network of secular education institutions to replace ecclesiastic ones. The latter were given the role of educating would-be priests, most often children of the clergy. While secular education, based on rationality, was taking over in Western Europe, Ukrainian lands remained captive to scholasticism for years to come. This largely determined the future development of education in Ukraine.

For the most part, not surprisingly, Russia's reformist efforts in education followed German examples. Mikhail Lomono-



John Amos Comenius (1592-1670), the father of pedagogics

sov, the main Russian promoter of the Enlightenment, who initiated the establishment of Moscow University, obtained secular education in Marburg. Under the 1782-86 education reform, public schools were opened in every provincial and district centre in line with the Austrian model. Subsequent Russian innovations with universities were based on the Prussian experience of reform and the Humboldtian university concept. Inviting professors, primary of German origin, from abroad, was another factor that contributed to the significant German influence on many initiatives launched by the Romanov family. Not all imperial education reforms of the late 18th

goal – free primary education for all classes. The Ministry of Public Education was set up to implement the plans.

Despite the progressive nature of these changes, Ukraine's education system was directly dependent on the centre of the empire, and was not only a matter of banning or tolerating cultural-ethnic differences. In tsarist Russia, a university diploma was the springboard for a bureaucratic career, rather than evidence of acquired knowledge. Education received abroad played an important part, because it was considered to expand one's worldview and was often a prerequisite for successful professional activity.

ALMA MATER

Kharkiv Imperial University, founded in 1804, was the first large secular education institution on Ukrainian lands. The academic year began on Saint Anthony's Day, 30 January 1805 (however, modern Ukrainian students celebrate 25 January, Saint Tatiana's Day, as their holiday. On this day in 1755, an edict was issued to establish Moscow University). It was in Kharkiv that the national revival of Ukrainians began, under the influence of Ukrainian teachers and students.

During the 19th century, Russian imperial authorities opened two more universities in Ukraine; in Kyiv in 1834 and in Odesa in 1865, as well as a number of other education institutions. However, knowledge spread at a languid pace, and Ukrainians as an ethnic group had the lowest level of education in the European part of the empire. All of this made the Ukrainian intelligentsia idealize the times when brotherhood schools and Orthodox collegiums operated and emphasize the destructive role of the "lost time" Ukrainians had spent in the Russian Empire. To Ukrainian intellectuals, education delivered in Ukrainian was a great goal and a powerful tool with which to press for further changes.

At the same time, the Ukrainian lands that were under the Austrian-Hungarian Empire also underwent several education reforms. In addition to Lviv Uni-



DISOBEDIENT CHILDREN. German caricature of schools, 1849.

century, especially on Ukrainian territory, were successful or even finalized. They often remained on paper only. One case in point was the intent to open a large university with a medical school in Katerynoslav in the 1790s.

The reform started by Alexander I in the early 19th century caused sweeping changes in the education system of Ukraine, which was under Russian rule at the time. It laid the foundation for the future three-level system: primary (vocational schools), secondary (district and secondary schools) and higher (universities). This innovation also helped make education accessible to women, even though student bodies in education institutions continued to be dominated by men for a long time. These changes signalled a high overall



RAISING A NEW PEOPLE. Having made education universal, free and compulsory, at the same time, the Bolsheviks also impregnated it with ideology, cutting it off from worldwide education processes



IN TSARIST RUSSIA, A UNIVERSITY DIPLOMA WAS THE SPRINGBOARD FOR A BUREAUCRATIC CAREER, RATHER THAN EVIDENCE OF ACQUIRED KNOWLEDGE

USSR focused on personnel training, leading to the widespread myth about the high level of Soviet education, which, however, failed in competition with the Western world and was one of the causes for the demise of the Bolshevik empire.

The Soviet education system experienced several major reforms. One milestone was the law of 1958 on “strengthening the link between school and life” which introduced 11-year secondary education, of which 8 years were compulsory. The focus of attention was on “professionalization”, i.e., the training of production workers who were still in school. The experiment was a flop, and 10-year secondary education was reinstated in 1964-65 with less emphasis on vocational training but with the compulsory component intact.

The Ukrainian model of education evolved from its Soviet predecessor, but a large number of reforms in the past 20 years have failed to solve its burning issues, such as training a qualified labour force and helping students realize their potential. ▣



USSR: School enrollment soars



USA: School closed

versity, in which the teaching language was Polish, Chernivtsi University was established in 1875, offering classes in German. The struggle of Ukrainians to have their own university in Galicia is an important page in the history of the national movement.

