

international edition

The Ukrainian Week

№ 17 (40) OCTOBER 2012

INCOMPATIBLE



The West
should stop
pretending
that it does not
see this

The
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BRIEFING

Is The First Test a Flop? Opposition parties unite. Will this help them in the election?



4

FOCUS

Separating Ukraine from Yanukovich: The upcoming parliamentary election is a serious challenge for Ukrainians and the interests of the West



6

Annie Daubenton on how Ukrainian society should rescue itself from its own government and Europe's part in the process

10

POLITICS



It's not how the votes are cast, but how they're counted: Ukraine's obedient election commissions help to secure a victory for the ruling party

12



Yuriy Makarov: After they become MPs, former intellectuals, journalists and public activists inevitably change for the worse

15



Andriy Mahera on selling membership in election commissions and voter bribing

16

NEIGHBOURS

The Comfort of Freedom? The real confrontation of the European continent is about values rather than geopolitics



18

Andreas Gross gives a follow-up on his interview that sparked a heated debate at the CoE Parliamentary Assembly



18

Hanne Severinsen contemplates democracy as a tool and encourages Ukrainians to vote despite their frustration



21



Jakob Kellenberger on the importance of values in international relations

22



The New Challenge of the Kremlin: Russia seeks to expand its influence to the CEE and Western Balkans

24



Foreign Banks Flee Ukraine: European banks are losing ground to captive banks owned by oligarchs

28

ECONOMICS

The Secrets of Ukrainian Inflation: Official inflation rates are artificially understated to manipulate consumer expenditures

31



David Boardman from The Seattle Times talks about the role of investigative reporting and new opportunities for digital media

34



Free to Choose: Governments and internet firms are wrestling with the rules of free speech online

36

INVESTIGATION



Slavery Severodonetsk-Style: How an oligarch-controlled economic model destroys an individual city

38



A Sweet Lure: The history of the sugar industry and monopolization, dictated by the imperial economic model of 19th century Ukraine

40

HISTORY

CULTURE & ARTS

Ukrainian Paris: Following the traces of Ukrainian rebels in France



46

NAVIGATOR

Sumy in a Suitcase: A fusion of Gothic and Soviet architecture, quiet cafes and industrial jungles, and one of the hearts of the Orange Revolution



48

The Ukrainian Week

The Ukrainian Week № 17 (40) October 2012

Founder: ECEM Media Ukraine LLC Publisher: The Ukrainian Week LLC

First published in January 2010

State registration certificate 16412-4884P of March 13, 2010

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E-mail: office@tyzhden.ua, Tel.: (044) 351-1300

www.ukrainianweek.com

Print: The Novy Druk, LLC, 1 Mahnitohorska Str.

Ordering number: 12-6584. Print run: 15,000

Sent to print on 22 October 2012

Free distribution

**6-7 October**

The Union of Ukrainian Organizations in Germany is established to develop Ukrainian-German relations and cooperation with the EU

**11 October**

The Georgian parliament resigns. Billionaire Bidzina Ivanishvili is the new premier designate

**12 October**

The European Union is awarded the Nobel Peace Prize

Is The First Test a Flop?



With sufficient instruments at hand to overcome any obstacle, both Batkivshchyna and UDAR have not faced any technical barriers to nominating joint candidates who would definitely make into the parliament.

Formally, UDAR and the United Opposition withdrew 60 candidates, including 51 in favour of each other's stronger candidates, and the rest in favour of opposition-friendly independent candidates. Yet, this has boosted the chances of victory for opposition candidates in just six constituencies. Comparisons of pre-election polls by different sociological services for UDAR and Batkivshchyna during the negotiation process between the two have confirmed this. The withdrawal of UDAR's candidates has, for instance, improved prospects for Batkivshchyna nominees in only three constituencies in Kyiv Oblast and one constituency in Kyiv. The withdrawal of Batkivshchyna's nominees has had even less of an effect, realistically tipping the scales in favour of UDAR candidates in just one constituency in the Kyiv Oblast and one in Bukovyna. In other cases, the strategic move will have minimal visible impact on the outcome of the election. This is caused by a range of reasons: in some constituencies,

Author:
Oleksandr Kramar

the aggregate rating of candidates from both opposition parties lags far behind that of the Party of Regions or independent candidates who will most likely join the pro-presidential majority in the new parliament; in others, UDAR and Batkivshchyna candidates could win without switching one's candidate for the other's.

Thus, dozens of candidates withdrawn from FPTP districts by the two major opposition parties have simply been a demonstrative move to avoid responsibility for the possible defeat of opposition forces in the FPTP vote. The impression emerges that the opposition just gave away what it did not really need in the first place, rather than make every effort to defeat the government at any cost.

Meanwhile, the whole candidate withdrawal campaign revealed a range of problems in relations between the two opposition forces which, should they escalate, could bury any hopes of the removal of the current regime from power. The first concern is about the efforts of the opposition parties to reach a common goal rather than try to prove which is better. Batkivshchyna, for instance, has been openly frustrated with the fact that UDAR "drove" the campaign to with-

The month in history

5 October 1720

Peter the Great makes the Synod a censor over all free print houses and bans the printing of any books in Ukraine (then Little Russia), other than religious books in the Slavic language

6 October 1701

The Kyiv-Mohyla Collegium is granted the status of an academy

7 October 1786

Catherine the Great orders all books not registered with the Synod to be confiscated, thus killing the publication of books in Ukraine

14 October



Massive rallies to celebrate the 70th anniversary of UPA take place in several cities around Ukraine



The government cancels the state's monopoly in gas trade thus opening the market to oligarchs

16 October



The parliament holds its last session before the election. The newly-elected VR will meet on 17 December

draw candidates for more popular ones, while it was the one responding to it. UDAR's preemptive strike involving the withdrawal of candidates in favour of stronger opposition nominees, setting its requirements and disclosing poll results, is the excuse used by the United Opposition for its refusal to withdraw a number of its candidates that the Klitschko party asked for. This could also have been the reason for Batkivshchyna's attempt to take over the initiative by starting talks on the creation of a coalition in the future parliament and agreeing the drafting of its priority action plan. It turned a blind eye to the fact that it needs significantly more than or ideally two thirds of the seats – which seems like a utopia, given the insignificant impact of candidate shuffles in FPTP districts – to actually bring the action plan to life. For example, 300 votes are needed to initiate impeachment proceedings against President Yanukovich. Another important provision on the future coalition's agenda proposed by Batkivshchyna, is to release its imprisoned leaders Yulia Tymoshenko and Yuriy Lutsenko.

The key question right now as to the agenda of united efforts in the future Verkhovna Rada, is whether opposition forces will manage to eventually approve it, making it much more effective than their mutual withdrawal of candidates in FPTP districts.

After all, opposition forces are now facing a much more urgent task: to approve and effectively coordinate their actions during the parliamentary election campaign and vote counting. Otherwise, any initiatives on collaboration in the future Verkhovna Rada may not have a chance. The threat is emerging of not gaining a majority, or of the government gaining a sufficient number of MPs to change the constitutional order. After this, the opposition, regardless of party affiliation, risks losing any influence over developments in Ukraine and removing Yanukovich from power, even after the presidential election in 2015.

The fact that the two major opposition forces have failed their first capacity test is now clear. The question now is how well they will learn their lesson, and how they will use this experience to protect not only their party interests, but those of society as a whole, in a more sophisticated manner? This will determine the future of the opposition. After five years of competition amongst the representatives of the democratic camp to deceive and outwit each other which, in the end, left them deceived and outwitted by the current regime, the old scenario replayed once again could spark another surge of deep and much quicker frustra-

TALK ABOUT UKRAINE



Ośrodek Studiów Wschodnich (Centre For Eastern Studies)

"The Ukrainian oligarchic system, which developed into its ultimate shape during Leonid Kuchma's second presidency, turned out to be very durable. The nature of close relations between the government and the oligarchs has not undergone any major changes either as a consequence of the Orange Revolution or following Victor Yanukovich's victory in the presidential election of 2010."

Winnipeg Free Press

"Compared to previous elections, the current campaign is considered particularly nasty. Two months in, police said they were investigating three dozen criminal violations. Even if everything goes smoothly on election day, the elections process has not been free and fair. There's a lot at stake for President Yanukovich, who has enjoyed more than two years of a rubber-stamping parliament. Now he's counting on rubber-stamping election observers, who haven't seen what came before and won't see what comes after Oct. 28."



"The poll, conducted August 21 – September 6, 2012, found that 58% of Ukrainians do not think the country is moving in the right direction, while only 24% think that the country is moving in the right direction. In addition, 61% of Ukrainians do not think the upcoming October 28, 2012 election will be free and fair, which is consistent with previous surveys, and only 20% have confidence in the election."



"Ukraine invested almost EUR 10bn to prepare for Euro 2012. Poland spent a similar amount. Both countries claim that they managed to complete projects over five years they would otherwise need at least 10 years to finish. Yet, the future ongoing use of some projects seems doubtful... Meanwhile, Ukraine needs democratic institutions badly... In late October, Ukraine is holding parliamentary election. It will be much more decisive for the country's development than football in summer. No-one is surprised by the fact that President Viktor Yanukovich is using the successful championship to attract voters. However, observers say that the Euro 2012 outcome will have no impact on the electorate."

The Economist

"The ruling Party of Regions and its allies look set to win Ukraine's parliamentary election on October 28th... despite the fact that most Ukrainians regularly tell pollsters their country is heading "in the wrong direction"... there are plenty of ways to skew the vote before international observers, who see this election as a crucial test for Ukrainian democracy, arrive to observe the polling itself. Evidence from various quarters suggests this machinery is in motion across the country."

tration in Ukrainian society. After all, opposition leaders now have a very new experience to keep them from making the same mistakes that buried the political future of their predecessors. The time has now come for them to switch on their self-preservation instinct, which dictates the necessity for them to join their efforts.

11 October 1672



Pylyp Orlyk, Hetman of Ukraine in 1710-1742 and author of its first Constitution, is born

14 October 1942



The official birthday of UPA, the Ukrainian Insurgent Army

20 October 1924



The first radio station in Ukraine is opened in Kharkiv

Separating Ukraine from Yanukovich

The majority of Ukrainians remain part of European civilization. The West should support their resistance to the Russian model of development imposed on the nation by the current government

Author:
Oles
Oleksiyenko



The upcoming parliamentary election in Ukraine is not only a serious challenge for Ukrainian sovereignty, democracy and its European course, but it could grow into a threat to the interests of the West and the impact the West has gained over the past 25 years on the territory of the former Soviet Union. Ukraine is at a crossroads. On the one hand, the positive changes that have taken place after the Orange Revolution have been fading over the past years. On the other, the critical question arises of whether this adverse trend can be stopped, or will it be aggravated further, leading Ukraine into its own version of the Russian and Belarusian authoritarian model.

THE RIGHT TO MAKE A MISTAKE

During the 2010 presidential campaign in Ukraine, the Western media buzzed with news about “the new, democratic Yanukovich” who had learned from his earlier mistakes and was interested in Ukraine’s democratic and pro-European course. Obviously, the intense lobbying and promotion funded by the current government’s oligarchic sponsors encouraged this.

Why was Yanukovich able to lead Western leaders by the nose for such a long time? To a large extent, this was because the West never had any serious strategy concerning Ukraine and has avoided the in-depth study of its internal realities and processes. Instead, it relied on a range of NGOs, which were ineffective in the Ukrainian reality, often distorting its view on what was going on in the country, giving grant-givers the information they wanted to hear and feeding the stereotypes established in the West.

Misled by a powerful disinformation campaign before the 2010 presidential election, Western politicians and media did not bother to take close look at developments in Ukraine, including the recurrence of the authoritarianism and disrespect for democratic mechanisms of the government, which were noted in Yanukovich’s actions as Ukraine’s premier in 2006-2007. After he won the presidential election in 2010, they all rushed

to congratulate him, highlighting the democratic nature of the election, and continued to support him in the process of the “stabilization and consolidation” of power (which ultimately turned out to be the first steps towards usurpation). They turned a blind eye to the methods used to achieve this. For a while, they even took his and his team’s declarations about reforms in Ukraine seriously.

Part of Ukrainian voters succumbed to it too, frustrated by the global economic crisis and the conflict within the Ukrainian democratic camp. Thus, many supporters of Ukraine’s pro-European course, disenchanted with Tymoshenko’s government, ignored the 2010 presidential election or voted against both candidates in the second round, while another part of the voters, misled by declarations about Ukraine’s European integration, voted for Yanukovich. In spite of this, he did not gain even 49% of the vote, becoming the first president in Ukrainian history to be supported by a relative rather than an absolute majority.

Lately, however, the Western establishment often interprets Yanukovich’s 2010 victory as proof of the assumption that the Orange Revolution was a mere coincidence and had nothing in common with the surge of similar Central European velvet revolutions that opened democratic and European prospects to the nations where they occurred. This is a dangerous assumption. It encourages EU and US politicians to back down on the proactive support of Ukrainians’ European choice while facilitating pressure from Putin’s neo-imperialistic strategy and opening easier ways for the expansion of authoritarianism and Russian influence both in Ukraine and other post-socialist states, especially in South-Eastern Europe (see **The New Challenge of the Kremlin**).

WASTED TIME

Just like Ukraine, other FSU countries, such as Bulgaria and Romania, experienced a backslide on democracy during the post-Communist period. However, this did not keep the EU and NATO from taking efforts to facilitate their integration with in-

ternational entities, yet the West appears much more reluctant to do this with Ukraine.

To a great extent, orange elites are the ones to blame for the current situation in Ukraine. They missed the chance they had in 2004-2005 to bring Ukraine closer to Europe, failed the nation’s expectations of profound changes, proved incapable to unite and do their homework to facilitate Ukraine’s European integration.

The 2004 winners had no clear vision of what needed to be done in the country and how to implement the changes. The chaotic efforts of Yushchenko’s and Tymoshenko’s “reformers” often did more harm than good. This revealed a significant soviet element that dominated the Orange establishment just as it did when Kuchma and the Party of Regions were in power: politics and politicians separated themselves from the free citizens who brought them to power, hoping for changes in the country and prepared to work to this end. Instead



YANUKOVYCH AND THE CURRENT UKRAINIAN GOVERNMENT AND MOST UKRAINIANS ARE WORLDS APART

of solving the key problems of post-soviet Ukraine, the right slogans were heard once more, but there was no action.

The Orange government failed to de-sovietize all spheres of life, reform the judiciary and law enforcement system, demopolize the economy, create a favourable investment climate and the middle class as reliable social ground for further transformations, and help Ukrainians define their national identity and readiness to protect their own political and socio-economic accomplishments from external threats. Lavish forums, a major part of the Yushchenko Administration’s agenda, could not replace day-to-day work. All this affected the attitude of the voters towards the government from which they anticipated the implementation of some crucial changes. What they got instead was yet another version of the so-

viet system. When the media began to buzz with news about the Orange government's deals and affairs with big business and willingness to take handouts from oligarchs rather than set firm rules for them, its popularity plummeted. When Yanukovich and his team came to power, they only demonstrated the "restoration" of the worst traits that were inherent in soviet and early post-soviet Ukraine.

The EU, on its part, wasted the time when European prospects opened for Ukraine in 2004-2005. It proved very inert in pushing the Orange elites to essential changes, although it could have done so by offering clearer prospects and demanding that they fulfill its requirements step by step, with firmly set deadlines. The time for conducting a number of irreversible transformations that would have made impossible the backsliding to authoritarianism, which started in 2010, was lost.

Instead, Ukraine returned to the pre-Orange Revolution state. The new circumstances require a more proactive position of the West. The majority of Ukrainians still support a European course, therefore they should be separated from the Yanukovich regime.

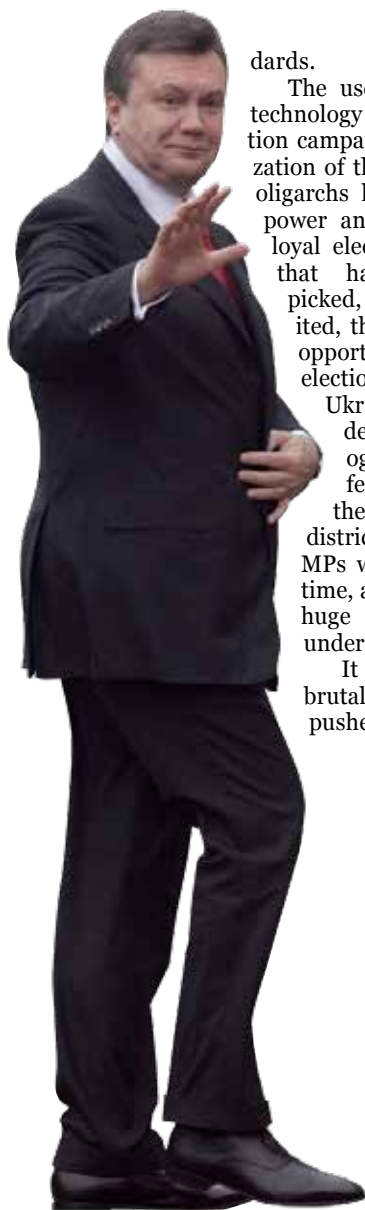
THE BLOCKAGE OF DEMOCRATIC MECHANISMS

Yanukovich with the current Ukrainian government on the one hand, and Ukraine and most Ukrainians, are worlds apart. And elections, in this case, often do not reflect this situation, because for the most part, Ukraine has not had truly free and fair elections since it gained independence. Every time, one factor or another distorted voters' preferences in favour of those who had the opportunity to manipulate them. Initially, it was the old communist party elites who preserved power locally after the USSR collapsed. Later, they were replaced by oligarchs. Subsequently, Ukraine ended up with no effective Western-type democratic institutions in spite of the passage of two decades.

The fate of every country with representative democracy undoubtedly depends on the choice made by its citizens dur-

ing elections. Ukraine's problem today is that its democratic mechanisms of government rotation have virtually been broken down over the past two and a half years. Even if it cannot be compared to elections in Russia and Belarus, the upcoming parliamentary election in Ukraine will hardly represent public opinion as it is supposed to under Western democratic stan-

THE WEST SHOULD SEEK WAYS TO ESTABLISH THOUSANDS OF CONTACTS BETWEEN CIVIL SOCIETIES IN UKRAINE AND THE WEST



dards.

The use of manipulation technology during the election campaign, the monopolization of the major media by oligarchs linked to those in power and the majority of loyal election commissions that have been hand-picked, offer if not unlimited, then unprecedented opportunities to rig the election in the history of Ukraine's independence. This technology will be most effective in first-past-the-post (FPTP) districts, where 50% of MPs will be elected this time, and will still have a huge impact in voting under party lists.

It was massive and brutal falsification that pushed masses of

Ukrainians to the Orange Revolution in 2004. This time, however, the rigging is likely to be much more serious. Unlike Leonid Kuchma who was more concerned about the opinion of the West, Yanukovich is more likely to use force to crush any opposition protests and hopes to stay in power until at least 2020.

WHY BEING MORE PROACTIVE IS SO IMPORTANT

Two years of the West's delicate dealing with the Yanukovich regime has shown that the lack of a timely and tough reaction of Western leaders to the Party of Regions' first moves to grab power has encourage the latter to become more aggressive on this course. Yanukovich started with the breach of the constitutional procedure to establish a pro-government majority in parliament in the spring of 2010. Then came the massive violations in the autumn 2010 local elections, which provided pro-government parties with overwhelming support in a slew of regions where less than 20% were going to vote for them. In October 2010, Yanukovich changed the constitutional order and gained the powers that the voters did not entitle him to in the 2010 presidential election.

Without due reaction from the West and all leverages to control developments in the country in his hands, Yanukovich activated the necessity to take revenge on the opposition. Winter 2010-summer 2011 saw the initiation of politically motivated processes with the arrest of the most proactive opposition

THE DECEIVED WEST

The most widespread stereotypes about Ukraine

- the new democratic Yanukovich in 2010
- Ukrainian oligarchs are interested in European integration
- the Party of Regions wins every election
- Ukraine has developed civil society
- Ukrainian media present pluralistic and diverse opinions
- Yanukovich's circle is bound to split into gas lobbyists and the Donetsk-based group

leaders, including Yulia Tymoshenko and Yuriy Lutsenko. The existence of a political leader who had been hot on his heels in the 2010 presidential election, already posed the threat of the opposition's inevitable victory in the 2012 parliamentary election, and subsequently put into doubt the legitimacy of changes to the Constitutional order by the Yanukovych Administration back in 2010. The opposition needed to be beheaded – something that to a large extent, the government succeeded in doing.

In the meantime, Yanukovych consistently promised that each succeeding step in crushing democracy in Ukraine would be his last, thus allowing the West to justify its passivity in assessing his actions. His administration kept feeding Europe with promises to release political opponents for almost a year. Once the opposite happened – predictably so – the Western establishment was told that it must have misunderstood something; that Ukraine had an independent judiciary, and the regime that grabbed total control over all branches of power, including the media, had absolutely no influence over them.

It looks as if the Ukrainian government has once more initiated the good cop – bad cop game with the West. It is trying to fool Western politicians once more, using the old scenario and new settings. Given its widespread expectations that the government in Ukraine will change after the election, the West may still hope that the current regime continues to retain a certain element of common sense deep inside that could initiate some changes. However, the West has already had a chance to see the extent to which this is wishful thinking: first, when Vladimir Putin came to power, followed by Dmitri Medvedev.

In addition, the inert reaction of the West to the attack on democracy in Ukraine has also discouraged the public and pushed many Ukrainians to think that Western countries, tormented by the economic crisis, are unable to resist the expansion of the Kremlin's authoritarian influence, backed by its oil dollars.

The Yanukovych regime may not necessarily switch to the

Russian geopolitical direction if the West takes tougher action against it, as many Western politicians fear. Quite on the contrary, such risk is much higher if authoritarian trends continue to escalate in Ukraine. Traditionally, the authoritarian and Moscow-oriented forces both in Ukraine and other post-Soviet states have largely represented one and the same group. Thus, the more authoritarian a post-Soviet country becomes, the more likely it is to fall under the Kremlin's control.

