

international edition

The Ukrainian Week

№ 16 (39) OCTOBER 2012



AUTUMN BLITZKRIEG AGAINST THE LAST FREE MEDIA UNDERWAY

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21 September



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From Isolation to Sanctions?

The events of the last week are evidence of the increasing likelihood of personal sanctions being imposed against of the representatives of the current government.

The fourth Ukrainian President has already become a person not to shake hands with (or not even to greet from a distance) for a number of Western politicians. Those who continue to communicate with the Ukrainian leader generally do so because of official necessity, but keep it to a minimum. Against such a background, the efforts of the Ukrainian Ministry of Foreign Affairs and government-controlled media resources to deny obvious facts and search for all possible pretexts to argue “the absence of isolation” of the current guarantor, Mr. Yanukovich, appear somewhat comic. In this sense, Yanukovich’s last visit to the 67th session of the General Assembly of the United Nations in New York was quite revealing.

For example, one of the main mouthpieces of the current government, Rinat Akhmetov’s Segodnia daily newspaper announced it as follows: “This is the third time that the President is participating in the main UN forum, but overall, this is his fifth visit to the USA as the head of state.... Although visits to the USA are not a rarity for Mr. Yanukovich, this one is of great significance. However it is true that the issue at hand is the possibility to have one-on-one talks on political and economic issues with the leadership of the USA and the IMF, rather than the General Assembly itself

(although according to our information, a meeting is planned with the Secretary General of the UN, Ban Ki-Moon).” These are the means by which the impression is created of the remarkable international activity of Mr. Yanukovich “as a regular” occurrence, his ability “to resolve issues” with the heads of leading countries and international organisations. “What isolation can you be talking about” – is the question for which the mass reader is programmed.

However, the reality is something completely different. Immediately prior to the visit, the US Senate approved a resolution – more harsh than the documents of this kind issued by European institutions (PACE and the European Parliament). The resolution condemns the “politically motivated persecution and imprisonment” of Tymoshenko; warns that “the continued detention of Tymoshenko threatens to jeopardize ties between the United States and Ukraine” and calls on the State Department to impose sanctions, initially in the form of a ban on issuing visas to “those responsible for the imprisonment and illegal treatment of Tymoshenko and more than a dozen political leaders, connected to the Orange Revolution of 2004”. This is the first instance of the approval of such a document by a legislative body of a specific country, which has not yet happened in Europe. The Resolution was approved after the former Secretary of State, Condoleezza Rice, demonstratively ignored Viktor Yanukovich during the recent YES meeting in Yalta.



The desperate attempts of the Ukrainian Ministry of Foreign Affairs to convince us that the Resolution was supposedly merely approved due to a questionable procedure emphasize even more the desperate corner into which the Yanukovich regime has painted itself. It is well-known that such expectations were also expressed to the last, as regards Angela Merkel on the eve of the EURO -2012, however, the issue ended with the German side switching from ever more

HISTORICAL DATES

23 September 1872



Solomia Krushelnytska, one of the best Ukrainian soprano opera singers, is born

28 September 1939



The USSR and Germany sign the Treaty of Friendship, Cooperation and Demarcation, dividing Poland into occupation zones

29 September 1845



Ivan Karpenko-Karyi, a prominent Ukrainian playwright, is born

22 September



The Central Election Commission makes the decision to restrict the migration of voters to one constituency

23 September



The parliamentary election in Belarus is boycotted by the opposition and not recognized by the West

24 September



Yuriy Siomin is replaced by Oleh Blokhin as head coach of Dynamo Football Club

26 September

An unknown man shoots three security guards at the Karavan shopping mall in Kyiv in the middle of the day



At least business in Ukraine is already aware of the serious implications of the continued worsening of relations with its Western partners if the Ukrainian government fails to change its stand, or if there is no change of the government itself. More specifically, Bradley Wells, an analyst at Concorde Capital investment company recently stated that he does not believe that the Ukrainian government will react duly to the US Senate Resolution, since “the current functionaries are simply too ossified”. However, if there are no changes, “both the EU and the USA will carry out their threats and apply severe sanctions against Ukrainian officials”. And this, of course, will also influence the investment climate in Ukraine, as well as the prospects for currency-financial stability.

“The elections will come to an end — new, restored relations will begin with many countries of the EU and the USA,” declared Viktor Yanukovich in New York. The West has similar expectations. The problem only lies in the fact that each of the parties has its own view of the process for the normalization of relations. For the West, a condition for the rebooting of relations is the rejection by the Yanukovich regime of the usurpation of power and the marginalization of the political opposition, public organisations and an independent mass media. In Ukraine it appears that the government is counting on attaining an absolute (ideally a constitutional) majority in parliament during seemingly democratic elections and the strengthening of its positions in relations with foreign partners. Thus, realistic improvements in relations between Ukraine and the civilized world will most likely only be possible after a change of government in Ukraine.

Oleksandr Kramar

transparent hints to the frank formulation of the assessment of the Yanukovich regime as a “dictatorship” and such, that is conducting political repression.

Another manifestation of the inadequacy of the Ukrainian Ministry of Foreign Affairs, was the attempt to devalue the significance of the Resolution, particularly when Oleh Voloshyn, the Director of the Information Policy Department of the Ministry of Foreign

Affairs stated that “the difference between the approved document and the actual implementation of any restrictions on the issue of visas is so vast, that we should just wait and see.” If this is to continue to be the reaction to ever more transparent hints on the part of the USA, then Ukraine can expect that closer to the New Year, the US will also resort to undisguised statements at all levels, following the German example, and even sanctions.