Both parts of Ukraine experienced similar problems with education in the 19th century: low accessibility and a limited number of even primary schools, which greatly complicated both economic development and social communication. The efforts of Moscow and even permission to open Sunday and private schools starting in the 1860s did not resolve the problem, at a time when primary education was becoming compulsory in England and the Netherlands and played a key role in unifying Germany.

EDUCATION AS AN IDEOLOGICAL PLATFORM

The events of 1917-20 led to major shifts in the education system in Ukraine. More than just nationalization, they included large-scale experiments, especially on the territories under Bolshevik rule. As they tried to do away with the vestiges of the old regime, the new ruling power filled education with ideology and fundamentally changed higher learning, replacing universities with “institutes of public education”.

However, a true breakthrough came in 1920 when the anti-illiteracy campaign was launched and class and sex distinctions that gave privileged access to education were abolished. The indi-

With the poorly developed domestic music market and industry, most Ukrainian artists only have two options. The first is to sing in Russian, focusing on the equally underdeveloped post-Soviet Russian World-dominated market. The second is to create something that sounds like Western music and sing in English, mostly in pop rock, synthpop or French house – a new genre of background dance electronic music, with catchy sentimental lyrics. They sporadically pop up on the Western market. With hardly any competitors in these genres in Ukraine, they have plenty elsewhere. Compared to them, projects with exotic and authentic elements of world music have a better chance of standing out on the international scene. Still, some Ukrainian bands singing in English make it onto the international arena. As a result, they often get to perform at prestigious international music festivals and sign contracts with well-known record labels. At home, they are mostly popular with the audience that knows music and appreciates their quality audio and visual product, forgiving the fact that these bands do not offer something really original.

TOP 6 BREAKTHROUGH BANDS

Tomato Jaws

The band is a veteran on the Ukrainian English-language music scene. Since 2000, the band has been playing in downbeat house, their audio and visual style minimalistic. Tomato Jaws includes Alex Jr. (Oleksandr Zhyzhchenko), Playone (Pavlo Lenchenko) and



Nata Zhyzhchenko as lead singer. Their first album came out in 2004.

Gorchitza

This is another old-school band created in 2007. Gorchitza's style is a combination of disco house, funk and synthpop. Their former lead singer Alla Moskovka once sang



in Tomato Jaws. She left Gorchitza to start her own solo career, and was replaced by Olya Dibrova. The band has played at the Sopot International Song Festival in Poland, performed as an opening act for Nelly Furtado and Morcheeba, and signed a contract with EMI Music.

The Maneken

The solo project of Yevhen Filatov, musician and producer, released its debut record *First Look* in 2008. It plays disco house, funk and



Events

April 15, 8 p.m.

Balmorhea

Bauhouse/Kiev LOFT art space (5, vul. Dehtiarivska, Kyiv)

Balmorhea is a sextet from Austin, Texas. It plays a fusion of contemporary experimental acoustic rock with elements of classical music. Most of its tracks feature acoustic guitar, chello, piano, violin. Some involve banjo, double bass, voices and street noise. The list of inspirations for members includes Beethoven, Arvo Pärt, Jimmy Page, Claude Debussy and more.



April 2, 8-10 p.m.

French Spring 2013 festival opening

Hryshko Botanical Garden (1, vul. Tymiriazivska, Kyiv)

Real spring will hit Ukraine along with the tenth French Spring. The festival will open with the La Machine street theatre – this time, they will stage the Fires, a fireworks show. As always, the festival will present the latest creations of French theatres, music and literature. Playwright Éric-Emmanuel Schmitt will be the special guest of this anniversary Spring, whose plays will be staged as part of the festival programme. Other events worth seeing include the premiere of the film *Mebius*, the Tiger Tiger Burning Bright dance show and a gig from singer Zaza Fournier.

April 5, 11 a.m.

The Identification of Movement

Yakiv Greter Art Gallery (6, vul. Vadyma Hetmana, Kyiv)

Yakiv Greter Art Gallery presents a collective exhibition of paintings by Ukrainian artists that is a mix of different schools and styles. Pieces by well-known Ukrainian classical and talented young artists will create a single art



space that offers a message of constant progress and the transformation of art with the change of generations. The only thing that remains unchanged though, is the essence and role of art.

an upgraded version of the 1980s synthpop. The project includes Yevhen Filatov as lead DJ, lead singer and songwriter; Maksym Shevchenko on guitar; Andriy Hahauz on bass guitar; and Denis Marinkin on drums. Thanks to The Maneken, Ukrainian music is now sold in some remote corners of the world, such as Japan. Yet, the band's success story proves the sad trend: Yevhen first arranged to distribute his music all over the world through the Virgin Records (UK), followed by Russia and finally Ukraine.