By destroying the remaining opposition, independent media and the seeds of civil society in Ukraine, Yanukovych's authoritarian regime is eliminating the forces that can resist Russian influences. However, the longer the regime exists, the more economically and socially frustrated the voters grow – even those who support authoritarianism and Russia. This discontent is hard to eliminate. As a result, the stronger authoritarianism which comes from abroad in this case may sooner or later squeeze out the weaker one. Thus, Mr. Yanukovych may be clearing the path for Putin even if he does not wish to do so at risk of losing power himself.

STRONGER TIES WITH SOCIETY

The Western establishment has to realize that most Ukrainians have always been and continue to be part of Europe. They have never accepted the Russian and Eurasian social model voluntarily. By contrast, Yanukovych's political team always relied on the mentally russified and Soviet minority, mostly in South-Eastern Ukraine, as well as numerous tools for the manipulation of public opinion under conditions of a lack of efficient alternative elites and democratic institutions. Forcing Ukraine into an authoritarian Russo-Eurasian world by the Yanukovych regime is a geopolitical threat to the West.

The only way in which Ukraine differs from Central European countries is the strength of Russian pressure, with Bolshevism being just one of its elements. While Central European nations, including the Baltic States, enjoyed relatively

democratic independence in the period between the two world wars, Ukraine underwent a disastrous genocide and the total elimination of alternative elites and environments where new elites could establish quickly. When Ukraine gained independence in the early 1990s, the old soviet elite remained in place, although it had undergone selection in the USSR and could not possess the qualities necessary to govern an independent country. No effective government institutions have been established in Ukraine over the past two decades. The ones that exist have been servicing a leader and the oligarchs linked to him rather than performing their roles in the state.

To avoid its further manipulation by the Ukrainian authorities, the West should pay more attention to the processes and developments in Ukraine, in order to form its own opinion, based on direct contact with



MISLED BY A POWERFUL PROMOTION CAMPAIGN, WESTERN POLITICIANS AND MEDIA DID NOT DEVOTE ADEQUATE ATTENTION TO DEVELOPMENTS IN UKRAINE

Ukrainian society. It should also take a more critical stance regarding existing NGOs, since they often create a misleading impression on the situation in Ukraine, the most widespread stereotypes being: “the new democratic Yanukovych in 2010”, “Ukrainian oligarchs being interested in European integration”, “the Party of Regions winning every election”, “developed civil society in Ukraine”, “pluralistic opinions in the Ukrainian media”, “an inevitable split in Yanukovych's circle between gas lobbyists and the Donetsk-based group”, and many more. The West should seek ways to establish thousands of contacts between civil societies in Ukraine and the West. This will raise expectations for the emergence of a new elite and the formulation of a strategy for transformations in Ukraine. ■

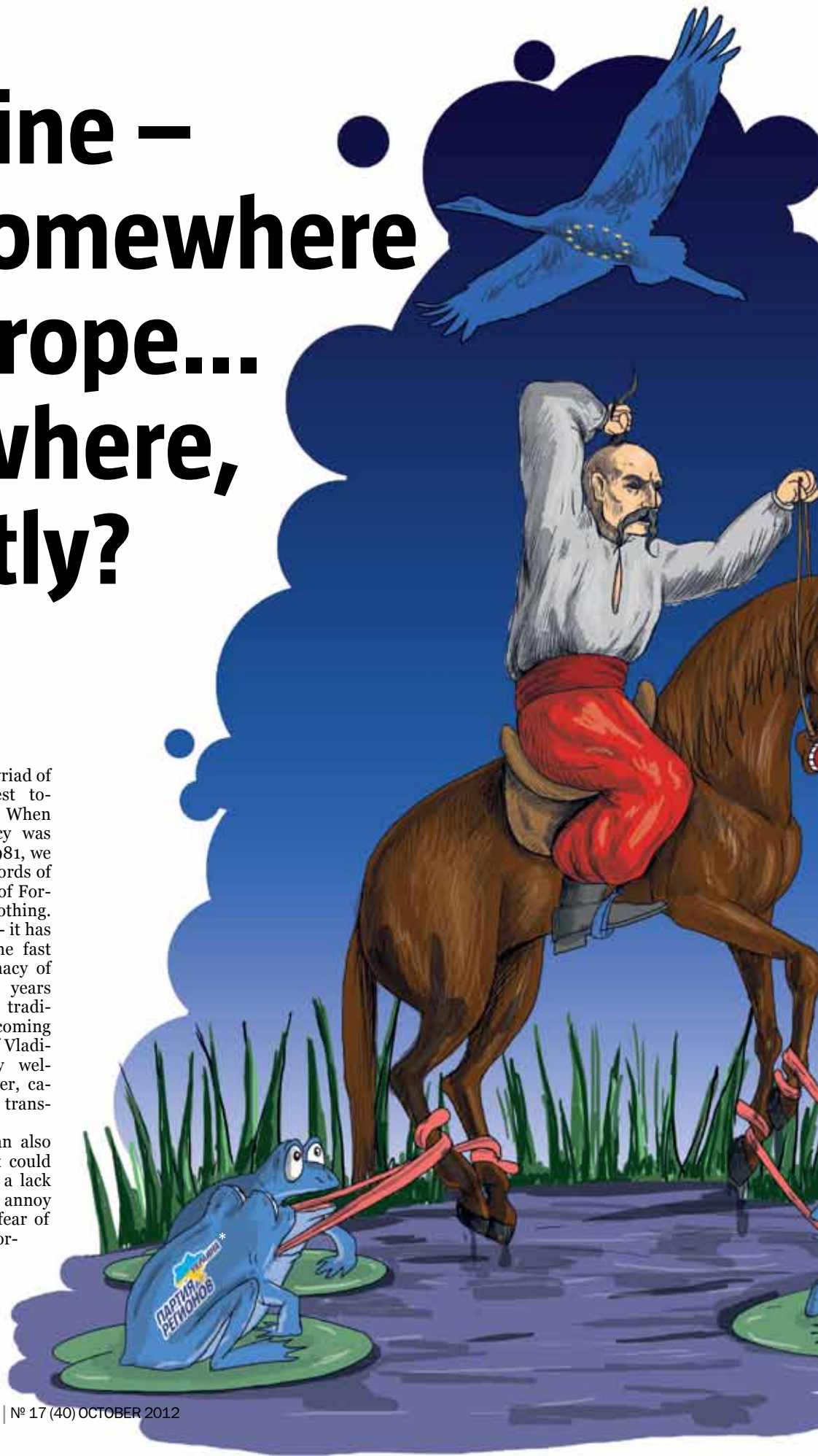
Ukraine – it's somewhere in Europe... but where, exactly?

Author:
Annie Daubenton,
France

It is easy to recall the myriad of cowardice of the West towards Eastern Europe. When the state of emergency was announced in Poland in 1981, we remember very well the words of the then French Minister of Foreign Affairs “We can do nothing. And we shall do nothing”, - it has become a classic one. The fast recognition of the legitimacy of the Moscow putsch ten years later only continued this tradition. Not to mention the coming to power in the Kremlin of Vladimir Putin, whom many welcomed as the young leader, capable of real democratic transformations.

Conflicting feelings can also be added, something that could have been determined as a lack of insight: the wish not to annoy the big Russian brother, fear of disorder on Europe's doorstep and its consequences – a fundamental crash of the entire system.

However, for all those who are so taken with the “Polish wonder”, it would be worth



recalling, that eight years passed between the state revolt in 1981 and the first semi-democratic elections, filled with imprisonment, censorship and repression. And only a small group of enthusiasts in the West insistently criticized and condemned that, which was taking place in the country and was often called, paraphrasing writer Alfred Jarry, "in Poland – in other words, nowhere". Indeed, Poland was helped, modernly equipped for resistance supported by a population that refused to give up. But on the diplomatic level – round tables and arm wrestling with the authorities were a matter of that little group, not governments.

At the risk of angering my Ukrainian friends, I have to say that Europe did not give up on Ukraine, neither then, nor now. It is worth reminding people, that without intervention and European mediation in 2004, there would never have been a third round of the presidential election – the only such precedent in the history of Europe. Under pressure from Moscow, Viktor Yanukovich would have been de-

clared the winner and the national revolution could have drowned in rivers of blood.

Later, a lot of unpleasantness occurred in this part of the world, both in society and in politics. Is it fair to blame Europe for this? It was attentive and soon became disenchanted, just like Ukrainian society, but it continued to observe election after election, which more or less appeared to reflect the will of the Ukrainian people. That which is known as the rotation of the elite in the West, did indeed take place, but at the cost of the imprisonment of many leaders from the previous government. The electoral alternative transformed into a criminal one, raising doubts about the entire future of democracy in Ukraine.

It is true that sanctions lead to the isolation of the country, having twofold consequences: they can cause a fatal compromise with a union, other than the European Union, which is called the Customs or Eurasian Union – this does not change its imperial sense. But the participants of the conflict have also been clearly defined today; on the one hand – a corrupt government, which has no idea of where it is heading, and on the other – Ukrainian society, which is the victim of this government.

There are also other factors, which offset a gloomy prospect. If, in 2000, the Putin regime was alluring to some in the West, today, the situation is quite different. Protests in recent months in Russia, numerous documents demonstrating the corruption and criminality of this regime, the bribability of its judicial proceedings, the Khodorkovsky and Pussy Riot cases, the murders of journalists – a thousand and one signs indicating that the Russian regime is becoming less and less attractive in the eyes of the West and, what is important, it appears to be a threat to the interests of the West. Does the imitation of the "Russian World", executed by Ukraine, appear more alluring?

It is not worth underestimating one more point: Ukraine is no longer located "nowhere". The breath of fresh air, brought by the Euro-2012 championship, put the country in the

spotlight, as was the case during the Orange Revolution. It may seem strange to put a football competition and a powerful national revolution in the same category. But we must realize that the knowledge of the other sometimes leads us through unpredictable paths.

This is a real paradox: The Council of Europe is pointing its finger at Kyiv, a good few ceremonies are blocked on the part of the leaders of European countries, but in the meantime, questions began to be raised by western guests who came for the competition, each of which, looked for explanations: what kind of regime is in power, why have democratic transformations been suspended? Numerous articles were published, which attempted to explain and tell about this little-known country called Ukraine, if one does not take into account several clichés, perceived from the times of the Orange Revolution. After Euro-2012, Ukraine emerged from this grey zone, which was its worst sanction: a zone of total ignorance, in addition to a certain disrespect and the imprint of "Great Russia", which it carried until then.

In the hurricane of sanctions, Ukrainian society takes heavy blows, which it does not deserve, and which in turn only strength-

AFTER EURO-2012, UKRAINE EMERGED FROM THAT GREY ZONE, WHICH WAS ITS WORST SANCTION – A ZONE OF TOTAL IGNORANCE, IN ADDITION TO A CERTAIN DISRESPECT AND THE IMPRINT OF "GREAT RUSSIA"

ens its doubts in its own power. Consequently – such an understandable cry: we have been given up and left! Beyond that, revolutions of all colours and ethnicities have demonstrated the following: there is no option for society, other than to use its own means to rid itself of the oppression inflicted by its own elite. It is difficult to say this so frankly. But between the conventionality of Real-politic and sympathetic but impotent sympathy, there is no other recourse. ■

* Party of Regions, Ukraine

"It doesn't matter how the votes are cast, but how they're counted."

Joseph Stalin's famous statement is as valid now as it was in 1923, as Ukraine's obedient election commissions help to secure a victory for the ruling party.



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Andriy
Skumin

Members of election commissions controlled by those in power may play a key role in rigging the election. A recent report by the European Network for Election Monitoring Organizations (ENEMO) found that "The Central Election Commission has met all legal time limits thus far and 95% of its decisions were approved unanimously. However, draft decisions and the drafting process itself are not transparent. In fact, CEC meetings are simply used to formally vote on decisions that have already been made, not to mention the fact that the CEC's decisions do not reflect the input of other stakeholders such as political parties."

LOYALTY CONQUERS ALL

By altering the procedure for drawing members of district election commissions (DECs), the government created a scenario whereby no more than 450 out of 4,050 potential DEC members will represent the opposition. DECs ended up with not a single representative of Vitali Klitschko's UDAR (Ukrainian Democratic Alliance for Reforms) or Svoboda (Freedom) parties, the two opposition forces that are most likely to get into the parliament.

Most members drawn for DECs from marginal political parties are likely to represent the interests of the Party of Regions. This has been confirmed by members of such parties, as well as international observers and many DEC members from the opposition. When opposition representative Antonina Kravchenko requested the list of DEC members with their contacts at a meeting of DEC 175 in Kharkiv Oblast, Nina Zinkova, a DEC member from the Party of Regions, told

her "There are three of you – and eleven of us. Remember that." On September 7th, United Opposition representative Anatoliy Dmytriiev asked DEC head Tetiana Savova from the Communist Party to make sure that all DEC members voiced their party affiliations. Svitlana Honcharenko from the Union of Ukrainian Anarchists, and Svitlana Zavadzka from the People's Labour Union of Ukraine, both minor candidate parties, said that they represented the Party of Regions. The DEC head said that the women "were stressed out" because it was their first time working on an election commission. Apparently, the two representatives of the Party of Regions' technical projects simply got confused and told the truth.

Iryna Sekh, Head of the Lviv Oblast Office of the Svoboda party, informed the media about instructions given by the Party of Regions to district election commission members under its control. The 'guidelines' tell them how to act if the commission is headed by a Party of Regions man and if it is not, and when there is no quorum at the commission meeting. In addition, the Party allegedly asked their delegates to discriminate against opposition members, giving them only the most complicated tasks and limiting their paid vacation benefits. The Party of Regions denied these allegations.

The DECs are responsible for making crucial decisions in the election process. They count the votes given to parties and single candidates at polling stations, sort valid and invalid ballots, and can declare the election void at a given polling station. **The Ukrainian Week's** sources suggest that the government may not only take control of

most commission members by intimidating opposition DEC members through accusations of neglect or incompetence so that they resign prior to the election.

USELESS VIDEO MONITORING

The widely-advertised plan to install video cameras at polling stations will not prevent wide-scale election rigging, yet it may intimidate some voters who are concerned that their bosses will find out about their choice and threaten to fire them.

Amendments to the Law on Ensuring Open, Transparent and Democratic Parliamentary Elections on October 28, 2012 regarding video monitoring at polling stations do not prescribe video monitoring of polling stations at special facilities such as prisons, hospitals and the like, or polling stations abroad. These facilities, however, offer vast opportunities for the intimidation of voters and the reporting of higher turnouts. Additionally, video monitoring will not be carried out at the DECs or the CEC where the votes will be counted and the final result determined.

Similarly ineffective was the decision to only conduct online video broadcasts during the vote. The major part of the falsification efforts will take place during the counting when the cameras will only record the process, not broadcast it live – and the records will remain in the hands of the government. Finally, the CEC has banned observers, representatives, and commission members representing candidates and parties from accessing DEC server rooms, and refused to publicly disclose the results sent from DECs. Therefore, the data updated on the CEC's website may end up being skewed. ■

How to Rig an Election

The Ukrainian Week looks at the major tools of potential manipulation that are likely to bring the government a weighty electoral bonus

Observers are not allowed for important reasons!



1. Parties and single candidates in first-past-the-post districts may be deprived of any opportunity to control the vote counting process. Art. 43.5 provides election commissions (2/3 of which are likely to be controlled by the government given the procedure used to draw them) legitimate grounds to evict official observers, candidates and their trustees, journalists, and others, from DEC meetings for “interference”.

An election commission can find simple ways to provoke such a decision. For instance, it can lay out tape in a three-metre radius around the table upon which the ballots are counted and tell everyone that crossing this line will qualify as interfering with the commission’s work. If the present observers, candidates, or journalists protest or ignore this, the DEC can evict them. This gives the DEC the opportunity to do whatever it wants with the ballots, such as adding an additional mark to an opposition ballot and thus invalidating it.

A lighter version of this technique is possible, too. Rather than evict people from the meeting, the seats for non-commission members will be placed in the back of the room where observers can barely see how the count is conducted. Then the observers cannot see which party or candidate is checked on the ballot placed by the commission member into the pile for pro-government parties or candidates. No one can verify this other than polling station commission members (most of whom are pro-government), DEC members under special conditions, prosecutors, or courts in special cases. And it is well known today who controls DEC’s, prosecutors and courts.

2. A wide range of tools may be used to prevent as many voters as possible from casting their ballots at polling stations where surveys have found significantly prevailing support for the opposition.

A commission member may damage the ballots by simply “forgetting” to sign them on the day of the vote. As a result, the ballot, even if properly filled in by the voter, will be invalidated at the end of the day.

Polling stations may be supplied with pens containing disappearing ink. When the votes are counted, the ballots are not marked and are considered invalid.

Election commissions may “forget” to cast a control sheet into a mobile ballot box used for at-home voters. According to the procedure, the control sheet should be cast into the ballot box at the beginning of the commission meeting. Another control sheet is cast when DEC members take the ballot box to voters who cannot arrive at the polling station. If at least one control sheet is missing during the counting, the ballots from the box are not counted.

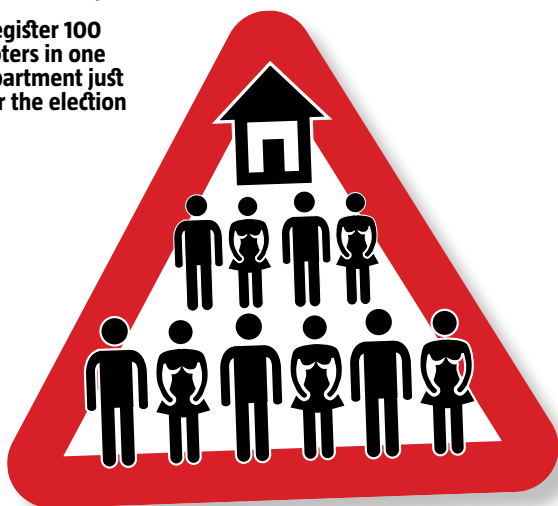
The delivery of ballots by the polling station commission head and two members is another dangerous time. Out of the public eye, these commission members may open the packages, make some ballots invalid, and demand another count at the DEC.

Eventually, the election may be deemed invalid at certain polling stations or entire districts where the opposition is projected to win over the ruling party and its satellites.

A wonder pen leaves most ballots unfilled



Register 100 voters in one apartment just for the election



3. The official turnout may be boosted by filling out ballots for people who will not actually turn up to vote and using the mechanism known as “the blue sweater” which is easy to implement with obedient commissions. “The blue sweater” is a voter disguised for a commission member to recognize him and give him a ballot intended for a voter that does not turn up at the polling station. However, observers may prevent this by checking the voters’ passports carefully.

Voter turnout in the regions of Western and Central Ukraine is likely to be nearly double that of Eastern and Southern Ukraine, which comprise the core electorate of the current government. If the turnout there eventually matches that of Western and Central Ukraine, this will signal that the government has found ways to vote on behalf of their absent

4. Civil activists reported that the ruling party instructs some commissions under its control not to provide voters with ballots listing single candidates, but instead to fill them out on their own in favour of the Party of Regions. Olena Stepanets, head of the Luhansk Oblast organization Eco Region and the Kodeks legal association, reported on her Facebook page that DEC No. 111 in Luhansk Oblast received such an instruction. According to recent polls by the Democratic Initiatives Foundation and KIIS, only 54.2% of the voters who will attend the polling stations knew that half of the parliament would be chosen in FPTP districts a month before the election. 24.4% “have heard something about it” and 21.4% had no idea. This means that the percentage of voters who are not aware of the FPTP part of the election may be decisive in distorting the election outcome in single-candidate districts as commission members fill the FPTP spot as they wish – especially in districts where 20-25% will secure a victory.

Preventive measures

Diligent official observers, party representatives, media and NGOs can help to offset the mechanisms described above.

Below are several tips to follow in resisting the domination of the Party of Regions within election commissions:

All actions by DEC and polling station election commission members at meetings should be recorded on video, photo or audio devices.

DEC members from the opposition should be instructed to notify the media and police

about any case of coercion, as well as appeal to courts regarding illegal commission decisions and report them to the media, monitoring organizations and international observer associations.

It is critically important for the opposition parties to have a stock of well-trained observers so that whenever the commission decides to evict one observer, the party has another one next to the polling station to replace his colleague.

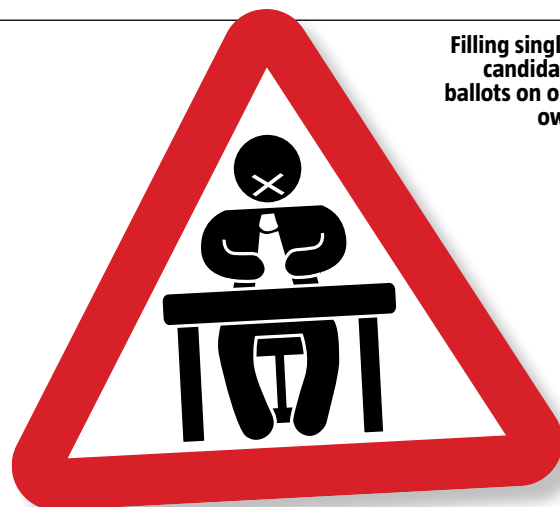
Parties can actively exploit the “media representative” status which is fairly well protected before election commissions. They

electorate – both for parties and single candidates where their votes may be decisive in delivering winners in single-candidate districts.