1 October 1903



Vladimir Horowitz, American classical pianist and composer of Ukrainian origin, is born in Kyiv

4 October 1890



The Rus-Ukrainian Radical Party (RURP) is established in Lviv as the first political party of Ukraine

2 October 1990



A student hunger strike, known as the Revolution on Granite, starts in Kyiv. The most mas-

12 October 1947

sive post-war deportation of Ukrainians is launched in Western Ukraine

Disgracing a Country

The Ukrainian government has tried, and failed miserably, to improve its image in the world through the foreign media



Author:
Oleksandr
Mykhelson

Photo:
Roman
Malko

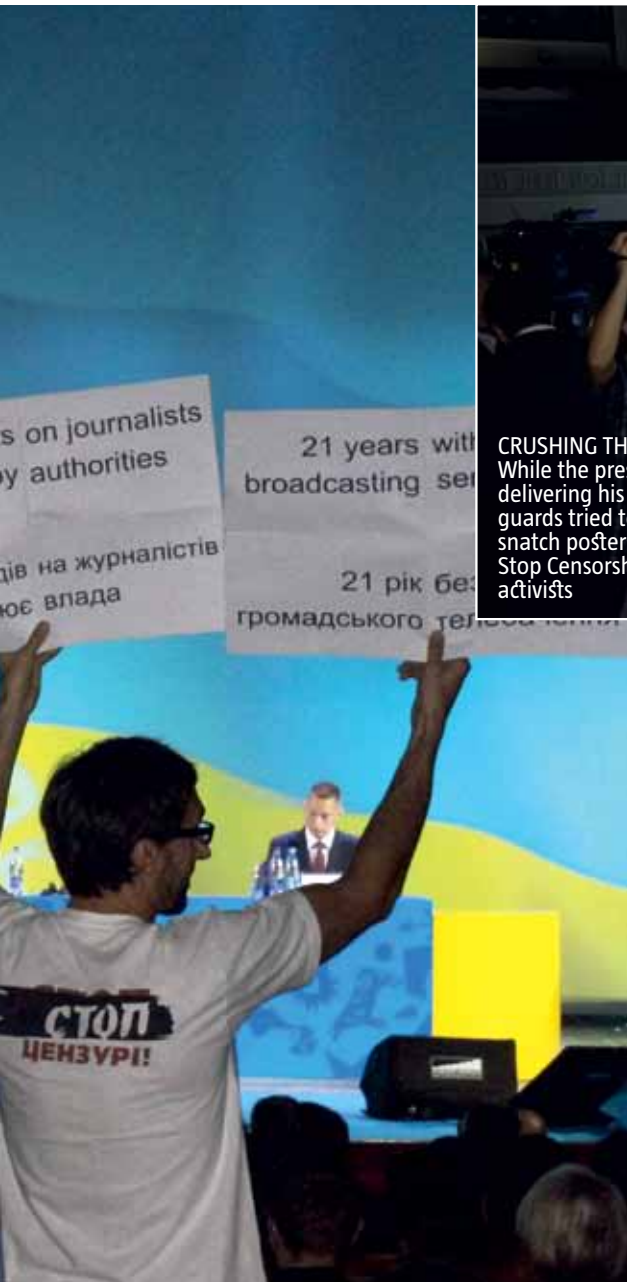
“Ukraine is moving steadily forward towards creating a democratic society and building an independent media,” Viktor Yanukovych wrote in his letter to Christoph Riess, CEO of the World Association of Newspapers and News Publishers (WAN-IFRA), which was published by the president’s press service on 6 May 2011. In his message, Yanukovych invited the organisation to hold the 64th World Newspaper Congress and the 19th World Editors Forum, which traditionally take place together, in Kyiv.

At the time, the organisation completely lacked governance. It was only in April 2011 that it elected its new president, Indian Jacob Mathew, CEO of Malayalam Manorama Group. In May 2011, he accepted Yanukovych’s offer. Reportedly, there was opposition to accepting Ukraine’s offer: some WAN-IFRA leaders unofficially called on their colleagues to refuse to go to Ukraine to protest the curtailment of freedom of the press by the Ukrainian government.

A SEMBLANCE OF FREEDOM

It was clear even then that the current government under which

Ukraine dropped to the 130th place in the Freedom House freedom of the press ranking due to “increasing government control over mass media” was pursuing its vested interests that had little in common with the needs of Ukrainian journalists. Like Euro 2012, the newspaper congress was viewed by the government as a way to legitimise itself in the eyes of the West, to create a positive image that would neutralise information about a clampdown on freedom of the press in Ukraine before the parliamentary election and create a semblance of democratic freedom. Proof of



CRUSHING THE MEDIA: While the president was delivering his speech, his guards tried to rudely snatch posters from the Stop Censorship! activists

this is found in the fairly cynical expectations of what the event would yield that were published on the website of the Presidential Administration: “Ukraine is moving steadily towards creating a democratic society and building independent media ... Recently, transparent and efficient rules of access to public information have been introduced at the legislative level, real work has begun to create public television, the investigation of Georgiy Gongadze’s murder has been conducted more actively ... Conducting these events in Kyiv is an important step on Ukraine’s European path.

This would reaffirm Ukraine’s choice to be a country that seeks to strengthen democratic values, of which the freedom of speech and press is an integral part.”