Champagne Morning

The sunny indie rock band with sweet boy vocals emerged in 2009. Music inspirations for their lead singer, Dmytro Snizhko, ranged from Freddy

Mercury to Robbie Williams. Champagne Morning is like a nicely wrapped candy with a filling of lyrics about love and the expectation of miracles. Other band members are Maks Sabodash on keyboards, Yuriy Zachary on drums and Alex Chunin on bass guitar. A year after they started playing together, their first single *Miracle* came out on Ukrainian radio. Within a short time, *Miracle* made it into top five on Amazing Radio UK and Indie Dial Radio US. BBC Introducing aired them three times.

The Hardkiss

The band blew onto the Ukrainian stage in 2011 with a much heavier version of synthpop and ambitious lyrics. It was born

from the Val & Sanina project when Julia Sanina, lead singer and songwriter, met Valeriy Bebko, bass guitarist and music producer for The Hardkiss, for an interview. They were later joined by Paul on keyboards and Kreechy on drums. Shortly after this, in October 2011, The Hardkiss performed as an opening act for the British band Hurts. In February 2012, The Hardkiss signed a contract with Sony BMG and the French Eye-Models agency. Since then, their *Dance With Me* video has been played all over the world.

Alloise

The stage name for Alla Moskovka, former lead singer of Gorchitza, who left the band last year to start a solo career. Her style currently is lyrical R'n'B inspired by Whitney Houston but closer to Beyonce.



April 10, 7 p.m.

Nino Katamadze and Insight

Palats Kultury (Arts Palace) (2, vul. Pushkina, Luhansk)

Georgian jazz will once again fill the hearts of Ukrainian music lovers with pure joy. Nino Katamadze and her band, Insight, will play their best songs from the *Green* programme, as well as other hit tracks. *Green* is Nino's latest album, released in 2011. "Don't try

to understand it; just take it in large doses as a prevention of loneliness, stress, aggression and skepticism," critics recommend. Indeed, her music brings lightness and peace.



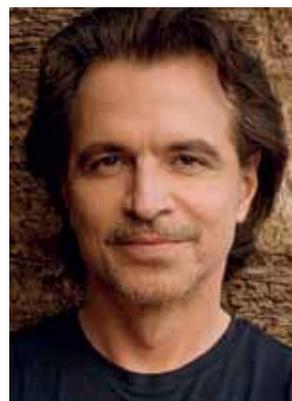
April 11, 7 p.m.

Zemfira

Palats Sportu (Sports Palace) (1, Sportyva Ploshcha, Kyiv)

The Russian rock singer and songwriter will tour Ukrainian cities to promote her new album *To Live in Your Head*, officially released on February 14. The lucky cities include Odesa, Kyiv, Dnipropetrovsk, Kharkiv and Donetsk. Critics describe the record as personal, intimate and honest.

Zemfira says that to a large extent, the album is the product of her admiration of rhythms and riffs. After a long break, this latest record is critically acclaimed and unanimously appreciated by her fans.



April 11, 7 p.m.

Yanni

Ukrayina Arts Palace (103, vul. Velyka Vasylkivska, Kyiv)

The breathtaking sounds of synthesizers and authentic instruments brought world fame to Yanni. A self-taught performer, he developed his own rhythmic and solfeggio system to become one of the most popular multi-instrumentalists in the world. He

composes his own songs and performs them in a way that no one else could. His style is an exotic combination of popular tunes and classical music. This is the way Yanni uses to conduct a dialogue with the audience, communicating his own emotions to the listeners through various instruments.