Techniques for boosting the electorate base of certain candidates will be exploited intensely in first-past-the-poll districts. Say, if a candidate is the owner of a large factory, or the head of a school or college in the district where they run, it is in their best interest to have as many of their workers or students vote in their district as possible. After a big scandal in the media, the CEC was forced to ask the Prosecutor General to investigate reports that students of the State Tax Service National University in Irpin, Kyiv Oblast, and its branch in Vinnytsia, as well as their relatives, were forced to temporarily change their voter registration locations. Reportedly, they were expected to vote for Petro Melnyk, President of the Tax Academy, at the polling stations in Irpin. UDAR’s candidate Ihor Opadchyi claimed in his complaint to the CEC that his opponent in district 215, Halyna Hereha, also plans to bring 10,000 employees of Epicentre, a chain of home improvement hypermarkets owned by her family, to vote there.

On September 13th, the Central Election Commission’s regulation 893 set a new procedure for the temporary change of voter registration without changing the voter’s address, allowing changes of registration within the limits of FPTP districts only. This was a welcome decision that would presumably block “political tourists” from migrating en masse. In fact, however, resolution 893 is not a complete solution to the problem. Now voters are likely to simply change their addresses in order to affect their voter registrations.

Pro-government candidates will not find it hard to encourage the process. The OPORA NGO reported that 700 people registered as residents of the Dnipropetrovsk Social Centre were included in the voter lists at polling stations in district 25 of Dnipropetrovsk, although the centre (which is in fact a homeless shelter) has space for just 20 residents. In one apartment located in Kyiv’s district 222, 37 voters were registered as residents.



Filling single-candidate ballots on our own

should also invite international observers to polling stations that they expect to be the most problematic.

Eventually, parties should make sure that their observers are properly equipped with video, photo and audio equipment. A Belarus observer offered an interesting option: if DEC members arrange the counting in a way that prevents everyone else present at the polling station from seeing it closely enough, the observers, reporters and party representatives can monitor the counting process using the zoom function on their cameras or other similar devices.

Face Control

When yet another acquaintance of mine asked me, for the fourth time this week, why I am not running for a seat in parliament, I had to stop and think. Is the career of a politician so attractive in the view of so many people that it is worth abandoning your profession (which you may happen to love), competence, previously acquired practical experience, an established mode of life and, finally, your circle of friends? (The milieu of which inevitably changes in the upper stratosphere.)

Let me stop beating around the bush – everyone knows what it is all about. To the majority of average and above-average citizens, politics means a drastic change in their financial condition. This somewhat naïve view is, by and large, adequate. I say “naïve” because the sources of enrichment differ from case to case. For one, MPs receive a relatively high official salary and various financial bonuses, privileges, and so on. Some charge for their lobbying services, individually or collectively, while others siphon money from their party’s coffers. Still others are rewarded for defection, and a large number of MPs simply use parliament to lobby for their businesses in various ways, from security matters to landing lucrative deals. The everyday thinking of the average Ukrainian is not inclined to make such fine distinctions. There is a reluctance to distinguish between sources of someone else’s profits and divide them into legal and illegal gains. Essentially, they are both condemned: it is enough to see that the material manifestation of this welfare – clothes, cars, houses and various accessories – is clearly above the average level. This evokes hatred and envy at the same time.

The indispensable of a post-Soviet politician are precisely the things that would be disqualifying faults for their European or North American counterparts. We all remember the worn-out soles on Barack Obama’s boots in a famous picture that made the rounds, the modest flat in which Angela Merkel lives and the poor backyard of David Cameron on 10 Downing Street. We have all seen the pictures of the New York mayor in the subway and the London mayor on a bike. The public opinion in the West is that a politician must meet the criterion cemented, ironically, by the Soviet bureaucratic cliché: “Modest in everyday life”. What buried Sarkozy’s career? He was an incompetent manager and failed to make good on his pre-election promises, but what really burned him was certain consumer excesses, such

as trips to expensive health resorts paid for by his friends.

The opposite political culture is unambiguous. In Russia, they openly say: “If you made a trip to the government and came back with less than 50 million, you wasted your time.” The figure may differ for Ukraine, but the aspirations are the same. The system of values prevalent in the Ukrainian establishment is rotten to the core. It cannot fail to make an imprint on certain representatives who, at one point in time, became part of it either under the pressure of circumstances or lured by an irresistible temptation. The transformations that happen to former intellectuals, journalists and public activists after they become MPs or government officials are evident at the level of physiognomy. The sample consisting of the key figures in the government and pro-government forces would, no doubt, merit the attention of Cesare Lombroso, but even the opposition is dominated by people with bleak, effaced visages whose expression bears eloquent testimony to all the compromises they have made or tolerated. There are just a handful of personalities who can be watched without discomfort or pity.

They do exist, but in critically small numbers and consequently have little impact on the overall landscape.

No, I am not itching to make a laughingstock out of myself and call on politicians to serve the common weal, i.e., that which obtained the status of *le bien publique* during the French Enlightenment.

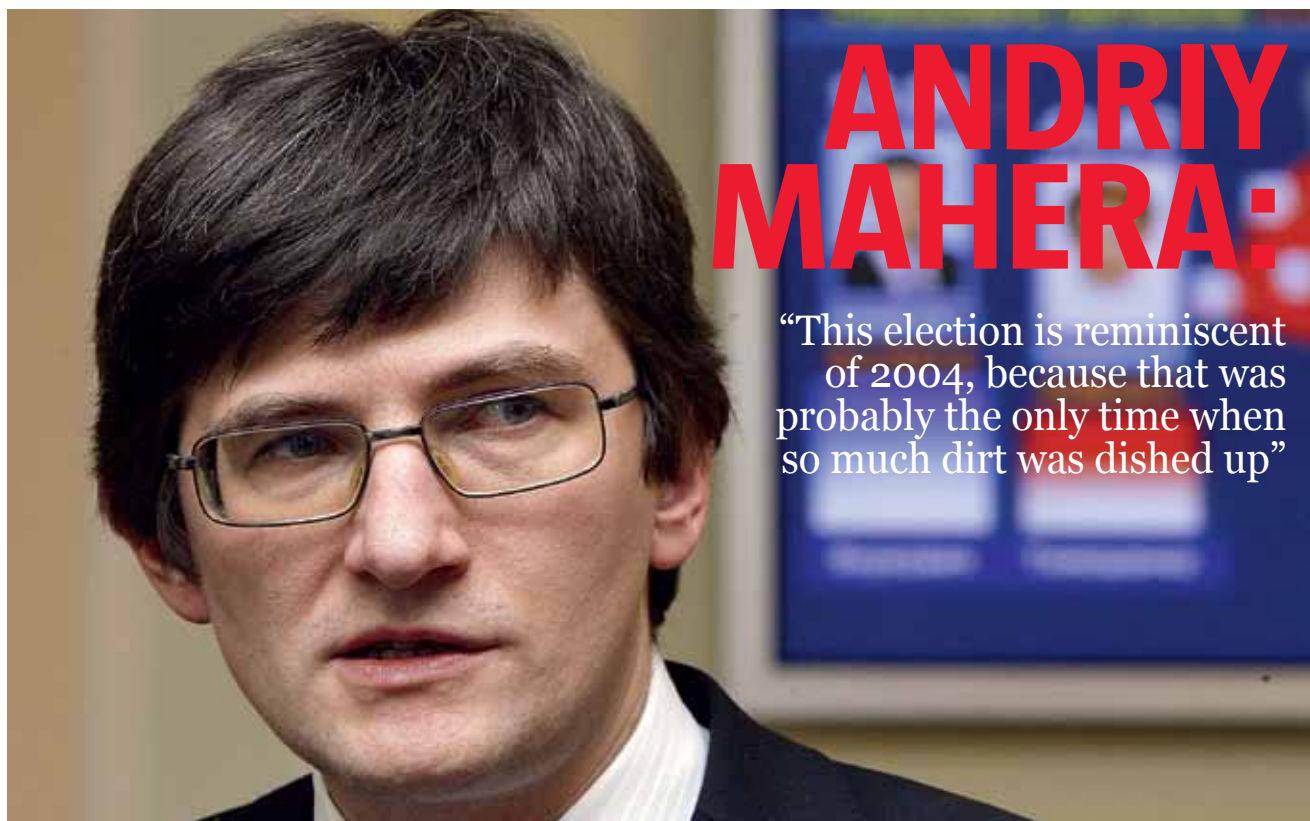
But as a first step in the direction of this currently unattainable ideal, it would be good for the ruling class not to be so primitive! Say what you may, but it is offensive at best. You would expect the actors to at least be aware of the complexity of their functions, complexity that is on par with the challenges faced by the country. Anything but money should lure those who are getting ready to sit behind levers or buttons (literally) and rule the country.

What drug is stronger than money? Power, of course. It can be understood primitively, in the spirit of ancient pharaohs or modern-time dictators, or it can be construed as the ability to make a difference and change the order of things. It takes a certain level of education and imagination. True, power as it is contains the inherent danger of abuse to the point of allowing various sociopolitical experiments, from the “red” to “European integration” – but that is at least in line with the nature of these types of relationships. But I would sooner agree to have a maniac, rather than a lackey, for an opponent. ■

THE TRANSFORMATIONS THAT HAPPEN TO FORMER INTELLECTUALS, JOURNALISTS AND PUBLIC ACTIVISTS AFTER THEY BECOME MPs ARE NOT FOR THE BETTER



Author:
**Yuriy
Makarov**



ANDRIY MAHERA:

“This election is reminiscent of 2004, because that was probably the only time when so much dirt was dished up”

PHOTO: UNIAN

Interviewer:
Milan Lelich

The Deputy Chairman of the Central Election Commission speaks about “trading” with election commission members, counteracting the bribing of voters, the inefficiency of the cameras installed at polling stations, the prospects of international recognition of election results and attempts to besmirch his reputation

UW: The opposition made accusations regarding the unfair procedure for forming district commissions. You and your colleagues responded that you were physically unable to hold draws for all commissions separately and would have failed to meet the deadline set by the law. In an interview, the Chairman of the Central Election Commission (CEC), Volodymyr Shapoval, stated clearly, that there will be times when the CEC will be forced to violate the law in order to simply secure the normal course of the election. Do you think that this is a case in point?

In fact, the problem is in the law on political parties. I don't think it is normal for Ukraine to have some 200 parties. If there were strict conditions for party registration, such as in Russia, no more than 10-15 parties would participate in elec-

tions, and this would make perfect sense. Then we would have no problems whatsoever with “dummy” parties. I suspect that many complaints related to the drawing procedure for election Commission members have to do with a desire to discredit the very principle of party-based Commission membership and replacing it with the “independent members” principle, which we had previously. This principle is now being used.

UW: Is it fair to establish commissions under a principle whereby a party nominating just one candidate in a first-past-the-post (FPTP) district enjoys the same rights as one that has nominated 225 such candidates and is also running under the party system?

Of course, it doesn't make sense when a one-candidate party which does not even have a party list for the election receives representation rights to all 225 commissions. That's a flaw in the law. To my mind, only the parties that have nominated candidates nationwide should be given this right.

The mass media has published numerous reports, saying that some parties, which have obtained representation to DEC's, are engaged in a

“business” of sorts, offering to sell commission memberships to other parties.

UW: What caused the chaos during the draws for constituency election commission members? In some DEC's, draws were held several times. In other places, the commissions lacked a quorum; elsewhere representatives of the opposition were not allowed to monitor the draws, etc. Is this related to shortcomings in the law, or is there a political factor at play?

The election law cannot be modified to “suit” every election. Nor is it permissible to change the drawing procedure five days prior to the day on which they are scheduled to be held. But there are also subjective factors. Parties which have delegated their members to the DEC's often demand something from them that is outside the law. Therefore, a lot of politics has been injected into the activities of DEC's.

UW: The election campaign is almost over. Compared to previous campaigns, especially the one in 2004, is the current one cleaner or dirtier?

I once joked that it is easier to hold two presidential campaigns

than one parliamentary campaign. I have witnessed two parliamentary and two presidential campaigns, but the election process has never been as difficult as it is this time.

First of all, the restoration of the FPTP component has added quite a few problems, particularly with regard to the bribing of voters. Parliamentary hopefuls have been so blatant or self-confident about it. Secondly, I am surprised about court practice, whereby contrary decisions are passed in identical situations involving different candidates. The utterly politically-motivated election process, cases of billboards being spattered with paint and attacks on party tents and campaigners, are all detrimental to the election process.

UW: What are the worst violations of the law that you have observed?

The main one which comes to mind is the bribing of voters. It is something that immediately catches the eye. The CEC has received numerous complaints from candidates, particularly about opponents bribing voters. But the election law basically permits the CEC to issue a warning to a candidate only when there is a court decision to this effect. The same goes for spreading blatantly false information about candidates.

Many complain that there is no effective mechanism to hold candidates responsible for violating the law. In my opinion, it is a good thing that there is no mechanism to cancel candidate registration on these grounds. Under current conditions, this norm would most likely be abused and would work against the fairness of the election process by allowing room for manipulation. The 2010 election was a vivid example of this.

UW: Is there a way to prevent the bribing of voters without allowing rival candidates to make short work of one another?

In each case, it is necessary to determine whether there was voter bribing, violations involving goods that bear the logo of a party or candidate. Bribery entails criminal responsibility, while the violation of campaign procedures entails – various types of administrative responsibility. But the main thing is the reaction of the voters. Under normal election conditions, the news that a certain candidate is engaged in

bribery would be a serious blow to his/her reputation.

UW: Which violations would you point out, other than bribery?

Interference with election campaigns. I don't understand such crazy things as attacks on party tents or campaigners. A person has the right to campaign for or against anyone he/she wishes. Nothing of this kind was observed during the 2006 and 2007 campaigns.

Moreover, it would be preferable for political parties not to direct their efforts, through their representatives, at disrupting the activities of commissions, creating a lack of a quorum, consciously failing to notify "minority" members about the scheduled time of commission meetings and other destructive actions.

UW: Reports on local violations during the election campaign abound in the mass media. For example, one opposition representative of a commission was told plainly: "There are 11 of us here, while there are only three of you." Why doesn't the CEC react to such reports?

If facts of this kind come to the attention of the CEC, they have to be taken note of. We most often react when we receive a complaint or statement from a candidate or other entities in the election process.

UW: Video cameras at polling stations will only be streaming live during the vote but not during vote counting. Is there any point in having them at all then?

Even before this law was passed, I spoke against the idea of installing cameras. One of the reasons for this is the additional burden on the budget. The CEC asked for UAH 1.2 billion to cover the cost of the election. A mere UAH 800 million was initially disbursed to us and we didn't receive the balance until much later. Now, all of a sudden, the country has found a billion hryvnias to install cameras...

I cannot guarantee that the cameras will be working in online mode at all polling stations – there are settlements in mountainous areas where it is even difficult to get radio signals.

Actually, this idea was originated by politicians, not the CEC. I believe that the efficiency of these cameras does not justify the budget expense.

UW: After court decisions which ruled your actions in registering candidate Volodymyr Satsiuk unlawful, do you feel yourself in danger? Did these decisions have any impact on your work in the CEC?

I am not afraid of being fired. But it is strange that such decisions have appeared. Presidents, parliaments and governments have changed in this country, but no political force has ever fought against a CEC member. This is the know-how of this election.

With time, I became increasingly convinced that it was more about me personally than about Satsiuk. If I had raised the issue of rejecting Satsiuk's registration, a different decision would have been challenged in court – the rejection of Satsiuk's registration. In other words, it was simply an issue of finding grounds to take me to court.

UW: Who needed this and why?

It was needed to discredit individual CEC members. They tried to besmirch [my] reputation, to estab-

THE ROLE OF OBSERVERS IS MUCH MORE IMPORTANT FOR THE ELECTION THAN THE PRESENCE OF WEB CAMERAS

lish a link to a specific candidate, region and special service. You only need to read some comments on this case.

UW: Considering the importance this election will have for the future of Ukraine and the overall hype surrounding Ukraine in the world community, do you predict that there will be heightened attention to the election on the part of international observers?

The importance of the institute of observers is much higher for elections than, for example, the presence of web cameras. In 2004, we had some 13,000 international observers. It would be great if we had 3,000 this time around.

UW: Why is the international community so inert?

It's hard to say. Six hundred observers from the OSCE is a pretty good number. If every structure of this kind dispatched as many observers, we would be able to speak about more interest in the Ukrainian election process. ■

Comfort or Freedom?

The fall session of the Council of Europe's Parliamentary Assembly (PACE) proved that the real confrontation on the European continent is about values rather than geopolitics

Author:
Alla Lazareva, Strasbourg

Whatever the issue raised in the assembly hall of the Palace of Europe in Strasbourg – be it the situation in Russia, the conflict between Azerbaijan and Armenia, the upcoming election in Ukraine or the definition of “political prisoner” – a single rule holds true: criticism and support of various initiatives and the votes that result are not determined by a politician's position as left or right, radical or moderate,

pro-Russian or pro-Western, but rather a dichotomy of personal comfort versus public interest.

This is not the first year in which members of the European Parliament have been proactive advocates for the leaders of Russia, Turkey, Azerbaijan and Ukraine. Perhaps these MPs have their own notion of the relationship between freedom and duty in politics that is atypical of their developed countries. One thing is clear, however: ever since a large number of countries that are not exactly democracies joined the Council of Europe,

British Liberal Democrat Mike Hancock is known for the scandal with his assistant Ekaterina Zatuliveter accused of spying for Russian intelligence and almost deported from the UK



clear mutual influences have been established. Not only have democratic standards treaded a narrow path to the East, but non-transparent schemes have found their way westward as well.

UNLIKELY ALLIES

Multi-vector strategies are nothing new on the Strasbourg chessboard. Once, when Leonid Kuchma was president of Ukraine, the pro-government

OPINION

Andreas Gross: “A democrat



PHOTO: ANDRIY LOMAKIN

The interview with Andreas Gross, head of the Parliamentary Assembly of the Council of Europe (PACE) observers delegation to Ukraine and Chairman of the PACE Social Democratic Group, published in *The Ukrainian Week* #16(39) fuelled sharp debate within the PACE corridors and session hall. Some EMPs and employees who prefer maximum caution insisted that future observers should not grant interviews to journalists prior to elections. Others claimed that civic duty is higher than the restrictions one's position entails. A journalist from *The Ukrainian Week* spoke with Andreas Gross at the Palace of Europe on the developments following his previous interview.

UW: During the open debate at the session hall, British MP Mike Hancock suggested that you were not neutral enough in your attitude towards the

situation in Ukraine as head of the PACE observer mission. How would you respond to that?

There are differences between the roles of the mission head, observer, citizen and democrat. As an observer, I'm not entitled to interfere in the debate between the candidates and the process. But I gave that interview as parliament member, democrat, expert on democratic processes in Eastern Europe and an active citizen. I underscored that this was my personal opinion. Since a democrat and a citizen cannot be neutral, his responsibility is to say what he really thinks, call things by their names and share his personal analytical observations. When human rights – and thus democracy – are disrespected, there is no neutrality. And doing this after a pre-election mission makes even more sense, because there is still a chance to improve the situation and the democratic quality of the forthcoming elec-



PHOTO: ROMAN MALIKO

part of the Ukrainian delegation often used their Azerbaijani and Russian peers to promote their projects rather than doing so themselves. The Russians had more foreign speakers at that point. They were not only supported by their authoritarian brothers, but also some Italian, British, Maltese and Dutch MPs – representatives of leftist, liberal, right-centrist and conservative parties.

“René van der Linden, a Dutch Christian Democrat, was a real disappointment as PACE President,” a former PACE administration employee says. “It was not about membership in this particular political group, but the surprising tolerance for the neglect of democratic standards. This is the sort of consent to the omnipotence of powerful, authoritarian politics that those countries have become accustomed to.”

British Liberal Democrat Mike Hancock is known as one of the supporters of the natural flow of things in Russia and its one-time colonies both at home and in Strasbourg. In a recent outburst, Hancock accused Andreas Gross, head of the PACE election observation mission to Ukraine, of calling for a revolution during an interview with *The Ukrainian Week*, which he never actually did.

“I read with dismay the press report that was attributed to him, as it paints a very different picture from the one portrayed in the official press statement that the delegation put together. The article said that Ukraine needs a new revolution,” Hancock said while speaking at the free debate in the session hall. “... is that really a fitting statement to be made by someone who is leading a delegation to examine the elections impartially? ...I hope that Mr. Gross will clarify his position and say that his words were misinterpreted by the journalists.”

The first question that comes to mind is why a British liberal democrat would be so concerned about a Swiss socialist's personal observations on Ukraine. However, things are not as simple as that. It was Mike Hancock who once hired Ekaterina Zatuliveter as his assistant. In late 2010, she was accused

ic citizen cannot be neutral”

tions – this was also a perspective I underlined in my first interview!

UW: One of the Ukrainian delegation members told *The Ukrainian Week* that you may be replaced as head of the PACE observer delegation because of this. How likely is this result from a legal standpoint?

I learned that one of the British rightist MPs actually suggested that. I immediately asked my Ukrainian colleagues in the Social Democratic Group if they shared this idea. Ivan Popesku (member of the Party of Regions and head of the Permanent Delegation of Ukraine to PACE – Ed.) replied that the Ukrainian delegation would not request that. The Assembly Bureau appointed me to the position, so they can also replace me if they wish to. The interview was mentioned in the Friday's bureau meeting, but nobody proposed to replace me.

UW: At the discussion of PACE member ethics standards, a thought was expressed that the Assembly representative has no right to publicly compare the state of democracy in different countries that are CoE members. Do you share this position?

When you don't know anyone but yourself, then you don't know yourself. We realize our special features only when we compare ourselves to others. This is one of the necessary sources of social development. The same can be said about analysis for research. The most interesting ideas were made through comparison, and various elements were integrated into the analysis process at different levels. Citizens, just like scientists, do their daily comparisons.

UW: In your opinion, where is the line between the duty of being unbiased and

the right to speak freely and judge critically when it comes to interviews of foreign observers prior to the parliamentary election in Ukraine?

All observers from all over the world should remain neutral in regards to different participants of election campaigns. Moreover, the head of the mission represents a collective position. However, an engaged citizen with extensive experience and insights who is asked an analytical question cannot remain neutral: he must say what he thinks about the social and political context and widespread standards of conduct. That's what I did. I'm happy that most people in Ukraine and abroad who have different political views, including those who know this country much better than I do, understood me correctly and share the message.