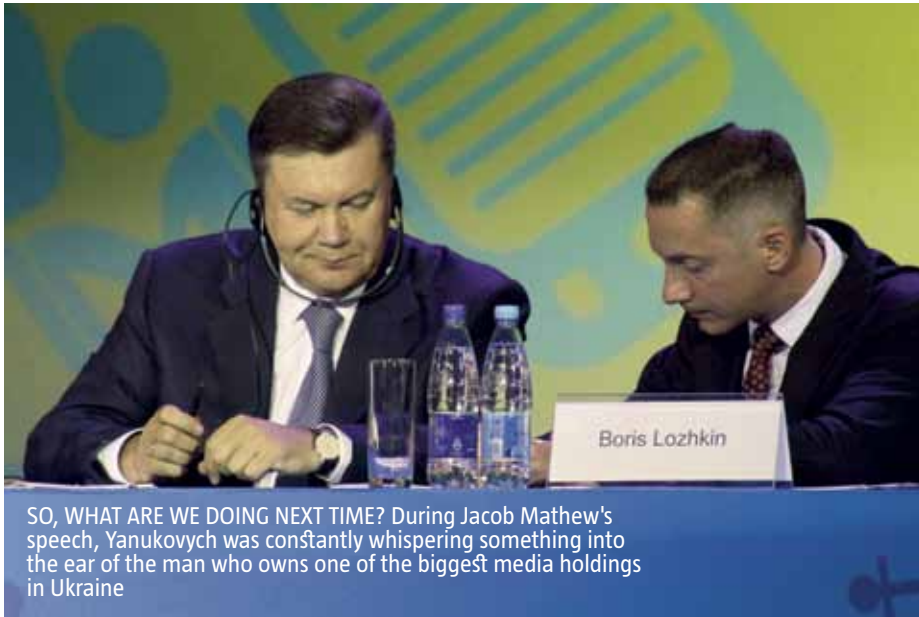
It is no surprise that the Ukrainian government chose to build a Potemkin village in preparing for the event. Oleksandr Kurdynovych, Chief of the State Committee for Television and Radio Broadcasting, said that US \$800,000 had been allocated from the state budget for the forum and congress, a sum covering only 15% of costs, while the rest was paid for by large private donors. All of these and the partners of the event were people close to the government. For example, the idea to hold the congress in Kyiv came from Borys Lozhkin, Vice President of the Ukrainian Association of Periodical Press Publishers and member of the WAN-IFRA management. He is also president of the UMH Group, a media holding known in the West – the Frankfurt Stock Exchange estimated its value at US \$300mn in May 2008. However, the group has distinct Donetsk-Russian roots and openly seeks to monopolise Ukraine’s market of published mass media. The official communications partner of the event was the Ukrainian Media Development Institute (UMDI) headed by Olena Hromnytska, a former press secretary of ex-President Leonid Kuchma. Prior to this appointment, she worked in Rinat

Akhmetov’s media holding where journalists once accused her of publishing paid-for materials favouring the government. The general partner of the congress was Group DF, a group of companies controlled by oligarch Dmytro Firtash.

It was clear even before the congress that the Ukrainian government would try to use it to its best advantage and share its own view of “freedom of the press in Ukraine” with its foreign guest. Oleh Nalyvaiko, president of UNIAN, one of the largest Ukrainian information agencies, which is controlled by the government, symptomatically remarked: “The congress will be attended by managers who are used to solving specific issues: increasing print runs, earning more money, attracting advertisers, optimising costs, etc. I believe that this tone will prevail, and this is exactly what Ukraine needs now. If we politicise it all and start discussing other things, we will bore the congress.”

“From the viewpoint of Ukraine’s international image, it’s an issue of recognizing human rights and civil liberties. The very fact that Ukraine is hosting the World Newspaper Congress and the World Editors Forum speaks volumes,” an enraptured Kurdynovych said at a press conference on 14 June 2012.

Official Kyiv set about convincing foreign visitors of the great progress democracy has



SO, WHAT ARE WE DOING NEXT TIME? During Jacob Mathew's speech, Yanukovich was constantly whispering something into the ear of the man who owns one of the biggest media holdings in Ukraine

supposedly made in Ukraine and they did so in the most typical of soviet traditions. According to sources which spoke to *The Ukrainian Week*, an order was sent down from the top to create conditions in which the guests would not have the opportunity to speak to "outsiders". The programme of the congress and forum was designed to serve the same purpose.

Foreign delegates were accommodated in the luxury Intercontinental Hotel, where Yanukovich's headquarters was located during the last presidential elections. On Sunday, 2 September 2012, a closed party was organised for them nearby, on the territory of St. Sophia's Cathedral. Nonetheless, "amateur" videos reached the Internet audience. The day after the official opening, all the guests were taken to a "traditional Ukrainian dinner" in Pyrohiv. Moreover, people close to Yanukovich persuaded him to have a personal meeting with the most influential delegates. That event was not announced and took place behind closed doors.

FREEDOM OF THE PRESS OPERATION FAILS

The marathon of official speeches began with UMH Group President Lozhkin. Speaking in nice Russian, he told how he, as a patriot of Ukraine, expected the congress and forum to give "a great boost" to the development

of published mass media in Ukraine. He shared an age-old maxim that honesty, enthusiasm and US \$10mn were needed to launch a successful newspaper and called on both the government and the opposition to "view the press as a business rather than a way of settling accounts." Finally, he thanked Yanukovich



OFFICIAL KYIV TRIED TO CONVINCE FOREIGN VISITORS OF THE GREAT PROGRESS OF DEMOCRACY IN UKRAINE IN A TYPICAL SOVIET STYLE

and Firtash for organising the event. Among more specific statements was a request for a "favourable" tax climate for publishers like himself, but he failed to indicate his addressee.

After Jacob Mathew's speech, noted TV anchorperson and model Olha Freimut announced, in heavily accented English, the next speaker, President Yanukovich.

"We recently celebrated the 21st anniversary of our independence," he said after the welcoming statement. "I would like to thank Jacob Mathew for the wonderful words he said about Kyiv and Ukraine in general." (Yanukovich's lack of English language proficiency or simply inattentiveness again played a nasty trick on him, because the WAN-IFRA president actually spoke fairly

critically of the situation in Ukraine. – Ed.)

At this point, about two dozen Ukrainian journalists known to be active in the Stop Censorship! movement suddenly stood up and unfolded homemade posters which read "Ukraine ranks 130th in the freedom of the press rating"; "Access to public information is not working in Ukraine"; "2/3 of assaults on journalists are made by the authorities"; "Yanukovich is destroying freedom of speech in Ukraine".