10 Carpathian Water Attractions

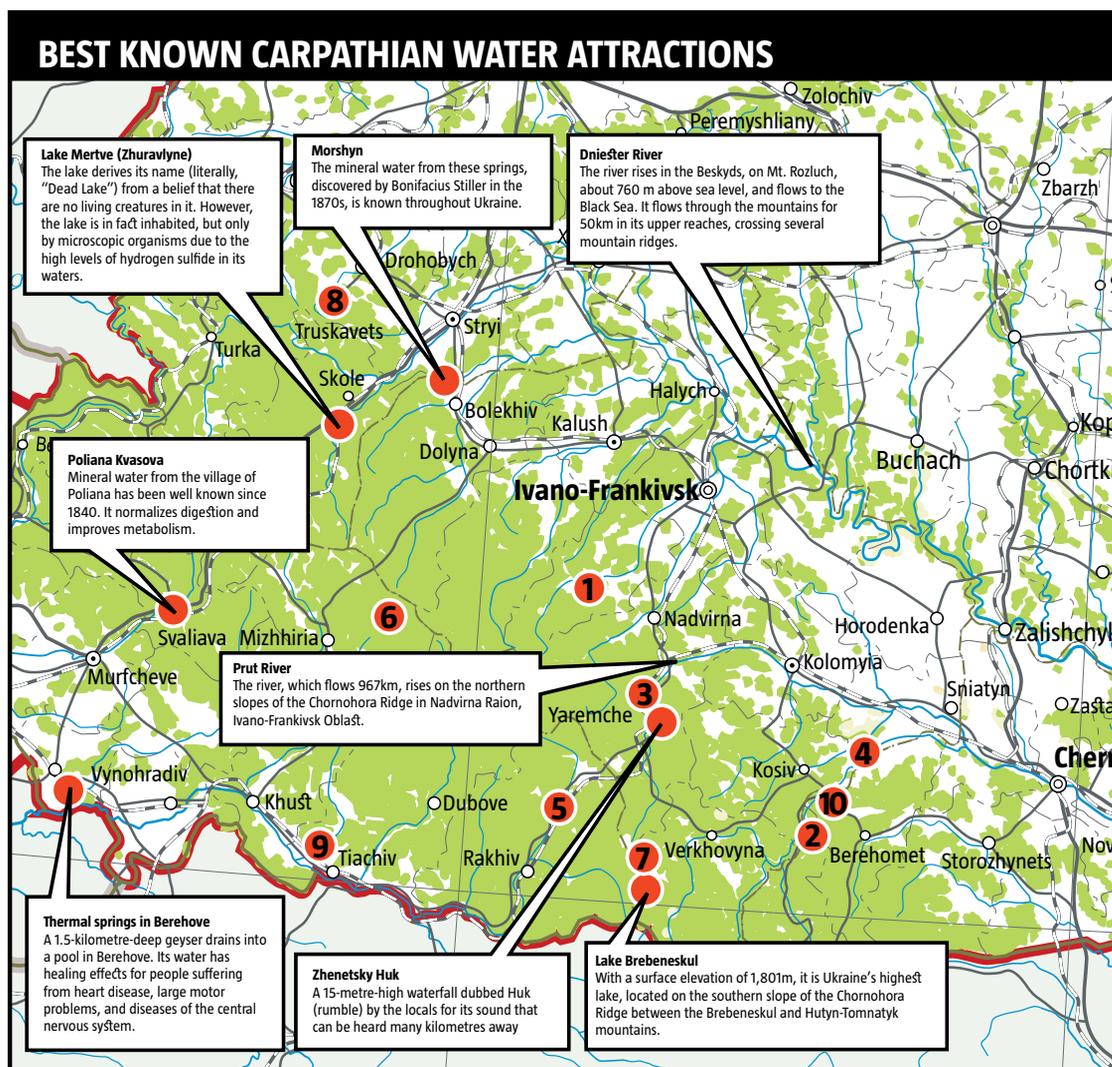
The *Ukrainian* Week dives into the watery wonders of the Ukrainian mountains

Article and photos: **Dmytro Antoniuk**

Every tourist in the Carpathians knows that a good camping spot must offer easy access to water. Unlike in the Crimean mountains, water is plentiful here, so setting up camp is rarely a problem. Alpine

water is pure but extremely cold, which makes it less suitable for bathing. However, after several days on the road with heavy backpacks, the desire to take a dip overpowers any fear of the cold. The Carpathians' many

bodies of water are breathtakingly beautiful—especially the lakes and waterfalls—and with their healing properties, the local mineral springs provide yet another compelling reason to come here again and again. ■