Interviewer: Alla Lazareva,
Strasbourg



of spying for Russian intelligence and almost deported from the UK. As a result, Hancock was forced to resign from the defence committee. Andreas Gross, in addition to heading the PACE observation mission for the election in Ukraine, is a co-rapporteur on the situation in Russia. The report on Russia was the central event at the PACE fall session, and as a result of the firm positions of co-rapporteurs Andreas Gross and György Frunda, Russian State Duma Chairman Sergey Naryshkin was not present at it in Strasbourg.

"The outrage against Gross may have had Russian as well as Ukrainian motivations" a member of the French delegation stated in a conversation with *The Ukrainian Week*. "Someone is apparently trying to exert pressure on Gross, who is a free and independent person. They are trying to make him less scrupulous."

Why the interview published in *The Ukrainian Week* outraged the British so much is unknown. However, before the Assembly Bureau meeting, UK Conservative MP Roger Gale suggested that European MPs should go further and remove Gross as head of the election observation mission. This never happened, yet Gale managed to make some noise.

Neither the Russian nor the Ukrainian delegation was spotted putting forth any initiative on this issue. And why would they, provided that someone else could pull their chestnuts out of the fire for them?

Insulted by the interview of Andreas Gross, head of the Permanent Delegation of Ukraine to PACE Ivan Popesku refused to talk to *The Ukrainian Week*

POLITICAL DISCOMFORT

This sort of behaviour makes sense for diplomats from authoritarian states. They have too little space to manoeuvre. The reasons that MPs from developed countries would get involved are less obvious. "It's often the factor of personal comfort," says a CoE employee. "We're not talking about direct bribery or corruption in every case. Byzantine diplomacy, popular in Russia, Turkey, the Balkans and the Caucasus, can play subtly on weaknesses and admirations that are necessary to influence certain people. Thus, one brick suddenly falls out of a wall that had seemed completely solid, then another and another..."

When the report on Russia was discussed, a Polish MP tried

NOT ONLY HAVE DEMOCRATIC STANDARDS TREADED A NARROW PATH TO THE EAST, BUT NON-TRANSPARENT SCHEMES HAVE FOUND THEIR WAY WESTWARD AS WELL

to put Russia under tougher monitoring by the Committee of Ministers, not PACE, to stress that the situation within the country is constantly deteriorating. The initiative failed, as 121 out of 206 votes was not enough to pass the decision.

Among those who preferred not to bother the Kremlin bosses were long-time partners like the United Russia political group as

well as several unexpected EPP members and Liberal Democrats. "I can't say that they were all encouraged to do so financially," said an EPP MP. "Some of them just don't want trouble. They are reluctant to take on even a small personal share of the responsibility for the switch to a confrontational tone in the dialogue with Moscow."

The biggest intrigue of the session turned out to be the vote on the definition of the term "political prisoner". The definition, drafted by the Committee on Legal Affairs and Human Rights and amended over the last three years, was ratified with a margin of just one vote. Most Russian, pro-government Ukrainian, Turkish, Azerbaijani and Spanish MPs, supported by a few Scandinavian, Italian, Andorran, British and Belgian MPs were just one vote from perpetuating the current terminological confusion. The opposition turned out to be dramatic, yet the reform won its way in the end.

"From now on, there is an extra mechanism to determine political persecution," said French EMP François Rochebloine. "In addition to appealing to the European Court of Human Rights, one can now submit appeals to the PACE Committee on Legal Affairs and Human Rights authorized to pass decisions on this issue and monitor the existence of political prisoners in a country."

Deputies of national delegations are authorized to formulate such appeals. Soon, the PACE Committee on Legal Affairs will draft a procedure for implementing the resolution that defines the status of political prisoners. This will allow third parties to examine whether a person has been imprisoned by the government as a result of the violation of basic freedoms (i.e. freedom of speech, religion or peaceful assembly), received disproportionately tough punishment for the violation they committed, or was arrested as a result of the discriminatory implementation of the law or an openly unfair trial. The PACE resolution also provides for consultations with experts, the conducting of missions and research, and the preparation of reports. There is little doubt that the opponents of these innovations will mobilize to protect authoritarian regimes from discomfort. ■

Is Democracy a Solution to All Problems?

"And after all their troubles, they had democracy, and then they lived happily ever after."

That could be the happy ending to a fairy tale – especially one told in Western societies. But democracy is not something you simply declare and then everything is fine. A majority can make bad decisions, and minorities can have better ideas. And everyone risks being manipulated.

Winston Churchill once said: "It has been said that democracy is the worst form of government, except for all the others that have been tried."

Democracy is a method - an important tool for solving conflicting interests and bringing to life ideas in an inoffensive, decent way. It is a method for ending a dispute with a decision approved by the majority. And - very important - it is a way to get rid of governments, when the majority so desires, after an election.

Democracy is not the goal as such. It is a never ending process, and it does not necessarily solve problems. Paradise is not something for democrats - on our Earth - because in a pluralistic democracy there are always some people who disagree.

In the process of nation building, one should realize that democracy is a method, and it is the content of the process that matters.

The state has to deliver a predictable, accountable, transparent framework for people to improve their life conditions.

This begins with the rule of law, trustworthy institutions and freedom of speech.

The constitution of a nation should first of all secure limitations on legislative power, thus ensuring citizens' rights within the framework of both human rights and the rule of law. Equally important tools here include separation of powers and checks and balances.

Twenty-one years ago, Ukraine started from scratch after surviving a totalitarian history of tsars and communists. Meanwhile, the network of old comrades from the Soviet era became the nouveau-riche oligarchs of today.

It takes time to learn from the lessons of recent history - with its "trial and error" of good and bad experiences - to build up a nation with trust in society and its institutions.

It also takes time to be educated for citizenship.

In my own country, Denmark, the transition from autocracy to democracy started with the Constitution in 1849. Nikolaj Grundtvig, one of our prominent poets and thinkers of that time, was initially skeptical about democracy, but accepted it slowly. The most important thing for him was that people had a self-reliant, independent voice vis-a-vis the authorities.

This required freedom of expression, but it also demanded an informed population, one that was able to be critical. And this required the building of a broad political culture and teaching based on debate, exchange of experiences and broad knowledge of both the past and present society.

Grundtvig's vision was that the large, lesser-educated part of the population should be able to be involved in society as responsible citizens.

Despite disillusionment, Ukrainian voters must act in the forthcoming election! Indeed, the disappointment of Ukrainian voters is huge. After the discouraging developments of recent years, many

feel powerless and unable to trust the opposition after so few reforms took place after the Orange Revolution.

Still, Ukrainians should not repeat what happened in February 2010 when, after the election, many people regretted that they had stayed at home! Today they can

see how not voting paved the way for an autocrat to take over!

The way the election commissions are being formed and administrative power is being misused allow us to predict that this will not be a free election - even if conducted under the supervision of thousands of election observers.

It will also be a strange election, since two of the main opposition leaders are behind bars. And the election law constitutes a systemic error where fairness is impossible.

So, the upcoming election will be neither free, nor fair!

But there is still something to do for the Ukrainian voters. They can use the time remaining to find out how to get the best out of a bad election system.

And they should participate, because in the worst-case scenario, the election will allow one side to completely take over a constitutional majority of two-thirds of parliament. ■



Author:
Hanne
Severinsen

**THIS WILL NOT BE A FREE
ELECTION – EVEN IF
CONDUCTED UNDER THE
SUPERVISION OF
THOUSANDS OF ELECTION
OBSERVERS**

Jakob Kellenberger

on the importance of values in international relations

Interviewer: Oleksandr Pahiria

Jakob Kellenberger is one of the diplomats who firmly believe that any interstate affairs should be based on certain values. It was this position that helped him chair the International Committee of the Red Cross (ICRC), one of the oldest humanitarian organizations in the world, for over 10 years now and participate in numerous negotiations in hotspots all over the world. Invited by the Embassy of Switzerland in Ukraine and *The Ukrainian Week*, Jakob Kellenberger delivered a lecture on "Power and Values in International Relations" at the Taras Shevchenko National University of Kyiv on October 4th.

UW: How does political power affect the shaping and evolution of values in the modern world?

States and international organizations all over the world use power to promote their interests and values. The European Union is an example of a community based on values. Open the Maastricht Treaty and you will see that the article on values precedes the one on the goals and objectives of the EU. Many countries pursue different value-based goals, but the EU is unique in this aspect, where soft rather than military power plays the pivotal role. So much depends on how the country protects the values domestically. If you want to be protected, it is not enough to stay at the level of abstract concepts or international treaties and agreements. It is important to integrate values into internal national legislation. They have to be reflected in laws that provide for punishments whenever the laws regarding these values are breached. A great challenge for

PHOTO: REUTERS

any country in protecting its values is the necessity to prove that they do not run counter to state interests. Another important issue is the price that nations are ready to pay to protect their values. The EU has shown that it is able to go pretty far to achieve this. If you want to encourage others to believe in your ideals, it is extremely important for you to avoid double standards and be consistent. Otherwise, you could undermine trust in your declarations about your values. What standards are used when military criminals are not held liable? Commitment to and protection of certain values are important tools in spreading them. International negotiations are another tool. I believe that any negotiations will fail without the mutual respect of all parties involved. And when negotiations are about values, there is no place for concessions.

UW: How effectively can the Council of Europe exercise the moral protection of democratic values with member-states that deviate from democracy, taking into account the fact that PACE does not apply sanctions?

One of the biggest gaps in current international human rights legislation is the lack of a special court institution that could apply sanctions against member-states who signed the European Convention on Human Rights and CoE members that walked away from the path of democracy and violate human rights. In my opinion, the best solution would be to introduce penalties. Sanctions can be applied by international organizations such as the UN Security Council, but only if the peace or security of the citizens in a specific country are violated.

UW: According to American expert Ian Bremmer, we are living in a world without a leader, in other words, a G-Zero world. Western states which promote democratic values are losing some of their international influence. Meanwhile, new emerging countries grow more powerful economically and politically, but are often guided by different values. Is there an alternative to democratic values in modern international relations?

It's not only Western states that promote democratic values. This said, there are certain differences in views as to the best ways to politically organize society at the current level of development. In my view, such differences exist, but I do not believe that democracy is the type of political organization which offers people the best options, taking into account their concerns about the level of political power. Democracy can change those in power if they do not act in the interest of the people. Therefore I wonder if the attractiveness of democracy really depends so much on Western economic power. Yet, despite the rise of emerging economies as well as the Euro and debt crises, the EU as a whole still has the highest GDP in the world, which is even higher than that of the United States. I also see values that are generally accepted on the global level here, such as justice or human dignity. Another question is how different countries guarantee respect for them. Some countries may decide that compliance with democratic rights is not sufficient to implement their interests and put the protection of their citizens' security or providing them with food and water as their first priority. Thus, the global situation in this aspect largely depends on a specific situation in a specific country. It is extremely difficult to preserve democracy in countries that are poorly developed economically. It's great that Western states promote their values internationally and integrate them into their constitutions and laws. At the same time, it is important to avoid double standards if you seek trust.

UW: Your 2007 statement that the USA cannot duly guarantee compliance with human rights at the Guantanamo Bay detention camp led to an international scandal and even pushed American authorities to improve detention conditions in the camps of Afghanistan and Iraq. The situation in Ukrainian prisons is hardly better than there. Have you monitored the Ukrainian penitentiary system?

I do not know the penitentiary system in Ukraine. The ICRC's detention visits focus on people detained during or after armed conflicts. It is true that the ICRC is

BIO
Jakob Kellenberger is a Swiss diplomat, who began his career in 1974. Mr. Kellenberger served as Secretary of State for Foreign Affairs from 1992 to 1999 and has been President of the International Committee of the Red Cross since 2000.

also increasingly visiting people detained in other situations, including cases of violence – other than armed conflicts. In this sense, Ukraine is not within the typical ICRC context, but I am sure that representatives of the Committee for the Prevention of Torture of the Council of Europe have visited Ukraine. In spite of this, I'm afraid there are many places of detention in the world which nobody is visiting, even though there is an urgent need to control the conditions under which detainees are kept and the way they are treated.

UW: During your term in office as Head of the ICRC, it expanded its operations significantly all over the world. How do you see the role of humanitarian diplomacy in international relations today?

There are various levels at which humanitarian diplomacy is being exercised, up to the highest level if deemed necessary. The operational component allows us to ensure access to those in need of protection and assistance through representatives of governments and NGOs. The thematic component promotes the signing of treaties with an important humanitarian impact, such as the Convention on Cluster Munitions. The legal and thematic component is to spread the law, the implementation of its provisions and the promotion of the development of international treaty law.

UW: You were involved in bilateral relations between Switzerland and the European Union for almost two decades. Do you think that Switzerland benefitted from not joining the EU and maintaining a distance from European politics?

My country has not lost economically. On the contrary, it has saved money because it would have been one of the largest net contributors to the EU budget. The price for not being an EU member-state is mainly political for Switzerland: it is impossible to participate in decisions being taken without us, having an ever greater effect on us. On the whole, Switzerland is not among the architects of Europe which, to a large extent, is constructed in Brussels. ■

The New Challenge of the Kremlin

Russia is seeking to expand its western “zone of influence” into two main regions: the maturing democracies of Central-Eastern Europe and the struggling democracies of the Western Balkans

Author:
Janusz Bugajski

During the unfolding presidency of Vladimir Putin, an aggressive integrationist approach toward the post-Soviet states will be mirrored by a more assertive policy toward Central-Eastern Europe (CEE). Buoyed by the European Union's monetary crisis and by Washington's “East Asia pivot”, Moscow is pursuing a more intrusive policy toward its former satellites. The strategic objective is to neutralize their opposition to the Kremlin's foreign policy ambitions and to draw them away from an American orbit.

OLD COMRADES AND NEW ALLIES

Russia is seeking to expand its western “zone of influence” into two main regions: the maturing democracies of CEE, including the Baltic area, and the struggling democracies of the Western Balkans. Russian officials focus on influencing political decisions in these capitals through a combination of diplomatic pressure, personal and professional contacts, economic enticements, energy inducements, and sometimes through outright blackmail or bribery. Several CEE states also provide opportunities for Russian inroads toward the EU and NATO through economic, political, and intelligence penetration.

Reports regularly surface in Hungary, Slovakia, Bulgaria, and

other CEE countries that old comrade networks continue to operate, based on financial and friendship connections rather than on any ideological or political convictions. Several post-communist Socialist and Social Democrat parties in the CEE, where many former comrades gravitated, have provided the most beneficial opportunities for Russian infiltration. Slovakia and Bulgaria are clear examples where leftist parties have been more open to Russian business overtures.

However, center-right governments and politicians may also be susceptible to Moscow's advances, especially through reportedly beneficial energy deals such as involvement in the South Stream gas pipeline project. For instance, in the Czech Republic a Russian consortium is strongly lobbying to win the tender for building new reactors at the Temelin nuclear power plant despite the security concerns expressed by Czech analysts about Moscow's involvement.

Alternatively, governments criticized as quasi-authoritarian by Brussels, such as that of Hungary's Prime Minister Viktor Orban, may look to Russia for balance and support. Moreover, lucrative business contracts, donations to political campaigns, and the purchase of media outlets enable Moscow to exert political influence and convince key politicians to favour Russian business investments and strategic interests.



BIO:
Janusz Bugajski is a Senior Associate at the Centre for Strategic and International Studies in Washington DC and the author of 18 books on Europe, Russia, and trans-Atlantic relations

In Bulgaria, Moscow has attempted to increase its influence by courting Socialist Party leaders, appealing to allegedly close historical bonds between the two countries, and trying to tie Sofia into a number of large-scale energy projects. However, the current Bulgarian government, led by Prime Minister Boyko Borisov, has recently exposed Moscow's objective to dominate Bulgaria's energy sector and withdrew from several energy deals initiated by the previous Socialist administration. This led President Putin to cancel a trip to Sofia, scheduled for November. The Kremlin is now demanding massive financial compensation from Bulgaria for the scrapped Belene nuclear power plant that was supposed to be built by Russian companies.

VLADIMIR PUTIN'S DREAMS:
 "I am convinced that the creation of the Eurasian Union and effective integration is the way that will allow its members to take a proper place in the complicated world of the 21st century. Only together can our countries join the leaders of the global growth and civilization progress, reach success and prosperity."



PHOTO: REUTERS

POST-SOVIET HORIZONS

Uncomfortable with full Baltic sovereignty, Russia's leaders have also sought to marginalize and isolate Estonia, Latvia, and Lithuania. Numerous forms of pressure within Russia's foreign policy arsenal have been applied against these countries. All three have been at the forefront of campaigns for Ukraine's and Georgia's NATO membership and for bringing all ex-Soviet republics into the Western fold, policies that Moscow vehemently opposes.

The unexpected election victory of the Georgian Dream coalition, led by Prime Minister designate Bidzina Ivanishvili, may energize Moscow to try and increase its influence in Georgia. However, the Kremlin is not euphoric over the smooth transfer of power in Tbilisi, as any suc-

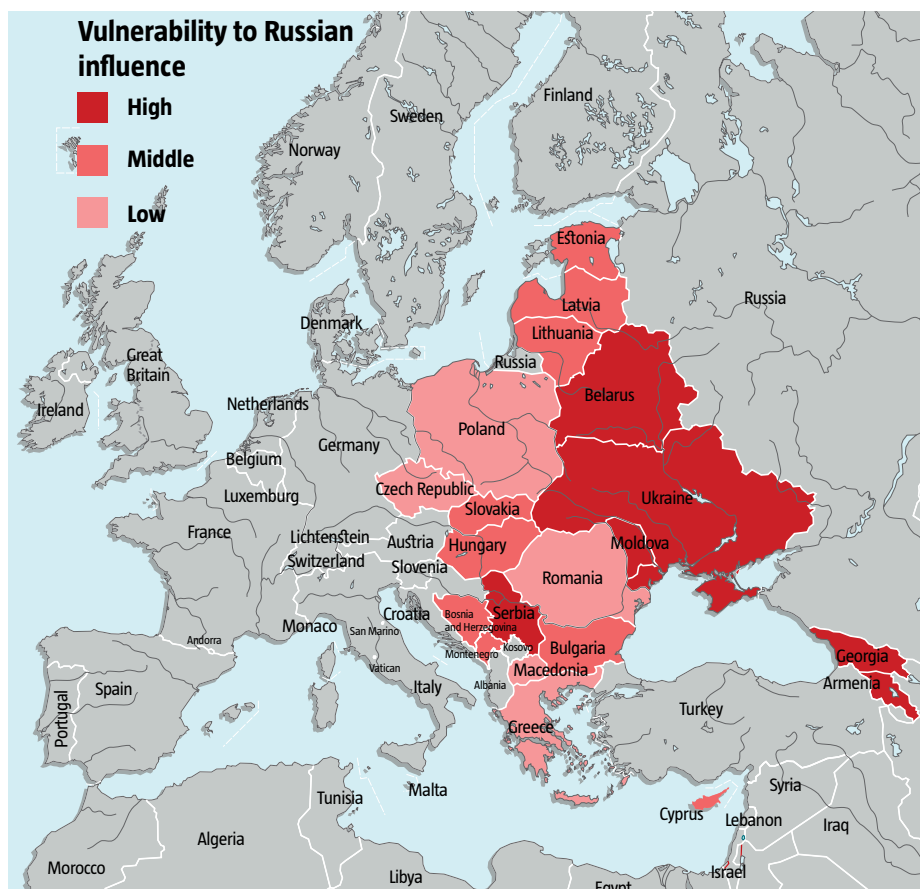
cessful democracy on its doorstep is a threat to Russia's authoritarian political model. Putin also remains staunchly opposed to President Mikheil Sakaashvili who will remain in office for another year. The Kremlin seeks a government in Tbilisi that abandons its quest for NATO membership and revokes its aim to regain the occupied territories of Abkhazia and South Ossetia. However, Ivanishvili has stated that Western integration remains Georgia's foreign policy priority.

Moscow has tried to benefit from local political, ethnic, religious, and social turbulence in order to keep each Baltic country off balance. It has exploited the Russian minority question to depict the Baltic governments as failing to meet European standards for hu-

man rights. As in Ukraine, the Kremlin claims the right to represent and defend the interests not only of Russian ethnics but all "Russian-speakers" in order to raise the number of alleged victims of Baltic

GOVERNMENTS AND POLITICIANS MAY BE SUSCEPTIBLE TO MOSCOW'S ADVANCES, ESPECIALLY THROUGH REPORTEDLY BENEFICIAL ENERGY DEALS

repression. In April 2007, Tallinn accused Moscow of promoting riots and cyber attacks against Estonian government websites after the official relocation of a Red Army statue ►



to a military cemetery. The statue was offensive to the majority of Estonians as it symbolized the years of Soviet occupation after the Second World War.

In Latvia's September 2011 elections, the Kremlin supported the ethnic Russian National Harmony Party, calculating that by entering government it could sway Latvia's policies in a pro-Moscow direction. Harmony was left out of the governing coalition because of fears that it could veer Latvia away from its Western orbit. Russian organizations in Latvia also gathered enough signatures to initiate a referendum on making Russian an official second language, but the initiative was defeated in February 2012 by an overwhelming majority of Latvian voters.

In Lithuania, pro-Russian populist parties, including the Labour Party led by millionaire Viktor Uspaskich and Social Democratic Party won the first tour of the October 14 election with 19.8% and 18.3% respectively. Along with the Order and Justice party led by former Lithuania's President Rolandas Paksas which gained 7.9%, the two winning par-

ties will create a new majority in the parliament and dominate over the right-centrist government of Andrius Kubilius.