And then the president's guards reacted in a way that completely erased every effort of the Presidential Administration to whitewash its image. Numerous video recordings clearly show that security guards primarily tried to snatch the anti-presidential posters from the hands of the journalists. Ideally, the guards of any president would do the exact opposite: carry any slogans you wish but don't come near the head of state. If the activists wanted to disrupt Yanukovich's speech (as the Presidential Administration firmly believes) rather than attract attention to the problems they raised, they were quite successful.

Yet, Yanukovich did not stop. But what he said next was literally the following: "In history which spanned many centuries, various legends were made about our land. Of course, if you look at the globe, there are many nice places about which good and bad legends can be invented. But now, when we live in the 21st century, when we are gathered here in Kyiv, we cannot but notice such beauty." Simultaneous interpreters had a nightmare of a job.

Gradually, the president took grip of himself but not fully: "One of the obstacles to the development of the media space in Ukraine is incorrect stereotypes about a lack of freedom of the press in our country. In my opinion, this is caused by a lack of objective information about the real state of affairs... Ukraine has made a transition, without exaggeration, from total censorship to open society." But his gaffe close to the end of his speech made the passage an instant hit: "I urge journalists to maintain a high ethical standard, adhere to the principles of objectivity and po-

litical involvement.” It is easy to guess that the last word was supposed to be disinvolvement. But the agitated president missed the prefix.

The efforts by the presidential administration and the “official” Ukrainian organisers came to naught at the end of the forum. Using the reasoning and terminology of the presidential administration, it can be said that the captains of the world press came to Kyiv with a certain “bias” against the commitment that the Ukrainian government has to the ideals of freedom of the press and classical democracy.

Speaking to Ukrainian journalists on the first day of the congress, 3 September, Mathew admitted that there had been calls to boycott the congress and forum: “But we came to Kyiv to see everything with our own eyes and understand it all.”

In his opening address the WAN-IFRA president said straightforwardly: he welcomes the creation of a working group on cooperation with journalists in the Presidential Administration, but it would be nice if “journalists themselves trusted this group”. Moreover, he believes that the legislatively fixed punishment for interference with journalism is a good thing, but it would be good if these regulations were enforced consistently rather than selectively. Crimes committed against media representatives must always be solved. Mass media outlets that are uncomfortable for the government are “sometimes” artificially deprived of advertisement, he admitted. But the worst thing is paid-for materials, or *dzhynsa* in Ukrainian, the word Mathew actually used. He considers it to be one of the biggest scourges of the Ukrainian press.

Mathew quoted Taras Shevchenko’s line about breaking the shackles but emphasised that, as a follower of Mahatma Gandhi, he does not support calls to sprinkle anything (or anyone, for that matter) with blood. But precisely as a Gandhiist he is strongly in favour of breaking chains. This suggests he did not fully believe what Yanukovich wrote to WAN-IFRA almost 18 months ago.

Mathew showed a stunning familiarity with Ukrainian reality. Chief of the Presidential Administration Serhiy Lovochkin, Foreign Affairs Minister Kostiantyn Hryshchenko, Chief of the Kyiv City Administration Olek-

sandr Popov and Anna Herman listened hard, visibly surprised. In the meantime, Yanukovich was mostly discussing something with Lozhkin during Mathew’s speech.

The foreign participants of the congress with whom *The Ukrainian Week* was able to talk were also critical of the Ukrainian government. “Today I have seen evidence that Ukraine also has problems with freedom of press,” Anabel Hernández of Mexico, the 2012 laureate of the WAN-IFRA Golden Pen of Freedom, said. She received the prize for uncovering drug trafficking affairs in her home country and risks being killed for her articles. Eighty-two journalists who reported corruption links existing between drug cartels and the government have been killed in Mexico since 2001, and 16 have gone missing. Hernández believes that they have died, too, but the police have not found their bodies.

“I have been blacklisted by influential people... Remember me as I am today,” she said from the stage in the October Palace in Kyiv. The audience gave her a standing ovation. But immediately after her address, contortionist Anatoliy Zalevsky, a Cirque du Soleil artist, came onto the stage. He was followed by the ManSound band and, finally, an ensemble of teenagers – girls wearing in wreaths and boys in traditional loose trousers. The impression was that, despite the clear fiasco of the Freedom of the Press in Ukraine Operation, the hosts continued to dictate their own reality to the audience, trying to make them forget as soon as possible that journalists are killed in the streets in some countries for their honest coverage of facts.

In any case, foreign mass media people will go back home with their own impression of freedom of speech Ukrainian-style. Despite certain apprehension prior to the event, its participants did not help legitimise the Ukrainian regime and, instead, pointed out to Yanukovich & Co. that the growing curtailments of freedom of speech under the cover of increasingly cynical declarations to the contrary are unacceptable. However, official Kyiv will likely continue to live in its invented reality, telling voters that the government’s efforts to “secure freedom of speech” have borne fruit – the foreign guests did come to Ukraine. ■

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Sleeping Beauty and Bread Crumbs

In lieu of an effective media market, Ukrainians will have to realize that they are deprived of the “Fourth Power” in yet another crisis period, something that the Yanukovich and the Kremlin regimes are using to their advantage

This is a reprint of the article published in Is. 14 (37) to give the readers a better overview of the situation on the media market in Ukraine

Author: Samiylo Vors

At first glance, the situation in the Ukrainian media does not differ significantly from that in many developed countries: print runs shrink, the television is becoming debilitated and the pensive consumer is switching to the net. It too has restrictions, but apparently, the opportunity for people to express themselves does, after all, remain... careful! Things are not what they seem! Who said that? Doctor House, or was it one of the heroes in Matrix?