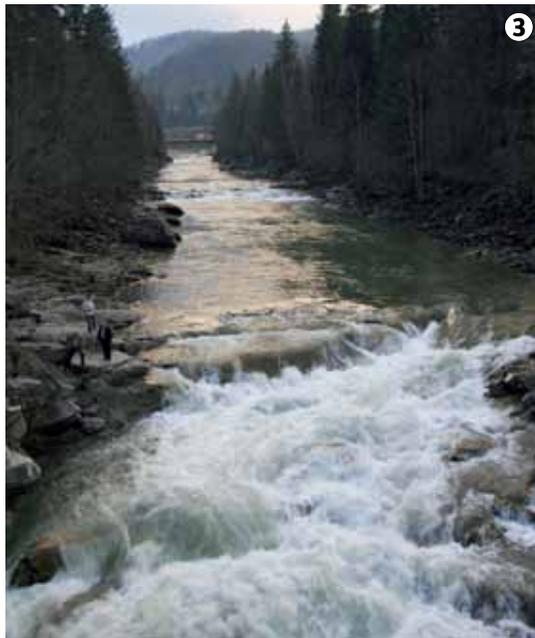


WATERFALLS

MANIAVA WATERFALL

At 18 metres, this is one of the highest waterfalls in the Carpathians. It forms a long and deep canyon surrounded by trees on all sides, creating the illusion of twilight even on sunny days. There is a small shallow lake directly where the waterfall reaches the ground. Its water is cold in any season. According to legend, there was a pagan temple on its shores, and now the locals believe that bathing in the waterfall rejuvenates the body and spirit. They also claim that forest nymphs show up near the waterfall and try to lure and destroy those who dare spend the night there.

The place is extremely hard to reach by car, so tourists are advised to go on foot along the riverbed of the Maniava River in the summer when it becomes shallow. Otherwise a trip to the waterfall will be too risky. The waterfall is located 3km southeast of the village of Maniava (Bohorodchany Raion, Ivano-Frankivsk Oblast).



PROBIY WATERFALL

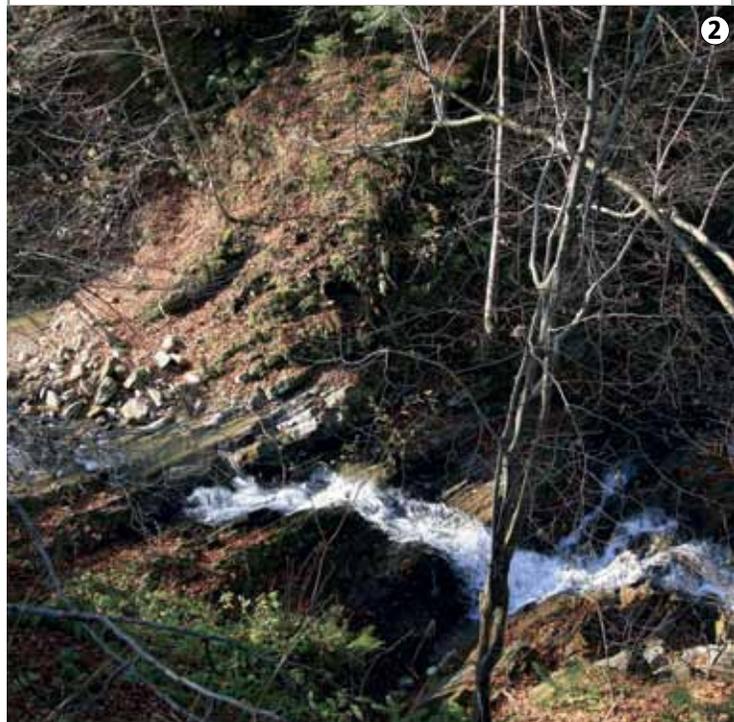
This is the most frequently visited waterfall in the Carpathians thanks to its location – right in the centre of Yaremcha, next to a large souvenir market and the notable Hut-sulshchyna restaurant built in the 1950s in the traditional style. Probiy is eight metres high, but it was much higher a century ago. It lost some of its stature when the Prut River was being prepared for timber rafting. Explosives were used to make the riverbed deeper.

A 20-metre-high pedestrian bridge was built directly over Probiy during Soviet times. Daredevils jumped from the bridge into the “barrel”, a whirlpool of water, for money, often leading to casualties. Close to the waterfall are the so-called Gothic Rocks, which are outcroppings of Upper Cretaceous rock forming peculiar “Gothic” folds. Geologists date them at 60mn years.