THE BALKAN SPRINGBOARD

Russia also sees clear opportunities to expand its reach in the Western Balkans, given that the EU is beset by economic crisis and political indecision, with uncertain prospects for further enlargement after Croatia's entry in 2013. Concurrently, NATO's expansion in the Western Balkans, beyond the absorption of Montenegro, remains on hold. Macedonia is blocked, Serbia is opposed, Bosnia-Herzegovina is disunited, and Kosovo is ineligible. Meanwhile, the U.S. is focused on other regions of the world and its disengagement can weaken NATO's impact throughout Europe. As a result, Moscow seeks to intensify its political influence, particularly among states with no immediate prospect for Western integration, by employing three key tools: diplomatic assertiveness, conflict prolongation, and economic dependence.

Moscow is outspoken in support of Serbia, especially in its struggle over Kosovo's indepen-

dence by blocking Prishtina's membership in major international institutions such as the United Nations and the Organization for Cooperation and Security in Europe (OSCE). Serbia remains the Kremlin's most reliable political link in the region not because of any Slavic-Orthodox fraternity but as a consequence of cold political calculation. Belgrade has consistently appealed to Russian solidarity whether over preserving Yugoslavia's integrity, creating a Greater Serbia, or retaining control over Kosovo. Moscow in turn exploits Serbia's grievances against the U.S. and NATO to demonstrate that Russia remains a major factor in European affairs and in resolving intra-European disputes. Such symbiosis has proved beneficial for both capitals.

The Kremlin perceives Serbia as a useful proxy in the middle of the Balkans and has increased its presence during recent years. The Kremlin wants Serbia to remain outside NATO, to avoid any American presence in the country, and outside the EU in order to avoid its strict legal standards in business transparency that would effect the operations of shady Russian companies. Instead, Moscow proposes that Serbia join its planned Eurasian Union, a centerpiece of Putin's approach toward the former Soviet Union. The Serbian media have reported Moscow's plans for Eurasian Union (EuU) expansion by 2020 to include states excluded from the EU. The EuU purportedly plans to have four centers: in St. Petersburg, Kyiv, Almaty, and Belgrade.

Second, in terms of conflict pro-

AS IN UKRAINE, THE KREMLIN CLAIMS THE RIGHT TO REPRESENT AND DEFEND THE INTERESTS NOT ONLY OF RUSSIAN ETHNICS BUT ALL RUSSIAN-SPEAKERS

longation, the limited international recognition of Kosovo has provided Russia with an opportunity to depict itself as the defender of international legality and the promoter of multilateralism, state sovereignty, and territorial integrity. Concurrently, it also promulgates the thesis of a pan-Albanian fundamentalist menace in attempts to forge pan-

Orthodox unity under Russian patronage throughout the Western Balkans to include Macedonia, Montenegro, Greece, and even Cyprus – where Kremlin-connected Russian oligarchs have found a safe haven for their unregistered financial transactions.

Moscow has also focused on the struggle over Bosnia-Herzegovina by supporting the leaders of the Serbian entity (Republika Srpska, RS) in their resistance to the central government in Sarajevo. Moscow employs two parallel tracks toward Bosnia: an overt policy that recognizes its state integrity and a covert policy that strengthens relations with the RS. Having recognized the independence of two separatist regions in Georgia, Abkhazia and South Ossetia, Russia retains the option of recognizing Bosnia's RS as an independent state. The Russian government is widely perceived to be supporting RS President Milorad Dodik and encouraging the Serbian entity to maintain the option of independence. By exacerbating the prospect of fracture the Kremlin wants to maintain Bosnia as a frozen or paralyzed state that can generate long-term problems for Washington and Brussels.

Through its vehement opposition to U.S. policy over Kosovo and Bosnia-Herzegovina, Russia's government contributes to prolonging disputes and uncertainties within the region. The calculation is that Western preoccupation with inter-ethnic reconciliation and state building will dissipate and even terminate the region's integration into NATO and the EU. This will serve to justify Kremlin contentions that NATO cannot guarantee European security and a new continental security structure is needed in which Russia would play a major role. In sum, conflict provides Moscow with political leverage to advance its state ambitions.

ENERGY TRAP

The Kremlin's third tool is the promotion of economic dependence by deploying energy resources, state loans, and business investments to gain political inroads. Plans to build major energy transportation systems between the Black Sea and the Adriatic Sea and Central Europe place the Balkans at the center of Russia's south European strategy. Moscow seeks to monopolize flows of gas and oil passing through the

region to Western Europe. Supply contracts and investment incentives provide significant inroads in a targeted country's economy and substantial influence over its foreign policy. The planned South Stream pipeline is calculated to place Serbia and Bulgaria at the center of Russia's ambitions and prevent the construction of a European energy network linking Central Asia, the South Caucasus, and Europe outside of Russia's control.

Russia's state company Gazprom owns the major share of Serbia's NIS oil company and Belgrade is eager to host the southern "hub" of the planned South Stream pipeline through which Moscow seeks to eliminate the West's Nabucco gas pipeline project. The pipeline is planned to cross from Serbia into Hungary while Russia entices the RS, Croatia, and Slovenia with the prospect of including them in South Stream. Construction of the project is planned to start by the end of 2012 and finish in 2015, although the entire endeavor has been riddled with doubts over routes, costs, and the sources of gas.

The Greek crisis has provided an additional opportunity for Moscow to meddle in the Balkans. If Greece leaves the Eurozone and its living standards fall precipitously this would send a negative signal to all EU candidates in the Western Balkans and accentuate anti-enlargement sentiments within the EU itself. Such developments would leave the entire region even more vulnerable to Russian penetration.

A potential social explosion in Greece can also affect the stability of several neighbours. In the most damaging scenario, expanding impoverishment and ejection from the Eurozone will precipitate the emergence of an authoritarian government in Athens. Under the pretext of restoring order and defending national dignity, a nationalist regime could target minorities and neighbouring states, thus generating conflicts with Turkey, Macedonia, and Albania and opening the door further to Russian inroads. Moscow may also solicit to build its own naval base in the Mediterranean by offering funds and investments to a cash-strapped Greece. Such arrangements would not only further entrap the region in Russia's net but also test the resolve of the U.S. and NATO in ensuring the security of South East Europe. ■



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Foreign Banks Flee Ukraine

On Ukraine's banking market, European banks are losing ground to captive banks owned by oligarchs

Author:
Yevhen Hrebenuik,
CFA

Since 2009, more and more European banks have left Ukraine, including ING Bank, Home Credit Group, Credit Europe Bank, Societe Generale, and Volksbank International. Swedbank sold SEB Bank assets to a Ukrainian businessman, and other banks simply left the retail market. The outflow of foreign capital is having a heavy impact on Ukraine's banking system. The 2006-2008 credit boom and the surge of loans issued in foreign currencies were fuelled by cheap European money. However, the 2008-2009 crisis showed that the presence of private Western banks in Ukraine was a vacation from bigger troubles rather than a burden for the Ukrainian market. Capital inflow from Europe changed the face of the Ukrainian banking system for the better by improving bank service culture and giving Ukrainians broader ac-






















THE EXPANSION OF EUROPEAN BANKS IN 2005-2008 SQUEEZED CAPTIVE BANKS OF OLIGARCHS TO THE SIDELINES

cess to loans than they had ever had. The tables turned when foreign banks began to lose ground to captive banks owned by oligarchs that mostly lend money to their own companies. This is a sign of the growing strain on business in Ukraine.

A WINDOW TO EUROPE

The financial sector is typically a barometer for changes in long-term investment expectations for Ukraine. Even though foreign capital had been present in Ukraine's banking sector before the 1998 crisis, 2005 proved to be the real breakthrough year. Driven by post-Orange Revolution exuberance,

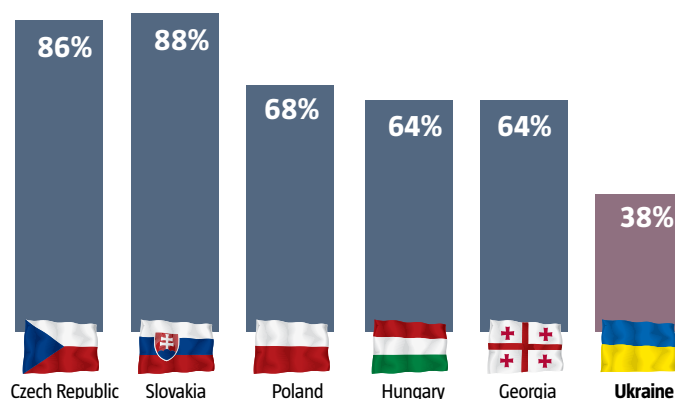
Oligarchs raked in windfall profits when foreign interest in Ukrainian banks peaked in 2005-2008 as they sold their banks to European groups at exorbitant prices

Major owner	Foreign buyer The share of share capital sold	The price, USD mn	Price compared to the balance sheet cost of capital*
TAS Commerzbank, TAS Investbank			
 Serhiy Tihipko	 Swedbank (Sweden) 100.0%	 735	4.6
Index Bank			
 Viktor Topolov	 Credit Agricole S. A. (France) 98.0%	 260	7.2
Maritime Transport Bank			
 Privat Group	 Marfin Popular (Cyprus) 99.0%	 137	5.1
UkrSybBank			
 Oleksandr Yaroslavsky, Ernest Haliev	 BNP Paribas (France) 51.0%	 350	3.7
UkrSotsBank			
 Viktor Pinchuk	 UniCredit (Italy) 94.2%	 2211	3.6
Factorial-Bank			
 Anatoliy Hirshfeld	 Skandinaviska Enskilda Banken AB (Sweden) 97.3%	 120	4.5
Praveks Bank			
 Leonid Chernovetsky	 Intesa Sanpaolo (Italy) 100.0%	 750	4.8

*The higher the number, the more overpriced the bank

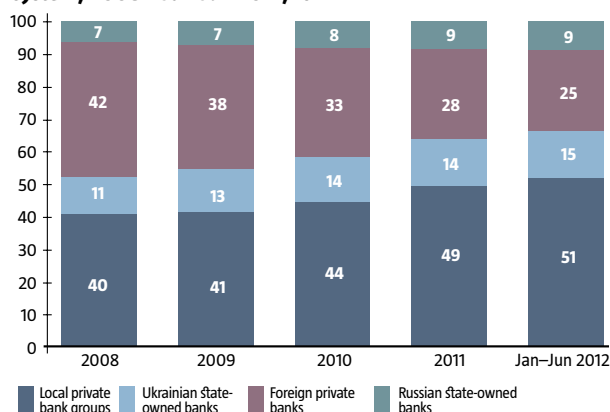
Source: The Ukrainian Week's data based on public source

The share of banks in the assets of the banking system, 2009



Source: IMF, estimates by Yevhen Hrebeniuk

The share of banking groups in net assets of Ukraine's banking system, 2008 – Jan-Jun 2012, %



Source: NBU

European banks began to buy Ukrainian banks one after another, often paying sums that were several times higher than what the actual assets of the banks were worth at the time. In 2007, at least 10 Ukrainian banks found themselves in the hands of foreign owners. Good deals turned Ukrainian oligarchs into dollar billionaires overnight – mostly because of the overheated banking sector. The prices paid for banks ranged from 2.6 to almost 5 times their equity value – the latter was paid for Praveks Bank. To justify the gargantuan prices, the purchased bank was expected to provide sustainable rapid growth in assets at over 12% annually, a 20% annual ROE increase and a 15% equity value growth. The 2008-2009 crisis proved that these had been unrealistic expectations.

Eastern European countries quickly grasped the idea that opening their financial sector to foreign banking groups granted them the easiest access to Western investment into their economy. According to Raiffeisen Bank, the share of foreign capital is 73% in Central Europe and 83% in South-Eastern Europe. The Czech Republic and Slovakia have come the closest to foreign banks in terms of transparency. The share of foreign – mostly European – banks is close to 90% there and neither the government nor clients view this as a threat or a source of damage.

The massive inflow of European banking groups to Ukraine had a largely favourable impact on the economy. Unlike the mining industry, where most FDI comes from the oligarchs' repatriated profits, European newcomers in

the banking sector brought along new foreign direct investment. According to the National Bank of Ukraine, only 7.7% of the cumulative FDI into the share capital of Ukrainian companies went to the financial sector in 2004. In 2008, the figure was almost 30%. Over

2006-2008, nearly 42% of the \$26 billion foreign direct investment in Ukraine went to the financial sector as foreign interest in Ukrainian banks peaked. European groups did not abandon their subsidiaries during the crisis. In 2009-2010, they invested over UAH 17bn of



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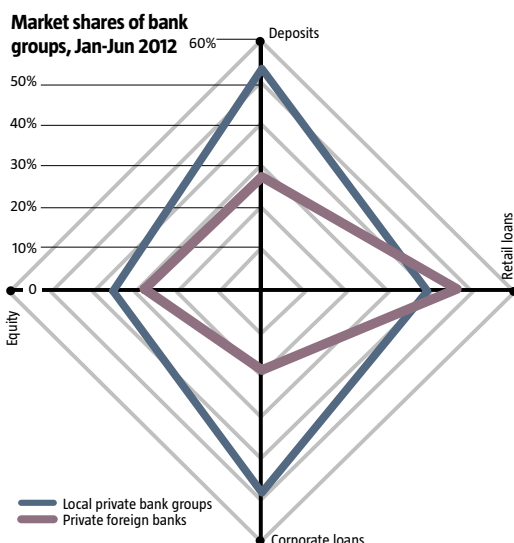
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new share capital in the Ukrainian banking sector, which was 67% more than what the owners of local banks invested. Moreover, foreigners used subordinated debt much more intensely than the local bankers did. As a result, almost half of the UAH 34bn subordinated debt is that of foreign private banks.

Another obvious effect was the unprecedentedly broad access to retail lending available to average Ukrainians from 2005-2008. The mortgage loan portfolio alone swelled sevenfold over 2007-2008, even though foreign banks preferred to place foreign exchange risks on the borrowers. They issued the greater share of mortgage loans in dollars. As a result, the amount of bad loans soared in 2009-2010.

The inflow of European banks had a great indirect positive impact on the banking sector and Ukrainian economy overall. First, they brought in new standards of corporate governance and customer service. European banks in Ukraine have clear rules for risk management which, if violated, may result in the firing of the local executives. Thus, a foreign bank will never pick up deposits from the retail market to further issue them as loans to linked companies. By contrast, quite a few of their Ukrainian peers eagerly do this, revealing their likely status as captive banks of big business groups. Most European banking groups are public companies, their operations closely watched by shareholders. The statements of their Ukrainian subsidiaries are prepared and audited under international accounting rules identical to those used by their parent banks. Shareholders hold them accountable for the failures of Ukrainian executives, and their punishment may be falling stock prices.

The owners of European banks are groups that have no companies in other industries. Their interests lie in the orbit of the banking business. It is hard to imagine a situation where a parent bank based in Europe instructs its Ukrainian subsidiary to issue a loan to a specific company or to overlook the rules for issuing loans to one borrower or associated entities. Unlike them, most bank owners in Ukraine have other primary businesses and use their banks as donors more than anything else in times of crisis. Of-



DIFFERENT PRIORITIES. Unlike most private foreign banks that use their parents' equity for retail loans, Ukrainian banks use deposits from individuals for that purpose

ficially, they comply with the NBU's restriction on lending more than 25% of the regulatory capital to one borrower. Yet, some sources suggest that the real level of insider lending in some captive banks may exceed 50% of the total loan portfolio. The regulatory authority does not monitor the entities of big business group owners deeply enough to determine this.

Subsidiaries of traded Western banks operate in compliance with high standards of corporate governance and treatment of minority stakeholders. UkrSotsBank which is part of the UniCredit group recently made an unprecedented redemption of shares from minority shareholders at their market price in accordance with the law.

Unlike most private foreign banks that use their parents' equity for retail loans, Ukrainian banks use deposits from individuals for that purpose. Hence the answer to whether the broad public is inter-

definitely cheaper for them compared to maintaining and developing a bank of their own.

OLIGARCHS OUST EUROPEANS

Since 2010, Ukraine has seen a reversal of the European banking trend. The growing pressure on businesses and resurgent fear of property loss have once again fuelled the demand for captive banks, just as they did in the 1990s and early 2000s. On the whole, the share of private Western banks save for state-owned Russian banks shrank from almost 42% in early 2009 to 25% in the first half of 2012, mostly in favour of local Ukrainian banks. A few more banks with European capital may end up in the hands of Ukrainian owners by the end of 2012.

The expansion of Russian state-owned banks including Vnesheconombank (VEB), VTB and others, has been a separate trend. State-owned banks operate in many countries and help the government to perform some social functions. Obviously, Russian state-owned banks have provided much broader access to loans for mostly big Ukrainian companies. This was a positive contribution to Ukraine's economy. One of Russia's most proactive banks is VEB which is, in fact, a quasi-bank regulated by a special federal act. Whenever a European government becomes a shareholder of a bank, it sets some restrictions on the growth of its assets, sometimes pressuring the bank to quit risky foreign markets. Quite the opposite for Russian state-owned banks: they are actively expanding abroad thanks to financial resources granted by the government at prices below market value. Essentially, this means that they are building networks in other countries at the expense of Russian taxpayers. Hence the question: what purposes does a foreign government serve by approving the expansion of its state-owned banks abroad? Russia's first priority is to invest the huge amounts of cash it is earning on fuels (Russia's current account surplus over the first six months of 2012 was \$58 billion). However, the Kremlin is actually an insider to Russian state-owned banks, thus their unprecedented international expansion cannot be without political motivation. ■

EUROPEAN BANKS BROUGHT IN NEW STANDARDS OF CORPORATE GOVERNANCE AND CUSTOMER SERVICE

ested in the presence of private Western banks. The intense increase of the European share in the Ukrainian banking system over 2005-2008 has essentially squeezed captive banks to the sidelines. Some oligarchs even gradually switched to using universal European banks with high standards to service their companies. It was

The Secrets of Ukrainian Inflation

Official inflation rates are being artificially understated in Ukraine to manipulate consumer expenditures

How often has it occurred to you, while waiting in the line at a grocery store, that a certain product you are looking at was much cheaper just a short time ago? How often have you wondered why inflation rates that have been determined and reported by the state statistics service do not meet your observations and are lower than they seem? In fact, official inflation rates appear suspicious, creating the unpleasant impression that the authorities are once again fooling Ukrainians.

The consumer price index (CPI), the most widely used inflation indicator, is measured using the weighted average estimate of the consumer basket. The structure for the calculation of the CPI, which has to include a share of one good or service or another in the consumer expenses of an average Ukrainian is supposed to reflect the average consumption of households throughout the country. It is only by understanding the components of the CPI and how it is determined, that it is possible to trust official statistics. But is there any point?

BREAD AND BUCKWHEAT

Inflation measured with CPI reflects the changes in the cost of the consumption set, which includes the most extensively used goods and services. To systemize the data, the State Statistics Committee groups them by products, the list of which depends on the method selected for the calculation of the CPI.

The list of goods and services in the consumption set is compiled every five years, while the weighted rates, i.e. the shares of specific product groups that should be in the basket, are updated annually.

Author:
Liubomyr Shavaliuk

CPI can only determine inflation accurately if the content and structure of the consumption set reflect the tastes, preferences and actual expenditures of the entire population as accurately as possible.

However, this is where the CPI fails. It is supposed to take into account the millions of product combinations, tastes and income levels of every citizen in the country. Therefore, weighted rates for goods and product groups not only determine the structure of the consumption set, but also permit an assessment of how representative it is, and help draw a sort of portrait of a Ukrainian with average expenses.

Compared to countries with a similar GDP per capita (see [chart 1](#)), the Ukrainian consumer basket reflects the high level of poverty of Ukrainians which, in turn, signals the unequal distribution of social welfare. Daily necessities, such as food, housing and travel expenses, constitute up to 70% of Ukrainians' consumer basket. According to the State Statistics Committee, the monthly financial resources of households constitute UAH 1,483 or around USD 185 per person. With this income, many Ukrainians cannot afford a

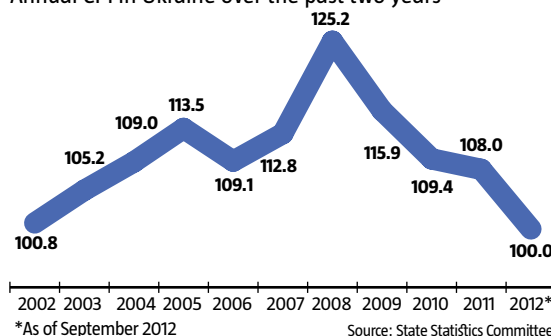
lot of simple pleasures in life. They have very little left for household accessories and utilities, entertainment or eating out. Obviously, pensioners are even poorer. This is why they travel on public transport no more than once a week. Instead, they spend all their money on medicines which are a daily necessity for virtually all of them.

The first things that draw attention are the high expenses of Ukrainians on food and non-alcoholic drinks. They constitute 53% of the total consumption set cost. This is the highest rate among most analyzed countries where people spend at least 1.5 times less on these items. Even the Congolese who import virtually all their food at world prices, since all they produce is sugar, coffee and cocoa, spend only 48% of their income on food.

To satisfy their own needs for food, Ukrainians are forced to spend too much money on it compared to other goods. However, the domestic cost of most food produced in Ukraine is lower than what it costs in the world. Apparently, it is the poverty of Ukrainians, not high prices that is the main reason for such high food expenses. Labour income which includes salaries and pensions is significantly lower in Ukraine compared to countries with a similar GDP per capita. The gap is at least 1.5 times - and twofold, given the fact that food is cheaper in Ukraine. How is this possible? Low salaries and pensions are offset in the structure of Ukrainian GDP with a significant share of taxes and non-labour income, such as the income of corporations, interest or rent, in the GDP. This illustrates how the oligarch monopoly dominates the entire country.

Believe what they say?