In fact, the difference between the media and the web is crucial, similar to that between live and fake flowers, freedom and imitation thereof. What is currently unfolding in the Ukrainian mass media sector is a large-scale simulation of market, competition, the free exchange of ideas and social responsibility. The outcome is completely satisfactory for the government because it keeps the existing relations in society intact.

QUASI MARKET FLAWS

Huge disproportions are the first things that catch the eye in the media market: top places in the audience coverage ratings of the print media (and the chart of advertisement revenues respectively) go to niche glossies. The list of champions is a mix of daily newspapers, weeklies and monthlies. With informational publications removed from the mix, serious newspapers and magazines are beaten by tabloids –

how can this be possible? Is something wrong with the readership?

Understanding the system for measuring a publication’s success in Ukraine clears things up. The success of a printed publication has nothing to do with its print run. Ukraine has no print run certification and every publisher reports numbers that are impossible to verify. Sometimes, there is an impression that the number is picked at random, reflecting desire rather than reality. Therefore, advertisers tend to rely on the regular sociological surveys of a single agency, TNS. It determines market “leaders” and assesses the delusive criteria of the “popularity” of a publication through selective polling in cities with a population of more than 50,000, on the basis of which, equally delusive “audience per issue” data is determined. Advertisers tend to choose the top five “leaders” from the TNS rating. As a result, publications relying on the agency’s rating, are more concerned about finding effective ways of spending money on promotion, so that as many Ukrainians as possible remember the title of their publication, than about improving their quality (content) and increasing the print run. Experts realize that this is not the right way to do it: one issue of a serious newspaper cannot be read by fifteen people – it would not survive. Even so, it is on the basis of this poll that ratings are determined, and according to which advertisers buy space.

Hence, the disproportions which neither experienced media experts nor average consumers notice. There is an excess of business publications with 50-80% of business content, such as Kontrakty (Contracts); Busi-

ness; Kommersant (Businessman); Delovaya Stolitsa (Business Capital); Vlast Deneg (The Power of Money); Forbes. This comes from the stereotype thrust on advertisers that the readership most capable of paying for the magazines is the one reading these publications, but isn’t this too much for a country with such a weak business climate?

Tabloids are underdeveloped. Their function is clearly performed by equally underdeveloped publications. Good quality and influential daily press is hardly present. Discrimination against Ukrainian-language press is palpable in a country where two thirds of the population speak Ukrainian. And there is an abnormal number of publications that are franchises or simply branches of powerful foreign players, especially in the general readership segment. These include Komsomolskaya Pravda v Ukrayine (Komsomol Truth in Ukraine); Arguments and Facts in Ukraine; Kommersant; Izvestia v Ukrayine (News in Ukraine) and others.

This raises a reasonable suspicion: clearly, the major players are perfectly happy with the status quo? This seems to be true as the Ukrainian “market” is perceptibly monopolized. On the one hand, the small circle of media owners allows control of the “market” in general, because it’s difficult to rid oneself of the suspicion of an agreement between them, and on the other, government control over media owners.

A closer look at each individual player reinforces the initial suspicion. UMH Group, better known in Ukraine as Ukrainian Media Holding, chaired by Borys Lozhkin is an example of the most successful publisher which, from a business per-



A typical newspaper stand: Just a few Ukrainian-language publications are barely noticeable in the sea of the Russian-language press



spective, looks perfectly transparent and is listed on the Frankfurt Stock Exchange. The company has been on the market for 12 years. Its Ukrainian portfolio includes nearly 30 print publications and several large online projects, most of which are mentioned above. It is presented as the “No. 1 publisher on the advertising market”. UMH’s total declared print run is over 200mn copies. The holding has been present in Russia for nearly ten years and its partners include Vladimir Potanin, one of Russia’s top oligarchs. On the whole, the company is profitable even though the annual EBIDTA worth USD 18mn in 2010 is hardly an outstanding success. However, it is no secret that some of its publications consistently incur losses. No other option is possible in Ukrainian circumstances. In that case, what is the point of the business? Why does one portfolio contain publications that are directly competitive with each other, such as Korrespondent and Focus, for instance?

These questions are not superfluous, because in such a sensitive and socially important industry as the media, the presumption of guilt should be applied until the opposite is proven. Assuming that a monopoly agreement truly exists, this could explain the distortions. The warped system dictates its terms to competitors, advertising agencies, and consumers. This is not to say that these distortions satisfy all the players. In May 2012, *Ukrayinsky Tyzhden/The Ukrainian Week* discontinued participation in TNS Ukraine’s marketing research, measuring print media readership, after its own analysis revealed discrepancies with TNS MMI 2011/4 data, which significantly distorted the real presence of the publication in some regions. Literally two months ago, another scandal broke, as several well-known publications, including Business, Delovaya Stolitza (Business Capital), Vlast Deneg (The Power of Money) and Kontrakt (Contracts), publicly ended their cooperation with TNS Ukraine. They did so after Korrespondent and Focus, both part of Ukrainian Media Holding, were switched from the general to the business category, since in their view, they do not qualify as such. These publishers believe that the current situation in print media readership research does not reflect the actual popularity of publica- ▶