Address: 2 Petrasha Str., Yaremche, Ivano-Frankivsk Oblast

SMUHAR WATERFALLS

These waterfalls are one of the natural wonders of Bukovyna, located near the village of Roztoky (Putyla Raion, Chernivtsi Oblast), where Yuriy Illenko shot part of his famous film *Bilyi ptakh z chornoiu oznakoiu* (White Bird with a Black Mark). The two-kilometre-long Smuhar Valley includes a cascade of several waterfalls of various heights. Kovber, named so in honour of a local miller, is 3.5 metres high, and the nearby Sych waterfall is 10 metres high. The third one, Nyzhniy Huk, is made up of three cascades. Powerful timber lorries that cannot bypass this place go directly across its rocky riverbed, at the risk of overturning at any minute. Vorota, a 3.5-metre-high waterfall resembling a gate, is located higher up the slope. Another waterfall, Seredniy Huk, has three cascades and is somewhat higher. The most powerful waterfall of the group is Velykyi Huk with a height of 19 metres, followed by Vyshchyi, the topmost waterfall. Every winter, the Smuhar waterfalls attract extreme sports lovers who climb the frozen falls – another way to get a burst of adrenalin.



RIVERS

CHEREMOSH

The Cheremosh River once formed a natural border that for centuries separated the Polish-Lithuanian Commonwealth and the Ottoman Empire. The river is made up of the Bilyi Cheremosh and Chornyi Cheremosh whose confluence occurs at the village of Usteriky (Ivano-Frankivsk Oblast). The river then flows along a valley past the towns of Kutu, Vyzhnytsia and Vashkivtsi and joins the Prut near Nepolokivtsi, covering a total distance of 80km. The Cheremosh has varying temper: from furious at the foothills, where its waters flow at 15m/s, to quiet at its end. This is perhaps the reason why it is beloved by water sports buffs: it includes a wide range of obstacles — rapids, abrupt turns, shoals, riffles etc., all occurring within a short stretch.

The Cheremosh is known for its legends. One of them is about the Zhaba (“Frog”) rock lying on the riverbank near the village of Marynychy. Legend has it that this huge boulder resembling a frog fell from the mountains in order to block the path of soldiers pursuing local Robin Hoods, the Opryshky. The temper of the river has increasingly manifested itself in floods, which are caused by deforestation. The last one, in July 2008, was the most catastrophic as it destroyed all of the bridges along the course of the river, cutting off population centres in the river’s basin from the rest of the world for over a month.



PHOTO: PHL

TYSA

Flowing 966km (201km in Ukraine), the Tysa River is the longest tributary of the Danube. It is formed by the Bila Tysa and Chorna Tysa, which meet 4km upstream of Rakhiv. The most distant spring from which the Bila Tysa rises is located on the western slope of Mt. Stih 1,400m above sea level. At long stretches, the river flows on the Ukraine-Romania and Ukraine-Hungary border. According to a romantic legend, a widow, Hoverla, wanted to have her son Prut, who was in love with Tysa, marry someone else instead. At night, the lovers conspired to elope but lost their way and initially failed to find each other. Then Tysa came to her uncle Danube who reassured her by promising to find her beloved. He kept his word — Tysa and Prut joined each other in his waters.

LAKES

Synevyr

When the servants of a cruel count killed Vyr, an ordinary guy from Verkhovyna, for having a romantic affair with the count’s daughter Syn, she came to the place where the body of her beloved lay, hugged it and shed so many tears that they formed Lake Synevyr. This is a folk interpretation of the lake’s origin. Science offers a much more mundane explanation: 10,000 years ago, a powerful earthquake blocked passage to a mountainous brook. Lake Synevyr is the biggest (5ha) and deepest (24m) lake in the Carpathian Mountains. This is a paradise for trout of which there are three kinds here: rainbow trout, lake trout and brown trout. But the lake is a centre of the Synevyr National Park, so fishing and swimming are not allowed.

Lake Synevyr is also called Morske Oko (Sea Eye) in reference to an islet located precisely in its centre. In the old days, locals advised tuberculosis patients to climb to the top of Mt. Ozerna which offers a view on the lake. It was believed that the disease retreated, unable to stand the stare of the lake.

Address: vicinity of village Synevyrska Poliana, Mizhgiria Raion, Zakarpattia Oblast.