Annual CPI in Ukraine over the past two years

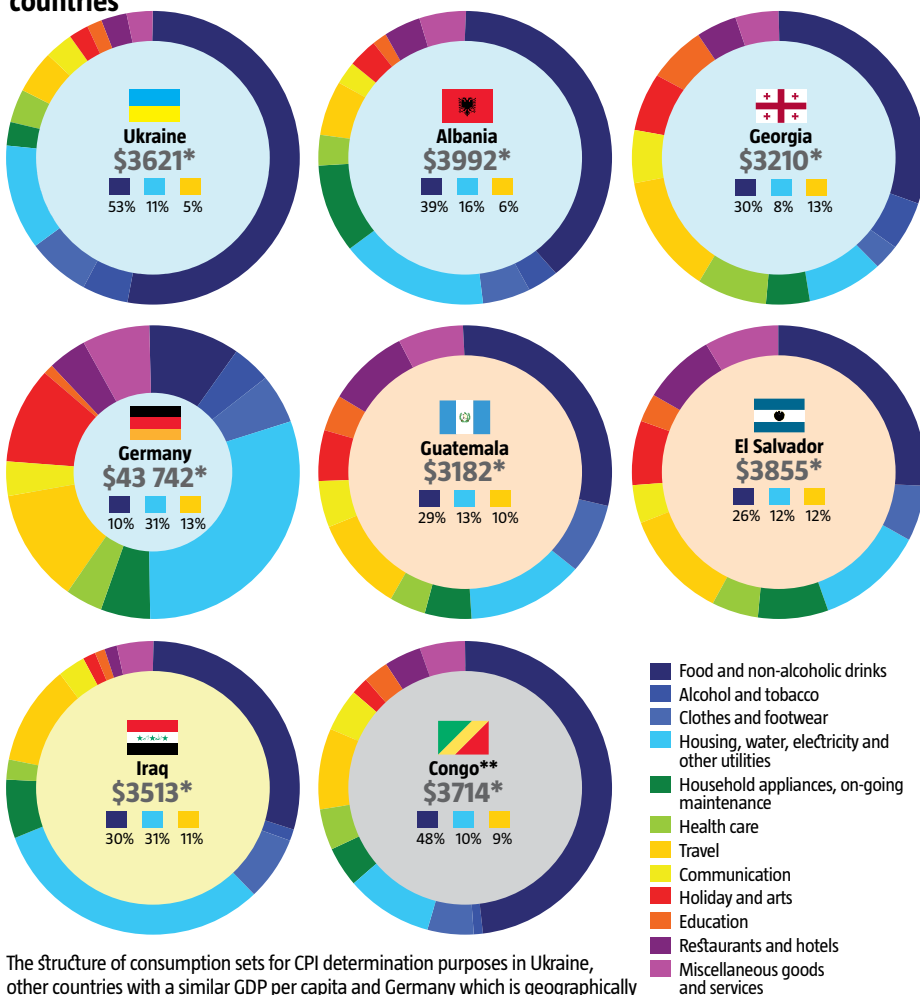


Since food and non-alcoholic drinks prevail in the Ukrainian consumption set, this item group has become the key target of an administrative struggle against inflation – with the authorities openly manipulating the figures. The government has compiled a list of socially important goods made up of 23 products. Bread, flour and buckwheat make up 20% of the total consumption set. 37% of it is the Food and Non-Alcoholic Drinks product group. The Ministry of Economy monitors the prices of these social goods twice a week and restrains overpricing with an iron fist. As a result, supplying many of those products to the market does not pay off, which is exactly what made buckwheat and flour disappear from the shelves in spring 2010 and fueled laments – or in some cases protests – among some bread makers. (Another example of the government's efforts at manipulating inflation rates was in 2010 when the price of buckwheat soared while grocery stores were forced to sell it at discount prices. The state monitoring method does not cover products on sale when calculating the inflation rate – **Ed.**)

The current consumption set structure leads to significant fluctuations in inflation rates, sometimes influenced by secondary factors. In Ukraine, for instance, pensioners and public sector employees are the poorest categories of the population. This means that they spend most of their income on food. Thus, whenever the authorities throw them a bone by raising their salaries or pensions slightly before yet another election, virtually the whole amount ends up on the food market with a relevant effect on the CPI. By contrast, whenever Ukraine collects record-breaking crops, such as in 2011, the CPI declines steeply – and tempts the government to take credit for it.

The shares of other product groups in the Ukrainian consumption set also raise suspicion. According to official statistics, for instance, the share of expenditures on housing, water, electricity, gas and other utilities eats up 11% of an average Ukrainian's budget. This is fairly low at first glance, only Georgia and Congo having lower utility rates. How-

Chart 1. The structure of consumption sets used for CPI determination in some countries



The structure of consumption sets for CPI determination purposes in Ukraine, other countries with a similar GDP per capita and Germany which is geographically closest to Ukraine and has one of the most developed economies

Official statistics

* Next to the country name is GDP per capita at 2011 market prices

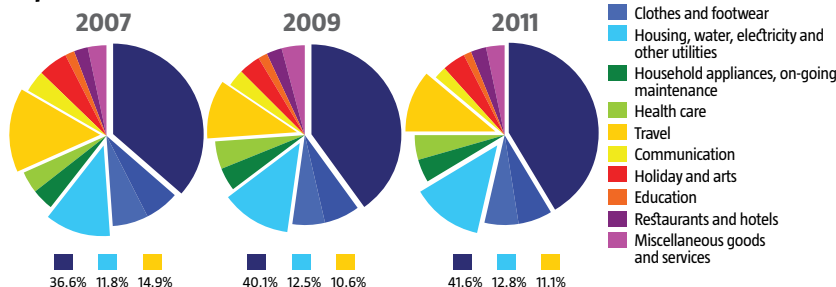
** The consumption set structure for Congo was determined for its two biggest cities, Brazzaville and Pointe-Noire, where 56% of the country's total population is located

ever, energy resources alone, such as electricity, gas and so on, account for 7% of the consumption set and make Ukraine the leader among all countries analyzed. Therefore, the government is reluctant to raise gas rates to an economically sound level, even if it drives Naftogaz of Ukraine bankrupt with this policy, out of fear that a gas price increase for the population which, directly or indirectly, determines 2/3 of all private expenditures, will be reflected in election results. Moreover, as part of the important product group in the consumption set, an unchanging gas price is an effective tool for the administrative struggle with inflation. This explains why the government maintains a stable gas price

for individual consumers so firmly, going so far as to ignore commitments to the IMF, whose loans determine how long it will stay in power.

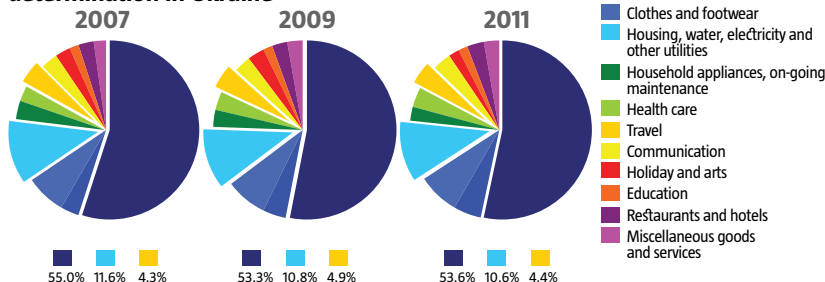
In its effort to restrain inflation, the government also manipulates expenditures on other components of the consumer basket. Transport accounts for a mere 4.7% of the consumption set which is lower than in the other countries included in the analysis. According to official statistics, petrol and motor oil make up 1.9% of the consumption set in Ukraine, compared to 2.7% in Salvador and more than 2% in Albania. However, the ratio of cars per 1,000 people there ranges between 50 and 90 compared to almost 180 in Ukraine. Can it be

Chart 2. The structure of final household consumption expenditure in Ukraine



Source: Estimates by the author and State Statistics Committee data

Chart 3. The structure of the consumption set for CPI determination in Ukraine



Source: Estimates by the author and State Statistics Committee data

that Ukrainian car owners drive two-three times less than those in Salvador or Albania, or that the actual share of the fuel and motor oil item in the consumption set is much higher? The latter assumption looks more credible. Given the long-lasting global trend of growing oil and oil product prices, the government is using the low share of expenditures on fuel as an effective tool in restraining inflation.

The improvement of the consumer basket – is there any?

The consumption set is supposed to accurately reflect the Ukrainian reality – which is hardly the case. A good reference point for the accurate measurement of the consumption set is final household consumption expenditure, which is taken into account in GDP calculation (see chart 2). Unlike the consumption set, this item covers all expenditures, not just those of most Ukrainians. This means that Vertu mobile phones, BMW X5s and similar products are included. Under this methodology, the share of expenditure on current basic necessities such as food, housing and the like, is much smaller in the consumption structure, compared to that in the consumer basket which is used to measure inflation rate in Ukraine.

Utility and electricity bills are eating up more and more of Ukrainians' expenditures even though the consumption set of official statistics reflect the opposite. And this is before the gas

price policy for the population is liberalized and raised to world levels. In other words, the share of this group in the consumption set is also unrealistically low.

Transport used to take up nearly 15% of Ukrainians' final consumption expenditure. After the crisis, the share shrank almost 1.5 times. This trend, however, barely made a dent in the share of this item on the official consumption set which has surprisingly grown slightly.

The composition of the consumption set which the Ukrainian government is using to calculate inflation, offers the following portrait of an average Ukrainian: poor, prone to the abuse of alcohol and tobacco, and only dreaming about eating out or going on a vacation. The policy to restrain inflation provides for the intentional overstatement of the share of so-called socially significant goods in the consumption set as a result of Ukrainians' low income which, in reality, often leads to considerable inflation rate fluctuations. In an attempt to restrain it, the government is making every effort to manually keep the prices of social goods stable, yet it sometimes gives in to the temptation of backstabbing, replacing the share of "disobediently" priced goods with those it can control. At times, this causes deficits and panic on some markets and distances the CPI even further from the actual inflation rate in Ukraine. ■

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Keep Pushing for Change

American journalist David Boardman talks about the challenges facing mass media in the digital era

In developed countries, the abandonment of print media monopolies in favor of online mass media has dissolved the barriers traditionally separating journalists and readers. In countries with restricted democracy, the Internet is a powerful domain where press freedom survives and civil society takes shape. David Boardman, Executive Editor and Senior Vice President of The Seattle Times and secretary of the Board of Directors of the American Society of News Ed-

Interviewer:
Olena Pototska

itors, talks to *The Ukrainian Week* about the challenges facing US online publications, why Americans praise their press and what Ukrainian journalists should do to create a real fourth estate.

UW: The Seattle Times has upgraded significantly over the past few years. It is now actively operating online. In 2012, the publication won a Data Journalism Award. What are the biggest challenges the publication has faced and what challenges lie ahead?

Our biggest challenges included the new rhythm. In the online world, people expect constant change and updates. Trying to juggle journalism in the on-

line regime and still doing in-depth, important journalism is the biggest challenge. Many US news agencies struggle with that and are not being successful. Many US publications thought it was a mistake to go and give the contents away online. A lot of papers provide free access to their online content for people who buy the actual newspapers. I think newspapers need to have an integrated economic strategy. Although The Seattle Times now offers free access to its website, we will have to change this.

UW: How did your relations with readers change after your publication went online?

In the digital world, so much more is about two-way and multidimensional communication. The conventional idea of newspapers is "one to many". In the digital world it's "many to many". We are to be in the center of a conversation, but the notion of news as a conversation is now replacing the messaging from the newspaper to the readers. Now we should be the honest brokers for the readers and sort out the most valuable information for them. We have a whole aspect of our operations focused on communication and public outreach. Sometimes we do crowdsourcing and use many ways, such as online chats, comments and public events, to get our audience involved. Every week, we bring people into our news meetings, allow them to share some of their ideas and see what they

think of what we are doing. Some of our best investigation ideas have come from the readers.

UW: The Seattle Times is known for its investigative journalism. It has received the Pulitzer Prize nine times since 1950, including one in 2012. Some assume that online media is not a good format for analytical and investigative journalism because people read only short stories and look at pictures online. Do you agree with that?

I think print is the best place to unveil large investigative stories. Online delivery provides invaluable additional tools to show videos, animation, interactive graphics and original documents. And it allows people all over the world who would never read the print version to see your work. For instance, our 2012 Pulitzer Prize winning investigation called “Methadone and the Politics of Pain” had a huge impact all over the USA. As a result, the state took methadone off the preferred drug list and doctors stopped prescribing it in Washington State, and many other states are now following suit. The idea is to be able to use the whole variety of platforms including not just online, but mobile phones and tablets. The key task is to think what the unique value of each platform is.

UW: Ukrainian oligarchs and the government use the media for their own purposes, while media owners are most often not interested in honest investigative journalism, which is quite costly. What is the situation with it in the US?

I think that ultimately it comes down to market forces. We have a saying that people get the journalism they deserve. People must show what they value. When we do market research in our community and ask people about their first impression of The Seattle Times, the most important thing they overwhelmingly value in the publication is investigative reporting. It is expensive. Our methadone investigation cost us nearly \$250,000. But we have

raised the price of our newspaper by 40% in the last five years and we’ve lost very few readers. People are willing to pay for quality. Investigative reporting is not only an honourable and idealistic thing to do – it is economically sound too.

The Seattle Times has become the second biggest newspaper on the West Coast of the US. Our webpage gets about 7 million unique visitors per month which is extremely high performance for a local newspaper. The most significant reason for this is that we give people news they can’t get anywhere else – and most of it is investigative news. The more good stories you do, the more good stories you get: the public sees that you are willing to do this and gives you tips.

Maybe some Ukrainian media owners will eventually say “Let’s try it!” and their newspapers will become the most popular publication in the country. One time, we revealed unfair labour practices at a local company. They were our second biggest advertiser paying us millions of dollars a year. Their president went to our owner and said that if we didn’t stop publishing the stories, they would pull all their advertising from our paper. Our owner used a rude two-word phrase in response and the company pulled all their advertising from The Seattle Times. But it showed the community that we were willing to stand up to their pressure. Over time, we made the money back with community support.

UW: The problem is that Ukrainian media typically survive on proceeds from advertisers or subsidies from their owners. And the biggest Ukrainian media are owned by oligarchs or the state. As a result, little space is left for journalists...

The government in any country will always try to shut down access to information. It happens all the time in the US. If times are hard for free press in Ukraine today, journalists should find a way to change this. You have to support each other and make decisions jointly. You just have to keep

pushing. The good thing is that there are so many tools to do this. Digital journalism can reach a lot of people across borders, and inspire international pressure. The protest that happened at the World Newspaper Congress in Kyiv had worldwide coverage. My brother in Oregon sent me an email saying that he saw it. That sort of pressure can create real changes. It will not happen overnight but it will definitely change.

UW: Even the best journalistic investigations elicit no reaction from Ukrainian politicians today. As a result, people do not believe that newspapers can change anything. Is this



DIGITAL JOURNALISM CAN REACH A LOT OF PEOPLE ACROSS BORDERS AND INSPIRE INTERNATIONAL PRESSURE

true for the US as well?

It’s important to keep in mind that your society is very new at this. At a similar point in history, American society was not getting effective investigative reporting, not getting the change. But it has had free press for over 200 years now. However, we have not exercised this privilege until about the last 40 years. I urge you to not waste that much time before you exercise yours.

Of course, investigative reports sometimes fail in the US, too. We’ve done several investigations that show the failure of American gun control laws. However, the lobbying group – the National Rifle Association – is so powerful in the US that almost all efforts to regulate guns are futile.

There are cases where we reveal something and it takes many years for the system to catch up. But I can’t think of any very important story that didn’t ultimately make a change. It’s mostly a matter of how long it takes. Sometimes change happens the next day; sometimes it takes years. Very often, the pressure comes from advocates energized by what we have done, not from us. ■

Free to Choose

Governments and internet firms are wrestling with the rules for free speech online

The arrest of a senior executive rarely brings helpful headlines. But when Brazilian authorities briefly detained Google's country boss on September 26th—for refusing to remove videos from its YouTube subsidiary that appeared to breach electoral laws—they helped the firm repair its image as a defender of free speech.

Two weeks earlier those credentials looked tarnished. Google blocked net users in eight countries from viewing a film trailer that had incensed Muslims. In six states, including India and Saudi Arabia, local courts banned the footage. In Egypt and Libya, where protesters attacked American embassies and killed several people, Google took the video down of its own accord.

The row sparked concern about how internet firms manage public debate and how companies based in countries that cherish free speech should respond to states that want to constrain it. (Freedom House, a campaigning think-tank, reckons that restrictions on the internet are increasing in 20 of the 47 states it surveys.)

In June Google revealed that 45 countries had asked it to block content in the last six months of 2011. Some requests were easily rejected. Officials in the Canadian passport office asked it to block a video advocating independence for Quebec, in which a citizen urinated on his passport and flushed it down the toilet.

Most firms do accept that they must follow the laws of countries in which they operate



(Nazi content is banned in Germany, for example). Big internet firms can prevent users accessing content their governments consider illegal, while leaving it available to visitors from countries where no prohibition applies. Some pledge to be transparent about their actions—Twitter, like Google, releases six-monthly reports of government requests to block information. It also alerts citizens when it has censored content in their country.

TELL US WHAT YOU DID

Legislators in America want more firms to follow suit. In March a congressional subcommittee approved the latest revision of the Global Online Freedom Act, first drafted in 2004. This would require technology firms operating in a designated group of restrictive countries to

publish annual reports showing how they deal with human-rights issues. It would waive this for firms that sign up to non-governmental associations that provide similar oversight, such as the Global Network Initiative. Founded in 2008 by Google, Microsoft, Yahoo! and a coalition of human-rights groups, it has since stalled. Facebook joined in May but only as an observer. Twitter is absent, too.

Managing free speech in home markets is hard too. American websites enjoy broad freedom but most users support policies that forbid hate speech or obscenity, even when these are not illegal. Well-drafted community guidelines give platforms personality (and reassure nervous parents). But overzealous moderation can have “absurd and censorious” results, says Kevin Bankston at the Centre for De-



mocracy and Technology, a think-tank. Citing rules that prohibit sexually loaded content, Facebook last month removed a New Yorker cartoon that depicted a bare-chested Eve in the Garden of Eden. It also routinely removes its users' photos of breast-feeding if they show the mother's nipples, however unsalacious the picture may be.

Commercial concerns can trump consistency. In July Twitter briefly suspended the account of a journalist who had published the e-mail address of a manager at NBC while criticising it for lacklustre coverage of the London Olympics. Twitter admitted it had monitored tweets that criticised the firm (a business partner) and vowed not to do so again. Automated systems can also be too zealous. Citing a copyright violation, YouTube's robots briefly blocked a video of

Michelle Obama speaking at the Democratic Party convention on September 4th (perhaps because of background music). In August official footage of NASA's Mars landing suffered the same fate. Jillian York at the Electronic Frontier Foundation, a free-speech group, thinks some services refuse to host any images of nudes, however innocent or artistic, because they can trigger anti-porn software.

Aware of the problem, web firms are trying to improve their systems. Facebook's reporting tool now helps users resolve simple grievances among themselves. Tim Wu at Columbia Law School speculates that video-hosting services may one day ask committees of users to decide whether to allow sensitive footage to be shown in their countries. Europeans untroubled by nudity might then escape American advertisers'

prudish standards. But it would be hard to enforce on social networks that prize their cross-border ties.

Simpler remedies might make users happier. Rebecca MacKinnon, an expert on internet freedom, says web firms act as "legislature, police, judge, jury and executioner" in enforcing moderation policies and should offer their members more opportunity to appeal. Marietje Schaake, a Dutch politician helping to formulate European digital policy, thinks web users wanting to challenge egregious judgments



CHANGING THE LAW IN SOME COUNTRIES COULD HELP PLATFORMS AVOID BAD DECISIONS

need more help from the law.

Changing the law in some countries could help platforms avoid bad decisions. Some governments menace web firms with antiquated media laws that consider them publishers, not just hosts, of their users' content. In 2010 an Italian court handed down suspended jail sentences to three Google executives after a video showing the bullying of a disabled boy appeared on YouTube—even though the firm removed it when notified. Sites in countries with fierce or costly libel laws often censor content the moment they receive a complaint, regardless of its merit. England (Scotland's legal system is different) is changing the law to grant greater immunity to internet platforms that give complainants easy access to content originators.

Some users value avoiding offence more highly than the risk of censorship. The majority see things the other way round. So internet firms will never please everyone. But good laws at least point them in the right direction.

Correction: An earlier version of this article said that only four countries asked Google to remove items from its services in 2002. That is actually the number of countries in which the OpenNet Initiative, a group that monitors online censorship, found evidence of government filtering. Sorry. ■

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Slavery Severodonetsk-Style

How an oligarch-controlled economic model destroys an individual city

Authors:
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Koštiantyn
Skorkin

Dmytro Firtash is among the oligarchs who benefitted from the 2010 shift in the government. Over the past few years, his business empire has expanded by a few dozen new assets. In the past few months alone, his GazTek company bought the blocking stakes at the Mykolayiv, Ivano-Frankivsk, Sevastopo, Dnipropetrovsk, Volyn, Zaporizhzhia, Luhansk and Vinnytsia gas companies. Add all these gas companies to the biggest Ukrainian chemical plants, including Azot in Cherkasy, Stirol in Horlivka, Rivne-Azot in Rivne and Azot in Severodonetsk, which have recently been acquired by Dmytro Firtash, and we have one huge gas and chemical monopoly.

According to *The Ukrainian Week's* sources, the high rate of expansion in the given industries are first and foremost connected to Mr. Firtash's intent to use up the 12bn cu m of gas which Naftogaz of Ukraine NJSC had to transfer to Firtash's RosUkrEnerg under the ruling of the Stockholm Court of Arbitration. This has kept the oligarch busy for the past two years. Rumour has it that the multimillionaire is not planning to further support the purchased plants, but intends to sell them off at a profit. The processes observed at

Firtash's plants today appear to confirm this.