PHOTO: ANDRIY LOMAKIN

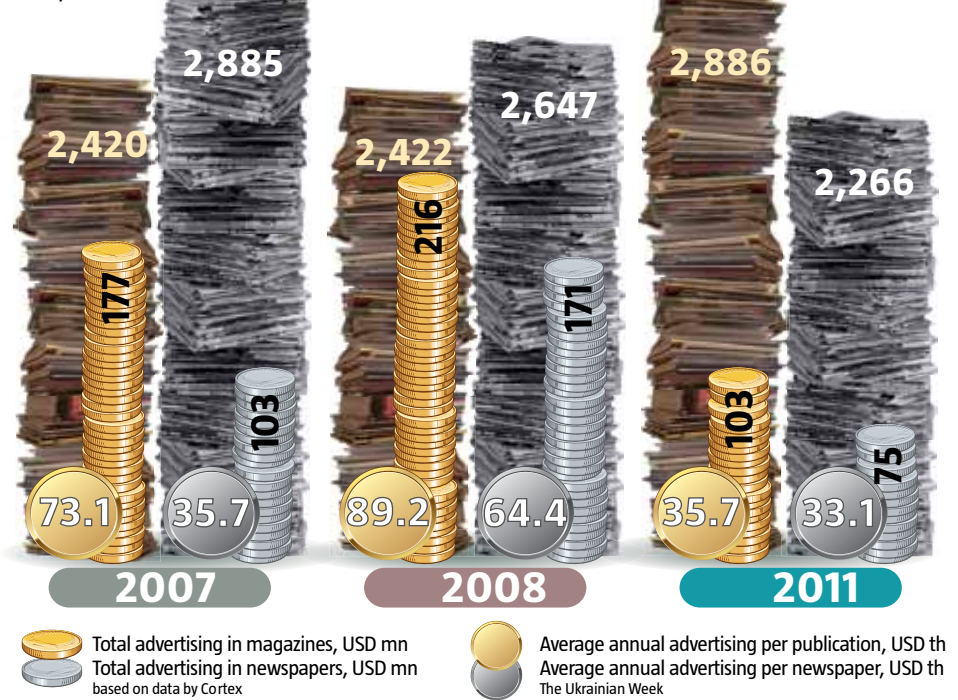
tions, and the research cannot be used as a proper tool for planning an advertising budget “because some publishing holdings use it to manipulate advertising budgets.”

In fact, the measuring system prevents advertisers from spending their budgets efficiently. TNS Ukraine’s questionnaire is worded in such a manner, that it actually determines the number of people who know the brand rather than the actual readership. Therefore, publications that have small print run which sells well, but invest in advertising, get to the top of the TNS rating, while those offering content the readers are interested in and a large print run, most of which is sold, end up at the bottom. International practice is based on the fact that advertisers receive transparent information on the number of copies every publication sells on the one hand and the quality of its audience on the other. The first is based on certified print run data, the second – by means of the competition between research companies. In the reality of Ukraine, TNS Ukraine has a monopoly in conducting research on the printed mass media market, and since the certification of print runs does not exist in Ukraine, this company also determines the readership of publications from a monopolist standpoint. Therefore, advertisers, relying solely on the TNS rating, risk placing their ads in publications that people have heard of, but never read, thus overpaying for a non-existent readership. This suggests that “the situation is under control”...

The volume of the advertising market itself is overstated, since it is determined by guesswork. Those conducting the assessment multiply the number of advertising pages by the prices reported by the publication. However, everyone knows that the actual prices paid by advertisers are much lower than those indicated in price lists. What is worse is the fact that the unfair split of the already small advertisement pie and the resulting poverty of most newspapers and magazines facilitates something that should, in theory, ruin the reputation of any publication, yet is essentially routine for virtually all of them in Ukraine: the publication of specially ordered articles without the “advertisement” sign or in the vernacular “plugola”. Sometimes, prudent and democratically-oriented editors see no way out, other than printing a specially

Too small to feed them all

Virtually all print publications operate with losses because the print press advertising market is too small. One or two major media holdings run the market and control advertising through manipulation



ordered article in their publication because they simply have no other sources of income. Some journalists get used to this practice and often write articles or programmes to order, thus confirming the general opinion that all journalists can be bought and sold.

The final consequence of this distortion of priorities, is public distrust of the press as a whole, a sharp decline in social capital and a crisis of values, making it easier for governments and oligarchs to manipulate society. Just look around – isn’t this what you see in the Ukraine of 2012? The problem with freedom of speech in Ukraine is that Yanukovich & Co are taking advantage of the lack of a mass media market in Ukraine and the rules dictated by major media holdings. Thus, the government is actually helping to implement Russian scenarios concerning Ukraine, particularly its inclusion in the so-called “Russian World”. For instance, the Ukrainian-language segment is disappearing from the newspaper and magazine market. According to the Book Chamber of Ukraine, the total print run of Ukrainian-language newspapers has halved over the years of indepen-

dence, while the print run of Russian-language publications has grown by 150%. Over the past 20 years, the share of the annual print run of Ukrainian magazines has fallen from 70% to 10%, while that of Russian-language publications has skyrocketed from 18% to 90%. Only one third of all publications are in Ukrainian today. This is one of the consequences of the myth imposed on advertisers that the readers of Ukrainian-language publications are not well-off enough to buy the things they advertise. This is blatant manipulation. A notable example of this is Kontrakty, a Ukrainian-language business magazine, which earned the highest income from advertising of all other business publications. It lost its leadership after the introduction of its Russian-language version. However, such manipulation succeeded. Many Ukrainian-language publications have closed down over the past few years, since they could not survive without income from advertising, as revenues from subscriptions and retail sales do not, as a rule, cover the cost of paper and presence in retail chains. The latter is also caused by the monopoly factor, which makes it ridiculously expen-

sive to get onto the shelves. In the meantime, only one or two publications in Ukraine can sell at prices that cover their expenses without losing a significant amount of their readership.

Food for thought: the UMH Group portfolio does not include a single Ukrainian-language publication.

NO PICTURE, NO SOUND

Qualifying radio as mass media in Ukraine is hardly reasonable or even possible. An absolute majority of radio stations are purely for entertainment. Radio Era, the only socio-political radio channel in Kyiv, does not even try to hide its miserable state as it gives away its air-time to so-called “joint projects.” Today, Era has turned into a branch of the state-owned Radio Rossii (Russian Radio) with all relevant consequences.