PHOTO: PHL

NESAMOYTE

The souls of suicides dwell in these waters after death, and if you throw a stone into the lake, the shadows of sinners will fill invisible bags with ice and throw it on your heads in the form of a sudden hailstorm, according to local legends. Indeed, the weather in this locality is apt to change instantly, and hail amid a sunny day, known as sharha in the local vernacular, is nothing uncommon. Lake Nesamoyte is fairly small, but in terms of surface elevation (1,750m above sea level), it is second only to Brebeneskul. Located in Nadvirna Raion (Ivano-Frankivsk Oblast), the lake is a popular tourist attraction thanks to the stunning panorama from its shores to the east of Mt. Turkul. Curiously, the contour of Lake Nesamoyte resembles that of Antarctica. Unlike Lake Synevyr, it is not inhabited by large water fauna – only by microscopic crustaceans.



MINERAL SPRINGS

TRUSKAVETS

The mineral springs in this area were first described by Polish doctor Wojciech Oczko back in 1578. The composition of their water was later analysed in the first half of the 19th century, by Teodor Torosevych, a pharmacist and chemist. This provided the impetus for founding a balneological resort here that experienced rapid growth after it was connected to the railway system in 1909.

Naftusia is the best-known Truskavets spring. Its water has no analogue in the world and is classified as hydrocarbonate water containing magnesium and calcium with a distinctive flavour and sometimes also an aroma similar to that of crude oil. Naftusia is prescribed to people suffering from gastrointestinal problems. It has antispasmodic and analgesic effects and helps clear sand and stones from the kidneys and bladder.

Address: Truskavets, Lviv Oblast.



PHOTO: UKRINFORM

MIKVEH OF BAAL SHEM TOV

The Baal Shem Tov, also known as the Besht, the founder of Hasidism, spent about seven years living as a hermit near the village of Vyzhenka (Vyzhnytsia Raion, Chernivtsi Oblast) in the 18th century. Every day, regardless of the weather, season or his personal health, he carried out ritual purification in a mikveh, a natural pool formed by a small waterfall on the Vyzhenka River. This is where, while in a religious trance, the Besht discovered for himself the essence of God and His embodiment in the surrounding nature. Today, the mikveh welcomes ordinary vacationers and religious pilgrims who come from all over the world. The singer Madonna, a fervent follower of Kabbalah (Jewish mysticism), recently planned a visit to the mikveh but was prevented by some unknown circumstance.



SHAIAN

The mountains near the village of Shaian, site of the spring water resort of the same name, are of volcanic origin, which makes their rock an ideal water filter. The local spring water is reminiscent of Georgia's famous Borjomi water, but is unique in its combination of silicic acid and bicarbonates. This water was delivered to the royal houses of France and Austria beginning in 1818. In the early 19th century, the Zamkova Kupil bath was built in the foothills of Mt. Varhed. It is now known that the local water is suitable for the treatment of many gastrointestinal diseases, especially in cases of hyperacidity. Moreover, it also helps the body pass radioactive nuclides and other toxins, improves metabolism and saturates the body with necessary microelements.

Address: Shaian village, Khust Raion, Zakarpattia Oblast.

BOOKS IN UKRAINIAN
AND OTHER LANGUAGES
GIFT EDITIONS AND ALBUMS
MAPS, ATLASES, GUIDEBOOKS
CHILDREN'S SECTION
OPEN 09:00AM-09:00PM DAILY
PLACES FOR READING
CD/DVD SECTION
MUSIC, FILMS, AUDIO BOOKS
FREE WI-FI
LITERARY EVENTS

ONLINE BOOKSTORE: WWW.BOOK-YE.COM.UA/SHOP, WEBSITE: WWW.BOOK-YE.COM.UA



B O O K S T O R E S

KYIV

3, vul. Lysenka tel: (044) 235-88-54; 5, vul. Spaska tel: (044) 351-13-38,
33/2, Povitroflotskiy Prospekt tel: (044) 275-67-42

LVIV

7, Prospekt Svobody tel: (032) 235-73-68

VINNYTSIA

89, Soborna tel: (0432) 52-9341

TERNOPII

7-9, vul. Valova tel: (0352) 25-4459

KHARKIV

3, vul. Sumska tel: (057) 731-5949

IVANO-FRANKIVSK

31, vul. Nezalezhnosti tel: (0342) 72-2502

VOLODYMYR-VOLYNSKIY

6, vul. Kovelska tel: (03342) 2-1957

www.book-ye.com.ua

O N L I N E B O O K S H O P

WWW.BOOK-YE.COM.UA/SHOP