One of his biggest prizes was Azot, a chemical fertilizer plant in Severodonetsk. According to *The Ukrainian Week's* sources, the conditions there became prison-like after Firtash got his hands on it: the employees are treated no better than cannon fodder. Information about the tough working environment at his plants surfaced earlier in other media: Firtash's executives have been cutting production lines and letting people go on a massive scale and out of the public eye at all the plants bought by the oligarch, especially in Luhansk Oblast. Those who remain face new, tougher working conditions.

The Ukrainian Week's visit to Severodonetsk confirmed just how quickly the arrival of a new owner can change the life of a plant that supports the entire city built around it.

BEHIND BARBED WIRE

Our first hours in Severodonetsk show how introverted and closed the city is. Anyone who is somehow related to Azot refuses to say anything at all about the plant as soon as they see the recorder. "We don't need trouble. We have families to feed," they say. However, some can no longer keep silent.

"Today, Azot is a jail behind barbed wire," Oleksiy, a worker at one of the workshops, explains. "We are paid peanuts compared to many less profitable plants in Donbas. An average salary here is UAH 3,000 (USD 375 – Ed.). People are forced to work here because there is no alternative. The city has literally no other plants and no new jobs have been created over the past two years. Many people do not want to be slaves and flee the plant. The overall atmosphere is of fear and intimidation. Everybody feels like small cogs in a huge wheel that can be thrown out anytime, no matter what."

When Firtash bought the plant in February-March 2011, all executives who were linked to the ROVT Group and Oleksiy Kunchenko – the former owners of Azot – and ran key operations at the plant were dismissed and replaced with their former first deputies. As a result, the new owners ended up with a loyal administration. "The management is now at the level of the red directors of the 1970s," says a middle-level manager off the record. "When I talk to these people, I have the impression that I'm at a Communist Party session: they all chant 'we can do it', 'we will do it' and 'we will reach our goal'. At the same time, they do

not care a thing about the common workers.”

There are currently 7,800 employees at the plant, compared to 15,000 during the Soviet era and nearly 11,000 in 2010.

“There are constant redundancies at Azot, though the administration prefers to keep this quiet,” says a local unemployment centre employee, off the record. “They pretend that this is a random rather than centralized process. In other words, no-one is let go because of ‘redundancy’. Instead, they create conditions whereby employees have no choice but to quit voluntarily or find other convenient excuses to fire employees. Say, you leave the canteen which is 15 minutes away from the workshop and return 5 minutes late from lunch. You are immediately asked why you are late, and they start threatening to fire you unless you quit voluntarily. Local people do not know the laws well enough to resist, so they quit. The administration never fires people ‘upon the mutual agreement of the parties’.” If it did, it would have to pay severance benefits to the laid-off employee.

The previous administration mostly tried to let go employees that were over the retirement age and unskilled workers. Now, people of working age and with high qualifications are being let go. According to the Severodonetsk unemployment service, one or two employees are got rid of every day at Azot.

The plant’s administration has another effective scheme for the large-scale and efficient reduction of staff. Virtually all vacancies the plant submits to the unemployment centre are for invalids. In reality, the vacancy offers physically handicapped people a minimum salary for cleaning a four-storey workshop. Clearly, nobody will ever get the job, which is exactly what the administration wants. “The Fund for Invalids now requires all companies to meet their quotas for the employment of invalids,” explains the unemployment centre employee. “Companies failing to meet it pay huge fines. Needless to say, Azot does not hire anyone. Yet, it goes so far as to sue the Fund for Invalids under the pretext that the unemployment cen-

tre does not fill the vacancies it submits.”

“In addition to cutting staff, the administration is closing down what used to be the plant’s key production lines,” says Oleksiy Svetikov, a public activist in Severodonetsk. “They’ve already shut down the production of household chemicals, white glue and adipic acid. Azot’s R&D lab was recently closed down. Out technologies are obsolete, so the new owner’s intent to cut unnecessary expenditures is justified. There is just only question – is all of this being done for income alone?”

RUINING THE CITY

“Severodonetsk sleeps under one blanket,” the unemployment centre employee says. “Everyone knows everyone else and virtually all of the people here are somehow linked to Azot. There is a population of 122,000 and at least half depend on the plant. The city was built by Azot employees around the plant. Now, Severodonetsk breathes in chemical fumes every day. Therefore, the plant should at least support proper health care in the city, if not be a major player in the formation of the city, not just buy it off with 10 trolleybuses which was Azot’s only contribution to city life over the past two years.”

The process known as the divesting of non-specialized assets, whereby Azot is palming off all social responsibilities to the city that was specifically built around it and cannot survive without its contribution, began in 2005 when the ROVT Group scandalously privatized the plant. Under ROVT, however, the plant’s rejection of its social responsibilities was quite gradual. As soon as it came under the control of Firtash’s structures in 2010-2011, the administration stopped even pretending that it was interested in anything other than a quick profit. The position of the current owners is simple and clear: we pay our taxes. The rest is none of our business. Meanwhile, the lion’s share of the taxes paid by Azot now goes to Kyiv, where the corporation’s headquarters are located, not Severodonetsk.

“Azot used to be the key part of all processes in town,” explains the unemployment centre em-

Cyprus-based offshore Ostchem Ventures Limited is the owner of
100%
of Azot

ployee. “It was the plant that funded education, health care, utility providers, kindergartens, the construction of new housing and so on. When Firtash’s people came to the plant, it withdrew from all social projects that did not bring profit in cash (having said that, the process had already started under the previous administration headed by Oleksiy Kunchenko). The only facility it still supports is a clinic, but it only services the staff and does not provide any real treatment. Azot simply does not have the right not to contribute to the life of the city.”

This practice may result in a disaster for the typical industrial city that loses its essence without the plant it was built around. The experience of many cities and towns in Donbas, Dnipropetrovsk and other industrial areas in Ukraine, shows that rapid re-organization, restructuring or switching to different industries in similar plants results in socio-economic collapse. People lose all

AFTER AZOT CAME UNDER THE FIRTASH'S CONTROL, THE ADMINISTRATION STOPPED PRETENDING THAT IT WAS INTERESTED IN ANYTHING OTHER THAN A QUICK PROFIT

means to survive. There is hardly anywhere else to work, other than at the plant – small businesses are too few in the city to provide jobs for the greater part of the population. As a result, people move out en masse, leaving desolate districts or entire towns behind.

Rumour has it in Severodonetsk, at the plant and even at the Ministry of Industry in Kyiv, that Dmytro Firtash has instructed administrations at all the plants under his control to minimize expenditures by any possible means and to focus on production lines that are the most profitable at this point. This is very reminiscent of the strategy to earn quick and easy money without making any strategic investment, then sell on the assets before their value plummets. Nobody seems to care about the future of the city and the citizens who have fallen hostage to the oligarch’s business model. ■

A Sweet Lure

Monopolization, dictated by the imperial economic model, already hurt Ukraine back in the 19th century as clearly evidenced by sugar production, one of its most developed industries at that time



Author:
Oleksiy
Sokyrko

In addition to “salo” – pork fat, sugar is known as “our everything” in Ukraine. Most Ukrainians, especially of the older generation, will never forget Soviet queues and ration cards. Even today sugar is an indispensable part of “gift packages” with which MP hopefuls are trying to bribe the electorate on the eve of parliamentary elections. It appears that this staple has never been out of the people’s varying rations in the past 100 years, and the government continues to measure the efficiency of the national economy by the volume of its supply. Periodic shortages, however, are somewhat paradoxical, considering that Ukraine has been one of the world’s biggest sugar producers for over two centuries.

FROM SUGARCANE TO SUGAR BEET

India is traditionally considered to be the country of origin for sugar, or sucrose in scientific terminology. This is where this crystalline product (Sanskrit *śarkarā* for sweet) was allegedly obtained for the first time. Through Arabs, who called sugar *sukkar*, the word found its way into all European languages, including Ukrainian.

In truth, as archaeological and ethnographic studies show, the sweet sap of sugarcane was known to residents of New Guinea back in the 8th millennium BC. From there the technology was transferred to Polynesia and then through the Philippines, reached China and

India, where manufacturing technology was developed and trade grew from the 8th to the 6th century BC. European civilizations used honey as the only sweetener for most of their history. It was only during the Hellenic era, after the conquests of Alexander the Great greatly expanded the horizons of the European world, that Europeans learned about sugarcane and sugar itself.

Curiously, this expensive sweetener was initially used largely as a pharmaceutical ingredient (considered to be a valuable aphrodisiac) and less so as a food additive. Arabs, who developed sugarcane plantations in the Middle East, helped sugar become more common in Eu-

Ukraine's sugar oligarchs of the 19th and early 20th cen- turies



Vasyl
Symyrenko
(1835-1915)



Oleksi
Bobrynsky
(1800-1868)



Lev Brodsky
(1852-1923)



Nikola
Tereshchenko
(1819-1903)

mas or a family celebration. It was added to dishes (and not only desserts) served to senior officers and the nobility, while ordinary people continued to use honey.

The slow decrease in the price of cane sugar and unstable saturation of the market with sugar due to monopolist cartel deals and natural factors, led to Europeans being increasingly forced to look for possible replacements or alternative raw materials to produce sugar. Ordinary beetroots, the sweet characteristics of which were described by Renaissance scholars, proved to be the most promising. In 1747, Andreas Sigismund Marggraf (1709-1782), a Prussian chemist, carried out a series of experiments which showed that beets had the highest sucrose content of all root crops. And although these results were only of use to the manufacture of sugar four decades later, it signaled the beginning of the end of the monopoly enjoyed by colonial sugar producers. Prussia, which had few agricultural resources, was the first to pay attention to the discovery. Within several years, beet sugar production became one of the economic priorities of Napoleon, whose empire was suffering from a continental blockade imposed by Great Britain, possibly the largest European importer of sugar at that time. These are the countries of origin for two famous companies, Vilmorin and Rabbethge & Giesecke (later Klein Wanzleben), which were the pioneers of sugar manufacturing technology and quality standards for many years.

Ukraine's first sugar beet processing sugar plant was founded in Bershad, Podillia, in 1827 by Polish nobleman Maszkowski, who had previously closely studied the latest technology in France. With time, the number of such plants steadily grew: 6 in the 1830s and 229 in the mid-19th century, which was 60% of the total capacity in the Russian Empire.

Two factors contributed to the rapid expansion of sugar production in Ukraine. First of all, favourable natural and climatic conditions enabled the growth and selection of varieties of beets with a high sugar content; secondly, the specific economic system prevalent in the region,

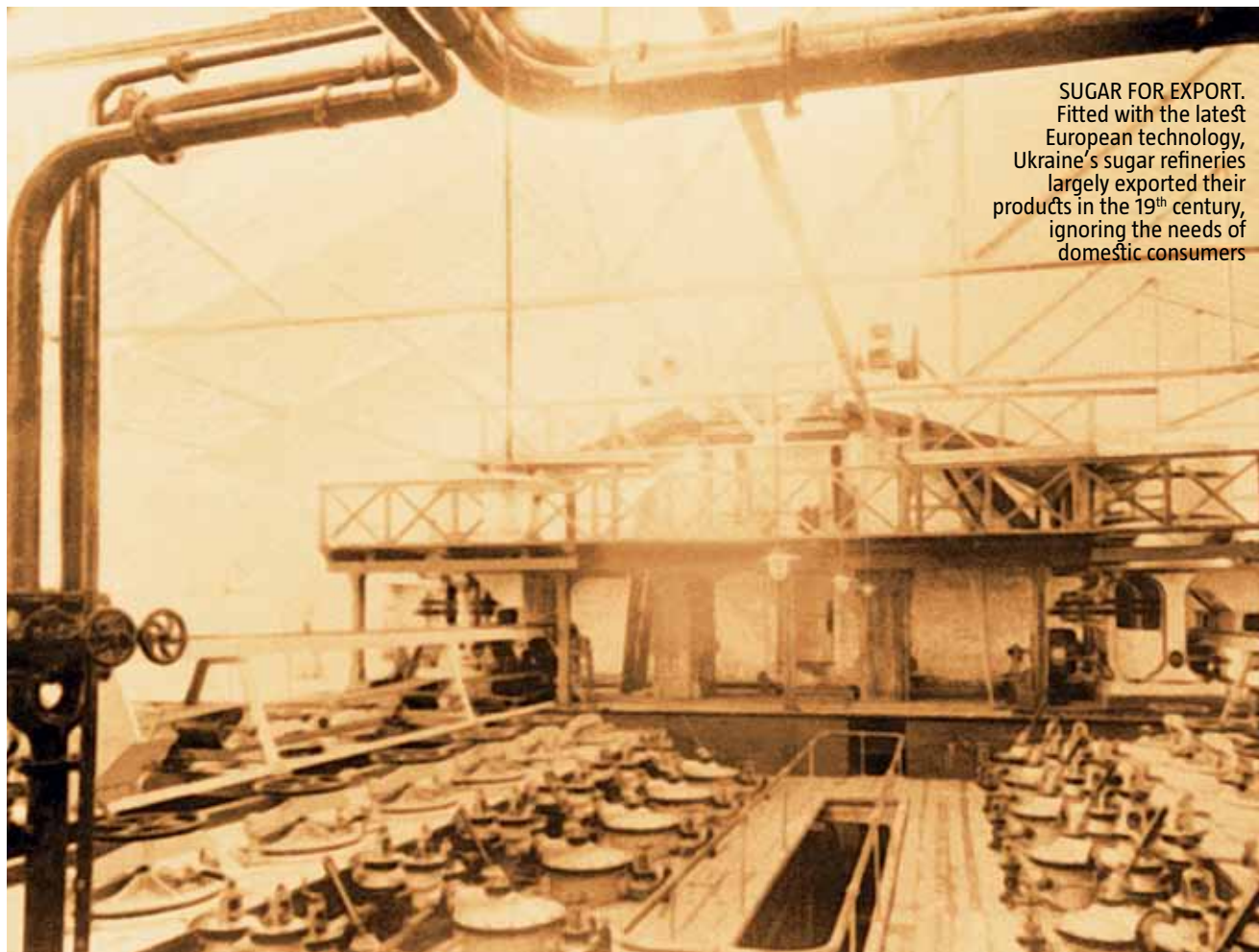
whereby most of the land was in the hands of large landowners who exploited serfs at no cost to themselves. Remarkably, by the end of the century the majority of sugar plants were concentrated in Right-Bank and Left-Bank Ukraine where the percentage of land owned by large landowners and worked by serfs ranged from 35 to 80. The sugar industry did not take root in southern regions despite equally favourable natural conditions. Low prime costs and stable demand for sugar led to a situation whereby for a long time, plant owners refrained from implementing technological innovations and expanding production. Sugar plants worked on a seasonal basis (starting in autumn) using very primitive technology: tin graters with weighted levers were installed in what were once stables or barns, with which sap was squeezed out of grated beets. The sap was then pressed through sackcloth and crystalized in pans.

PROGRESS TO NOWHERE

The government acted favourably towards the first promoters of sugar production: imposed high import duties, allowed the tax-free distillation of molasses into alcohol and offered other tax benefits. The situation changed dramatically with the beginning of the industrial boom in the 1860s-1870s, when agricultural reform forced a huge number of out of work peasants onto the labour market. At the same time, the government's financial measures led to the liberalization of the economy. In the second half of the 19th century, Ukrainian sugar plants produced over three million poods of sugar per annum, which was nearly 80% of the empire's total production. Moreover, half of all sugar refineries (a fashionable technological innovation of the time) in the Russian Empire were located in Ukraine. In spite of some owners going bankrupt, total output increased. Small and medium-sized enterprises were replaced by gigantic plants which used new imported equipment and were located close to railway branch lines. By the beginning of the 20th century, the number of sugar plants fell by about 33%, while sugar production increased almost fivefold. »

rope, but cane sugar was virtually inaccessible to average consumers throughout the Middle Ages and the early modern history. To a certain extent, great geographical discoveries transformed the situation, as Europeans established high-yielding, extremely profitable (due to slave labour) plantations of sugarcane in the New World. Middle Eastern monopolist sugar producers were replaced by their West European counterparts: the Portuguese, Spaniards and in time, the British and the French.

Nevertheless, cane sugar was an exclusive product in Central and Eastern Europe until the mid-19th century. In Cossack Ukraine, a sugar loaf was a worthy and expensive gift for Christ-



SUGAR FOR EXPORT.
Fitted with the latest European technology, Ukraine's sugar refineries largely exported their products in the 19th century, ignoring the needs of domestic consumers

However, this did mean increased consumption. The low purchasing power of the majority of the population and the narrowness of the market made competition between sugar producers increasingly tough. Towards the end of the 19th century, the industry experienced two overproduction crises, which forced sugar magnates to ask the government to remove export excise duties, increase government purchases and regulate production volumes. The news of the deal about to be struck between sugar oligarchs and the ruling bodies was leaked to the press, sparking a scandal, after which the government did not dare meet the demands of the producers. In response, the oligarchs built a regulatory structure on their own. In late 1887, the major players established a syndicate at a congress in Kyiv, which within several years, absorbed 91% of all sugar plants in Ukraine. The monopolization of the plants allowed high prices to

be maintained and control of the sales markets.

Prices were not only fixed for granulated and refined sugar, but also for the beets purchased to meet the needs of sugar plants. This cut the ground from under peasants' feet. The pursuit of profits caused an outrageous

farming. In some districts, up to 80% of all arable land was under sugar beet.

Having become a true sugar empire, Ukraine had probably the lowest sugar consumption levels in Europe. Sugar cost 1.5-3 times more in Kyiv than on the London agricultural exchange, while average annual consumption in Ukraine barely reached British levels from the early 17th century. The lack of sugar, exported at give-away prices, was compensated on the domestic market with either traditional honey (which perpetuated old-world wild-honey farming and beekeeping) or with surrogates imported from Germany.

SWEET OLIGARCHS

The collective portrait of Ukraine's first sugar oligarchs is quite specific. Initially, sugar plants belonged to large Polish magnates and rich nobility who had a sufficient free labour force at their disposal. They operated

THE PROSPERITY MODEL OF SUGAR OLIGARCHS WAS IN FULL ACCORD WITH THE RULES FOR CONDUCTING BUSINESS IN THE RUSSIAN EMPIRE

disproportion in the internal structure of agricultural production in three Right-Bank provinces – Kyiv, Volyn and Podillia, which jointly produced up to 70% of sugar in the empire. In these regions, sugar refining accounted for 85% of all agricultural production and essentially marginalized other branches of

on a seasonal basis, with a low degree of mechanization. Thus, for a long time, owners had no need for qualified personnel, except for a small number of mostly foreign technologists and engineers who worked on a contractual basis.

After serfdom was abolished, sugar plant owners continued to deal with semi-proletarian seasonal workers who were driven to them by the lack of food and farmland in rural areas. Unskilled labourers were a cheap but explosive force. After several high-profile uprisings at sugar plants and distilleries, the tycoons learned to handle them with care. Without any significant wage increases, they set up medical centres and hospitals at their plants and began to build housing for workers. Some entrepreneurs, such as the Symyrenkos, even opened schools, libraries and amateur theatres. In any case, this "philanthropy" was not so much an expression of humanism as an investment in their own security.

A large number of sugar oligarchs did not spend much even on these preventive measures. For example, one of the founders of sugar refining in Ukraine, Oleksiy Bobrynsky (1800-1868), was more concerned with having a selective beetroot-growing station and a college for training technologists. Through his relatives in Kyiv, he also successfully lobbied for the construction of a train station near his plant in Smila – needless to say, not for the transportation of passengers.

Researchers have found that sugar output peaks at Ukrainian plants coincided with record beetroot harvests. Thus, higher production volumes were caused by favourable weather conditions rather than higher productivity, modernized equipment or improved technology.

In the mid-19th century, a number of entrepreneurs from lower social classes joined the sugar business, which crowded the scene previously populated only by the nobility. Artemiy Tereshchenko (1794-1873) is a classic example of a newly rich sugar oligarch. He was a descendant of Hlukhiv-based Cossacks and made a fortune in the grain supply business during the Crimean War. Just like today,

winning a tender for government purchases in the Russian Empire was a matter of connections, kickbacks and patronage. Tereshchenko invested the profits he made in sugar plants, at the same time purchasing land for beet plantations from poor landowners.

The Brodsky family was, to an extent, a landmark phenomenon in the sugar oligarchy. Initially, they rented sugar plants but later, in the 1840s, built their own in the Kyiv province. This dynasty owned nine plants in the 1880s and 17 in the 1910s. Lev Brodsky (1852-1923), one of the most prominent representatives of the family, is often mentioned for his philanthropic activities, such as financing the Kyiv Jewish Hospital and the First Kyiv Commercial College. What is omitted, though, is the fact that he was one of the most active founders of the odious sugar syndicate in 1887 and the sugar refiners' syndicate in 1903.

Most lower-class owners of sugar refineries eagerly obtained high ranks and offices, but they were not driven simply by plebeian conceit. Lev Brodsky had the rank of a State Adviser (an equivalent of army brigadier, giving the family hereditary nobility) which was a significant accomplishment for an orthodox Jew from a modest Jewish family. Tereshchenko's sons and grandsons had the same rank in the empire's bureaucratic system and in addition to everything else, endeavoured to be involved in various charitable organizations, supervised by influential nobles and members of the imperial family. It is well-known that access to the emperor always opens the doors to riches.

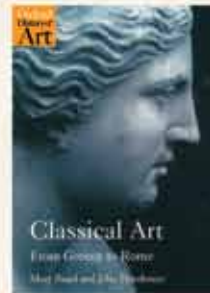
The prosperity model of sugar oligarchs was in full accord with the rules for conducting business in the Russian Empire: no transparency, competition or equality before the law and an emphasis on family connections, bribes and government offices that enabled lucrative business transactions. Conscience? Godliness? Public opinion? That is what sponsored projects, hospitals, museums and philanthropic societies were for. Oligarchs did not stint on them – just like today. ■



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Sharp Pencils Shape Politics

American readers and editors prefer more edgy cartoons these days

Interviewer: **Dmytro Hubenko**

The Ukrainian media has been using fewer and fewer cartoons, especially political ones. This is mostly caused by self-censorship in the local media environment. Many media owned by oligarchs and those in power are afraid to criticize their owners and prefer to keep critical cartoons out of the public eye. The US is also seeing fewer cartoons these days. However, this is guided by the market as many print publications are switching to an online format. Pulitzer-winning cartoonist David Horsey talks to *The Ukrainian Week* about cartoon art in America today.