As for television, it is undergoing what appear to be confusing processes, which can be easily explained from the “presumption of guilt” perspective. After the change in the administration of Ukraine two years ago, several dozen hitherto unknown new channels joined the TV advertising market – already limited at that point, with an annual value of USD 400-425mn. Meanwhile, the state regulator kicked out the two most bothersome broadcasters: the Kyiv-based Channel 5 and TVi, which specialize in socio-political programmes and are known for their openly independent position. Notably, most Ukrainians still watch analogue television while cable is only available in big cities. Since these two unruly channels were kicked out by the regulator, they have been having problems with local operators who have started to delete them from their packages for obscure reasons, without any explanation.

A lot of questions are also raised regarding GfK, a company that measures TV ratings. In June, a small broadcaster complained about leaked information regarding the list of addresses where audience measuring devices, known as people meters, were installed. This opens the door for uncontrolled manipulation with supposedly objective popularity indicators, on the basis of which, TV companies determine the price for their advertising time. Mykola Kniazhytsky, Director General of the TVi channel, has noticed obscure

changes in the measuring device, whereby several viewers who were particularly loyal to one button or another, were suddenly removed. Coupled with the tax police raid on TVi and resulting in the initiation of a criminal case for alleged tax evasion after this issue had been won by the TV channel in court, a picture emerges of undisguised administrative pressure.

After the two violators of the peace were removed from the widely accessible media pool, they found themselves on its sidelines with ratings ranging from 12th to 20th places. As for the leaders, comprised of a never-changing pool of six channels, they are full of confidence. They just have one little problem: they are all unprofitable, which doesn't surprise anyone. According to reliable estimates by experts, revenues from advertising on television mounted to USD 400mn



UKRAINIAN SOCIETY HAS BEEN DEPRIVED OF ITS FOURTH POWER IN YET ANOTHER CRISIS PERIOD OF ITS HISTORY

in 2011 while expenditures totaled USD 800mn.

Everything becomes clear when one remembers that all leading TV companies are owned by a handful of Ukrainian oligarchs, such as Dmytro Firtash, Viktor Pinchuk, Ihor Kolomoyskyi and Rinat Akhmetov. For them, television is a tool of political influence rather than business. Several media managers insist that they increase the capitalization of assets for their owners through operating expenses, but this explanation seems lame in view of the upcoming election.

Against the backdrop of the transformation that leading TV brands have undergone over the past few years, whereby fully-fledged media with their powerful informational blocks have turned into purely entertaining tabloid projects, this no longer matters that much. Ukrainian society will have to realize that it has been deprived of its fourth power in yet another crisis period of its history. There is nothing left other than to escape to the internet where the business component is still small, as online resources account for a mere 2% of the advertising market and the government's ability to control it is limited. But even here, the govern-

ment's attempt to influence independent online resources was observed. LB.ua, one of the most visited websites in Ukraine, has recently been sued for violating the secret of correspondence and privacy, although the plaintiff renounced his claim against the internet publication. As long as Ukraine does not turn into another Belarus or China, at least in the internet, it can count on its territory of freedom. However, this does not guarantee good quality journalism.

ONCE MORE ABOUT FREEDOM OF SPEECH A LA UKRAINE

On 2-5 September, Kyiv will host the 64th World Newspaper Congress and the World Editors Forum. Despite the potential importance of the event for the development of the Ukrainian media market, increased interest in both the market and Ukraine in the world and the integration of Ukrainian journalism in the world professional community, in truth, this year's forum is addressing a range of specific features, that raises doubts as to how useful it will be under the existing circumstances and format. In fact, the idea to hold the forum in Kyiv was initiated by the Yanukovich regime in the spring of last year. In May 2011, Viktor Yanukovich wrote a letter to Christoph Riess, the CEO of the World Association of Newspapers and News Publishers, proposing that the congress and forum be held in Kyiv. Obviously, the current Ukrainian government, under which Ukraine dropped to 130th place in Freedom House's Freedom of Press index because of the growing control of the government over the mass media, is pursuing its own personal interests that have no bearing on those of Ukrainian journalism. Quite the contrary, they may pose a threat to freedom of speech.

There is a risk that the government will use the newspaper congress, just like it did the Euro 2012, to legitimize its regime in the eyes of the West, create a positive informational background to neutralize news about pressure on the freedom of speech and authoritarianism in Ukraine, and create the illusion that Ukraine still has democratic freedoms, it's alleged democracy and European vector. Mr. Yanukovich's press-service has already posted the expectations of the Presidential Administration from the congress on its website to-

¹ Bankova Street is the location of the Presidential Administration

gether with the announcement of his letter proposing that the forum be held in Kyiv, stating: “Ukraine is confidently moving ahead towards a democratic society and the development of an independent mass media”, “transparent and efficient rules for access to public information have been introduced in legislation and the investigation of the Georgiy Gongadze’s case has been significantly intensified”, “these measures are an important step for Ukraine in its European progress; they will once more confirm Ukraine’s choice as a state willing to strengthen democratic values to which freedom of speech and the press is integral”. Officials at Bankova’ expect that these theses will be confirmed in the world information space as a result of Kyiv hosting the congress.

According to Oleksandr Kurdynovych, the Head of the State Committee for Television and Radio Broadcasting of Ukraine, the authorities are going to allocate less than USD 0.8mn, which is no more than 15% of the cost of the forum and the congress, from the state budget, with the rest being covered by major private sponsors. One of the initiators of the event being held in Kyiv is a media holding with an ambition to monopolize the print media segment in Ukraine. The official communications partner is the Ukrainian Media Development Institute, chaired by Olena Hromnytska, the former press secretary of Leonid Kuchma, who then worked at Rinat Akhmetov’s media holding. The journalists there claimed that she published specially ordered articles flattering the government. The general partner of the congress is the DF Group, a group of companies owned by another oligarch, Dmytro Firtash. This appears symptomatic.