UW: Your section on LATimes.com is one of the most popular sections. Are cartoons so popular

in the US in general? They were a very popular component of Ukrainian newspapers during Soviet times, but now their popularity is fading.

Maybe it is not quite that bad in the US, but it is similar - partly because there are fewer newspapers. In the past, newspapers used to employ one, two or three cartoonists. Those times are gone. I belong to the Association of American Editorial Cartoonists, and its membership has dramatically fallen in last few years. I think cartoons are very popular with readers, but I don't think they are popular with editors! I think it is wrong. But what is good about the online environment is that you know exactly how many people are reading cartoons. In the newspaper you

Events

26 – 28 October, 7 p.m.–

Jazz in Kiev 2012

**Zhovtneviy Palats
(October Palace)
(1, vul. Instytutska, Kyiv)**

The major jazz happening in Kyiv celebrates its fifth birthday this year with musicians coming from seven countries of the world, including Japan, Sweden, USA, Poland, Norway, Mexico and Ukraine. The first day of Jazz in Kiev 2012 will be opened by Kiev Big Band, a well-known Kyiv-based orchestra. The second day will kick off with *Liberetto* by Swedish musician Lars Danielsson and special guest Leszek Możdżer. The brilliant quintet of American pianist Kenny Werner will be the dessert on the third day of the festival.



3 November, 7 p.m. —

Vienna Waltz

**T. Shevchenko National Opera
and Ballet Theatre
(50, vul. Volodymyrska, Kyiv)**

The essence of the ballet, choreographed by Aniko Rakhviashvili, lies in the story of the birth of music in the world of human feelings, sentiments and passions. Composer Franz cannot understand whom he really loves – a simple girl, Annelie, or well-known ballet dancer, Karla, drawing inspiration from this war raging within him. The choreography is staged to music, composed by renowned Austrian composers, Strauss father and son.



6 November, 7 p.m. —

Kings of the Dance

**T. Shevchenko National Opera
and Ballet Theatre
(50, vul. Volodymyrska, Kyiv)**

The world's best dancers will come to Kyiv to present a ballet blockbuster for the Ukrainian audience. It features five premieres of the world's best theatres. Over the 6 years of its existence, professional ballet dancers have been involved who, with good reason, are extolled as kings of the dance, pouring all their emotions and efforts into

the dance so that it comes to the audience from the whole of their being. Participating dancers come from Ukraine, America, Russia and Canada.

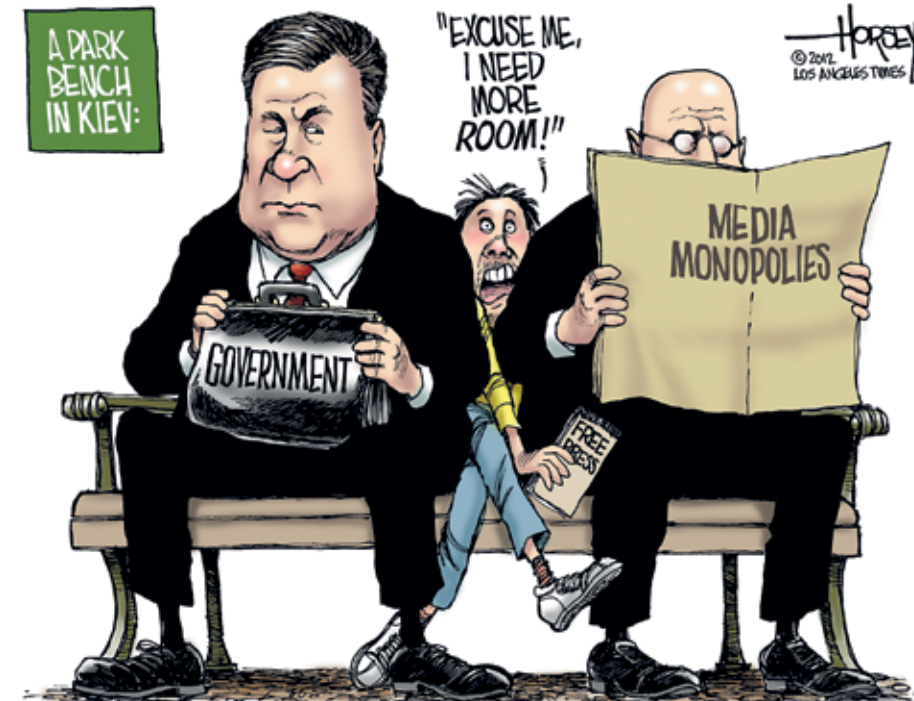
don't know that number. I think one of the reasons why my cartoons are among the most popular things on the website of the Los Angeles Times is simply that they are cartoons, not because I am so brilliant. People like cartoons!

UW: What do you do first – the text or the drawing?

It just depends on the first inspiration. It is interesting – now that I have text I don't need to explain much in the cartoon. Sometimes cartoons have too much information. Now it is much more simple and straightforward. If people feel confused, they can always read the column.

UW: When attacking some issues or personalities, do you think a political cartoonist should have some taboos? Do you have any?

I don't have too many taboos. I don't think I'll draw Mohammed! If there is a sensitive subject – religion, race, ethnicity – I try to make it very clear that I'm talking about an individual. That is very difficult to do in cartoons, because they are all symbolic. So, I try to be as specific as possible. But I am freer to do more outrageous things online. Traditionally, American newspapers were family newspapers – the children could see them. Sometimes that would limit the cartoonist. The internet is much more open. The editors actually like



if we can have a little more edge online, because it adds traffic.

UW: Freedom of speech is severely oppressed in Ukraine. What is your advice for Ukrainian journalists in this situation?

All Ukrainians, especially people in the government who think that it is a clever idea to suppress the media, should look at the most successful societies in the world – the US, Britain, France, Australia, Japan. They all have free media. Even if it is annoying and making governance more difficult, free soci-

ety is more successful. The more ideas are out there, the more good things will happen. Politicians in the United States are never happy with the media. But somehow even they realize that it works. Having all these ideas and debate is good for society in countless ways. As for Ukraine, few powerful people may be better off controlling the media, but not society as a whole. So, people can arrange a sort of a quiet revolution demanding to have free speech and free press. I don't think Ukraine may be as successful as it should be without that. ■

Through 7 November — 10 November, 7 p.m. — From 15 November
Watercolour Rhapsody IAMX New British Film Festival

Attribute Gallery
(30B, vul. Shovkovychna, Kyiv)

Valeriy Viter's art project should be viewed as the reflection of two sides of his persona – as a musician and an artist. The symbolic title of the show hints that music and visual art are equally important in the artist's creative career. Valeriy Viter took inspiration for the series from the cities of Europe, Asia, Australia and America, which he toured as part of the Kobza ensemble. Today, the music sounds from his paintings, and can be seen in art galleries all over the world.



Crystal Hall
(1, Dniprovsky Uzviz, Kyiv)

The eccentric masters of electro and rock music decided to please their fans with a "surprise" show in Kyiv which saw their last gig in October 2011. Although the band had previously decided not to go on tour in 2012 because of work on its new album, Kyiv unexpectedly found itself on the list of lucky cities, along with Moscow and St. Petersburg, which will be hosting the show. It looks as if Kyiv will be on fire this fall. An energetic and exciting show is what distinguishes the solo project of Britain's Chris Corner from the other musicians.



Kyiv Movie Theatre
(19, vul. Velyka Vasylkivska, Kyiv)

Visitors will have the opportunity to attend a series of the best premieres, press-conferences and projects dedicated to British films. This year's programme is made up of 7 films. *Broken* is a drama that reveals the complicated psychic worldview of a teenager. *Wuthering Heights* based on Emile Bronte's novel sets a romantic and dreamy tone. A blood-chilling story of a murderer was the basis for *The Resident*, while the documentary mysticism in *The Imposter* makes it ever more exciting.

Ukrainian Paris



Petlura's grave in Montparnasse, next to his wife and daughter

Article and
photos by:
Svitlana
Kravchenko

Ukrainian sites in Paris begin with the Symon Petlura Library, a Ukrainian centre which is the oldest and best-known around the world (especially among intellectuals). It occupies the second floor of a modest and outwardly inconspicuous building on rue de Palestine in east Paris. It has been a centre of Ukrainian political and cultural life in France since it was founded in 1929. The library welcomes the French who are looking for their Ukrainian

ancestors, Ukrainians who travel to France and scholars who come to do research. The library was founded after Petliura's death by his followers. During the Second World War, the Nazis removed its extremely valuable collection gathered in the interwar period and part of it eventually ended up in Moscow. Ukrainians have not been able to obtain any of it back despite many years of negotiations with Russia.

Now the library's funds include periodicals, books and

Must-sees for every Ukrainian tourist who visits the French capital include the Eiffel Tower, the Louvre, the Luxembourg Gardens, Musée d'Orsay, Musée de Cluny, and so on. Apart from these, Paris has many places linked to Ukraine...

manuscripts collected after the Second World War through the efforts of numerous people. Because the library was founded as a monument to the Chief Ota-man of the Ukrainian National Republic (UNR) army, there is a standing exhibition of Petlura's works published at different times in various languages.

The library would probably not exist if it were not for two Ukrainian women: library director Jaroslava Josypyszyn and her assistant Daria Melnykovich. The library operates, grows and develops, maintains contacts with scholars, public and cultural figures in Ukraine, France and other countries through the efforts of these two women.

Josypyszyn is the daughter of Petro Josypyzhyn, Petlura's comrade-in-arms and a UNR army officer who used to head the library and expended tremendous efforts to revive and develop it after the war. Jaroslava is now working to make acquisitions and keep the library's fund in good order. She engages in scholarly work and is con-



The library's funds include periodicals, books and manuscripts collected after the Second World War through the efforts of numerous people

stantly in contact with Ukrainians across the world and French scholars. Melnykovich is a former citizen of Lutsk, the daughter of a political émigré from Volyn who was forced to leave Lutsk together with his family during the Second World War under threat of being shot for his links to the UPA.

The Symon Petlura Museum is located next to the library and houses documents from the period of the national liberation struggle (1917-21), such as the texts of four Universals (the third in Ukrainian, Polish, Russian and Yiddish), awards, certificates, fragments of a Ukrainian flag, and so on. The most valued items are the personal belongings of the Chief Otaman: his cross, awards and decorations from Ukraine and other countries, his belt and pipe and the clothes (a shirt, hat, overcoat and scarf) he wore when he was killed by a Bolshevik-hired hitman on rue Racine in May 1926. One of the acquisitions made in the past decade is a 2004 post stamp showing Petliura.

The Saint Symon Ukrainian Autocephalous Orthodox Church occupies the first floor of the same building. It was purchased by the Ukrainian community of Paris for the needs of the library and church which offers services every Sunday. The most precious object in the church is the magnificently decorated iconostasis



The Saint Symon Ukrainian Autocephalous Orthodox Church



Library director Jaroslava Josypyszyn and her assistant Daria Melnykovich

made by Chernihiv-based painter Andriy Solohub. Jaroslava Josypyszyn says that Soviet agents burst into the museum and church in 1976, trying to damage and plunder the valuables.

LIVING MEMORY

Petlura's grave in Montparnasse, where he is buried next to his wife and daughter, is a symbolic place for Ukrainians in Paris. It is not so easy to find the tombstone and monument with blue-and-yellow ribbons among the ancient graves of French and world celebrities...

Rue Racine became a fatal spot for Petliura, who embodied

the idea of Ukrainian statehood in the 1920s. Obviously, there are no memorial plaques or inscriptions about him on this street. Mortally wounded, Petlura was taken to the nearby Hôpital de la Charité where he spent the last minutes of his life. In 1942, the building of the hospital's chapel was handed over to the Ukrainian community. Now it houses the Saint Volodymyr Ukrainian Greek Catholic Church. Many people, including Ukrainians who work and live in Paris, attend Sunday services there.

The Taras Shevchenko park is adjacent to the church building from the side of the Boulevard Saint-Germain. A monu-

ment with the inscription that reads "Taras Shevchenko, a Ukrainian poet" was erected here in 1964 on the 150th anniversary of the poet's birth. The park itself was founded by the Paris administration on the occasion of the 155th anniversary of his birth, on 29 March 1969. The park and the church have been an invariable meeting place for our compatriots who visit on weekends.

Naturally, there are also official buildings in Paris with blue-and-yellow flags waving over them: the consulate department of Ukraine's embassy on avenue de Saxe and the Ukrainian Cultural Information Centre which opened in 2004. ■

Sumy in a Suitcase

A place packed with interesting sites that will delight urban tourists

Article and
photos by
Oleh Kotsarev

Just hearing the name of the Ukrainian city Sumy makes one want to go travelling. *Sumka* means suitcase, so let's visit Sumy, a place packed with interesting sites that will to delight tourists.

KEYS

There are many beautiful buildings and churches in the city. The buildings can roughly be divided into two types; first, conventional Soviet buildings like the menacing launch-pad of the Nadezhda Krupskaya Oblast Universal Research Li-

brary. Who knows what Lenin's wife had to do with the oblast or its research library! The second type includes buildings erected in the 19th and 20th centuries, touched by successive moods and adorned with Neo-Gothic elements typical of southern or "sanatorium" architecture. The hospital of Saint Zinayida on Troitska Street (**photo 1**) is a good example. Soborna Street in Sumy, commonly known as a pedestrian 100-metre sprint, is another patent example of that period (**photo 8**).

Almost every central street shows off a pretty mansion or even a palace. There is also a large-scale place of interest, namely the arboretum in Ivan Asmolov's former park and mansion. The beautiful house of Pavlo Kharytonenko, a Ukrainian sugar magnate of the 19th century, was transformed into a radio-protection dispensary. It is surrounded by a park with strange holes — former ponds which have dried up.

The magnificent Troyitskiy or Trinity Cathedral is situated



on the street (**photo 3**) of the same name. Architect Gustav Scholz built it at the beginning of the 20th century. Some say his style looks Italian others say it was imported from Saint Petersburg. Troyitskiy Cathedral was turned into an organ hall during the USSR, and its stairs were used by young members of various subculture groups as a hangout. The famous architect Aleksey Shchusev decorated Sumy with a pseudo-Russian style Panteleymonivska Church, situated on Romenska Street.

Several classical churches tracing back the 18th and 19th centuries and two cathedrals with baroque elements illustrate ancient Sumy architecture. Cossack Resurrection Cathedral on Ploshcha Nezalezhnosti (Independence Square), erected at the beginning of the 18th century, was the city's first stone building. It was built on the site of an ancient fortress at the expense of

the first Cossack colonels of Sumy. This cathedral represents "mixed" Ukrainian Baroque, which was popular in the Cossack-dominated Ukraine. The city centre is dominated by the magnificent Spaso-Preobrazhenskiy Cathedral on Soborna

street. "Sumy does not need such a big sports complex. No events take place here, tens of thousands of people won't come to watch local competitions! This is a waste of money!" a sports journalist told me, when the stadium was built, but the city got used to the modern-looking stadium.

THE CITY OF MARKETS AND PEOPLE WITH ITS OLD-WORLD OR POST-RURAL LOOK SUDDENLY TURNS INTO A CITY OF MACHINE TOOLING AND CHEMICAL INDUSTRY GIANTS

Street. This cathedral was built in 1776-1778 and was reconstructed in 1858 and 1882-1892 (**photo 5**).

Today few new buildings are built in Sumy, as is the case in most other small oblast centres. Still, there is a new big

KEY RING

White gazebo is a traditional element of almost every Ukrainian oblast centre, but Sumy has a distinctive and interesting one (**Photo 2**). The famous monument to sugar represents modern sculpture of the city (**photo 4**). They say the city mayor proposed erecting the object after he visited Russian Kursk, where he saw a monument to the Antonovka winter apple. Sculptor Oleksiy Shevchenko implemented the mayor's idea. Sugar is a symbolic product for Sumy and the





whole oblast. Active sugar production was a decisive factor of the city's development in the 19th and 20th centuries. Magnate Ivan Kharytonenko came from rural stock and was a local leader in the sugar industry. He financed the construction of houses, hospitals, churches, bridges and plants, some of which are still functioning. A monument to him can be found in the centre of Sumy.

Sumy can also please its visitors with provincial places of interest, for instance its wooden model of an old lorry carrying flowers (**photo 9**).

ATLAS OF UKRAINE

The city is situated on the borders of several divisions in the country. It is the most eastern city of Central Ukraine in terms of sociology, passing from the South to the East. It is quite close to Kharkiv, whose bus drivers abide by traffic regulations in Sumy better than at home, mumbling "it's not Kharkiv here!" There is also the language border of course. One can hear both Ukrainian and Russian in Sumy streets. *Surzhyk*, a mix of Ukrainian and Russian, is highly popular, but it has some unexplainable nuances, due to the sociability of most Sumy citizens.

When walking down central streets one feels as if he is in an ancient town full of cafes (**photo 6**). But at the same time, it takes only a few minutes to get lost in an endless,



unkept and mysterious industrial zone or in the immense green private sector of Slobidska Ukraine. The city of markets and people with its old-world or post-rural look suddenly turns into a city of machine tooling and chemical industry giants.

GALLERY

There is one store in Soborna Street I remember since I was a child where my parents and I bought some food 10 years ago while waiting a few hours for a bus. Now the store is home to a municipal art gallery. "This must be unique in Ukraine!", my friends from Sumy laugh. "Just think of it, an art gallery opened in a sausage store!" The gallery showcases local sculptors and contains a mix of folk and contemporary styles.

SUMY USED TO HAVE GLOOMY FAME OF GANGSTER CITY BACK IN 1990s

Sumy has more classical museums, such as its art museum with a considerable collection of works by Petro Levchenko, Mykola Hlushchenko, Ivan Ayzovskiy, Serhiy Vasylykivskiy and an interesting range of porcelain. There is a local history museum with numerous items revealing culture, history and nature in Sumy Oblast.



PEN

Sumy Oblast has made a considerable contribution to Ukrainian literature. Writer Ivan Bahryaniy was born in Okhtyrka, while poet Natalka Bilotserkivets was born in Bilopillya. Meanwhile, the oblast centre was not as rich in men of letters. Vasyl Aleshko, a Sumy-born representative of the Shot Renaissance generation, innocently wrote about rural beauty and fertile Ukrainian nature, but in his book entitled *Chimneys in Flower Gardens* he unexpectedly proved himself the author of an interesting avant-garde poem. Davyd Burliuk, another avant-garde leader from Sumy, studied in the local Oleksandriyska boys' gymnasium and later rose to international fame as one of the founders of Russian and Ukrainian futurism. Ukrainian writer Oleksandr Oles and Russian writers Anton Chekhov and Aleksandr Kuprin also lived in Sumy.

Sumy literary life is not as active today, but it is bright and distinctive. Creative people link up with the rather vigorous Parkan organization.

HANDBILL

Poets Sofia Sitalo and Tetiana Kornilova work as actresses in the local Theatre for Children and Youth. I have already heard the story of a river hidden under a theatre's foundation in Rivne, and I wondered what I was going to hear in



Sumy. “They say, there is a subway somewhere under the foundation of the theatre that leads deep into the city!” I was told.

Having not seen a subway, I visit the dimly lit premises full of theatre inventory, with a trap door under the stage and a dressing room for the actresses. I even found a special basement full of puppets hanging under the low ceiling like scary, motionless figures on gibbets.

GANGSTERS?

Sumy used to have gloomy fame of gangster city back in 1990s. Some journalists said “chemistry” was the reason for this. When building chemical enterprises in Sumy, the USSR sent prisoners from all over the country to work there. They had a much more liberal regime in these enterprises, compared to prisons, and gradually organized gangs of teenagers. The Baumanski and Romenski gangs turned some districts into real battlefields. Their meetings were called “assemblies”. They say sometimes schools were seized and pupils had to pay UAH 5 to get out safely.

A young man, former participant of those events, unwilling to introduce himself, is rather skeptical about this fame. “These stories imply many exaggerations. Boys often gathered somewhere, talked and played football,

that’s it. As for schools... The legend might result from the “showdown,” during which we were attacked from behind and thus were forced to hide in a school (there were no pupils there at night) and defend ourselves from there...”

Still, the city is much more peaceful nowadays, though back streets do sometimes turn into informal zones. One is an unfinished abandoned sports complex which the locals nicknamed Hiroshima. Poet Vitaliy Kornilov recalls that in his childhood, teenagers made weapons here for fights between adult gangsters.

ORANGE JUICE

Sumy was one of the centres of the Orange Revolution. The so

called Student Revolution on the Grass, which was a protest against the merger of several universities, started in the summer of 2004. Protesters demanded the dismissal of governor Yevhen Shcherban, a representative of the “Donetsk clan,” and of Oblast Militia Head Mykola Plekhanov. The students organized a tent camp, which was later forcefully dispersed, and moved to Kyiv. Several people were arrested. These events catalyzed the protest mood of the inhabitants of Sumy Oblast, which is former president Viktor Yushchenko’s native land. Sumy became the east’s “orange outpost.” The city square which hosted the rallies and protests of those heady days is now decorated with a monument.

FINALLY, THE SUIT CASE

Sumy, like almost all the cities of Slobidska Ukraine, was founded in the mid-17th century by settlers from the Cossack Hetmanate escaping constant wars. It is believed newcomers derived from Stavyshche, now in Kyiv Oblast. The legend says they settled on the site where they had found three or seven suitcases full of gold coins, which explains the title of the city (suit case or *sumka* in Ukrainian turned into Sumy city). Researchers think the title comes from the Sumka River. At any rate, Sumy has a monument dedicated to the “suit case” legend (**photo 7**). ■





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