Obviously, the purpose of such measures is the symbolic establishment of the dominant positions of monopolist media holdings, securing their roles as “legislators of fashion”, and the marginalization of other participants on the Ukrainian media market that are not incorporated in the existing government-oligarch conglomerate, continue to demonstrate the independence of their own position and avoid the pursuit of maximum commercial effect at all costs. Oleh Nalyvaiko, President of UNIAN, one of the biggest news agencies in Ukraine controlled by the government, made an expressive comment: “The congress

will be attended by managers who are used to resolving specific issues: how to increase a print run; earn more money; attract advertisers; minimize costs, etc. I think this tone will prevail. This is what Ukraine needs right now. If we politicize all of this and begin to discuss other things, we will talk the congress to death.”

At the same time, congress participants should realize that their position will define whether they approve the political course of the current president (who is both an initiator and a VIP-speaker at the forum) with their participation and especially potential silent consent, thus facilitating the regime’s legitimization, or on the contrary, use the forum to show Yanukovych & Co the inadmissibility of the situation regarding the intensified attack on freedom of speech under the cover of ever more cynical declarations about the creation of an environment for the development of free press in Ukraine.

The forum will be attended by such renowned journalists as Gwen

ited, who opposed state regulation of the press market in Australia. Surely after Mr. Yanukovych’s speech, they will not be silent and ignore the obvious facts of the current government’s ever more aggressive attacks on the freedom of speech, which has been attested to by reputable international organizations?

The problems with freedom of speech in Ukraine are not limited to pressure on independent media. A series of successful media projects sponsored by Ukrainian oligarchs have been reformed in cases where sharp criticism of the government was an unwanted irritant for the regime.

Instructions from above on how to cover or not cover certain events or issues, forbidding any positive information about opposition forces have been reinstated at state-owned media. The scope of self-censorship has intensified in the leading media. Managers loyal to the government have been appointed to top positions in several influential media together with a relevant change in editorial policy. UNIAN, one of the most longstanding news agencies in Ukraine, is an example of this. Some journalists left their TV channels in protest against the unacceptable censorship of their materials. Access to socially important information has been restricted for journalists, in spite of the passing of a relevant law. There has been gross interference on the part of government representatives in the work of journalists without any administrative or criminal punishment. All these facts have accompanied the development of the Ukrainian media market over the past two years. Meanwhile, they did not stand in the way of the dynamic growth of business empires owned by media tycoons loyal to the government, which had an adequate level of self-censorship.

All told, the important task of congress participants will be to avoid blessing and mothballing all the abovementioned problems of the Ukrainian media market and showing Yanukovych and all other Ukrainian participants, that the freedom of speech situation in Ukraine is not satisfactory and that it is moving in the wrong direction. It is crucial to show that international events, such as the congress, - significant as they are - cannot be used as a rehabilitation tool for the authoritarian policy of the current Ukrainian regime. ■



WILL CONGRESS PARTICIPANTS SHOW YANUKOVYCH THAT INTENSIFIED ATTACK ON FREEDOM OF SPEECH IS INADMISSIBLE?

Lister, Executive Director of “The Namibian”, a newspaper founded during the South African occupation of Namibia as the “voice for the voiceless”, promoting the idea of its independence and recognized as a world press freedom hero by the International Press Institute in 2000; Erik Bjerager, President of the World Editors Forum, who is also Editor-in-Chief and Managing Director of the Danish newspaper Kristeligt Dagblad, a determined advocate of freedom of speech and the press; well-known US investigative journalist David Boardman, Executive Editor and Senior Vice President at The Seattle Times, and member of the Board of Directors at the Center for Investigative Reporting, the Steering Committee of the Reporters Committee for Freedom of the Press; Caroline H. Little, President and CEO of the Newspaper Association of America and President of the American Press Institute; and Greg Hywood, Chief Executive and Managing Director at Fairfax Media Lim-

2 INTERNATIONAL ARSENAL

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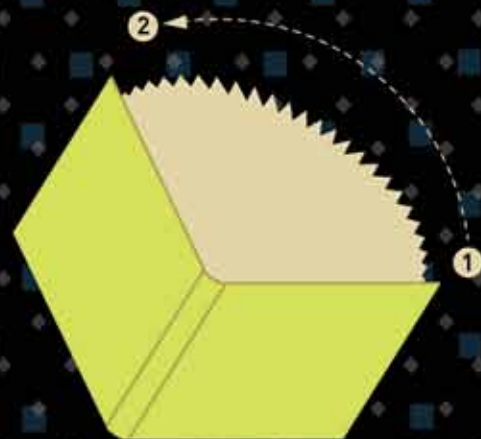
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Ukraine's Last Independent Magazines Threatened

The World Newspaper Congress in Kyiv was supposed to give the impression that there is freedom of speech in Ukraine. Shortly after, a blitzkrieg was unleashed against the last free Ukrainian media

The government's previous statements and actions suggest that it is still clinging to the belief that it will be legitimized in the eyes of the West when its October election is declared democratic. With this strategy in mind, it is extremely important for the Yanukovich regime to convince Western politicians that Ukraine's media market is idyllic. In the previous issue, *The Ukrai-*

Author:
Oleksandr
Kramar

nian Week discussed the government's attempts to exploit the World Newspaper Congress and the World Editors Forum that took place in Kyiv in early September to mislead the West as to the true state of free speech and democracy in Ukraine. However, their hopes were dashed – partly by *The Ukrainian Week*. Prior to the congress, we published a special issue dedicated to manipulation on the Ukrainian media market by its biggest players that may allow the Yanukovich regime to easily control the fourth estate, and distributed it to international media participants. Forum participants saw just how remote the statements by top officials about Ukraine's idyllic media space were from the truth when security guards forcibly removed the editors of a number of Ukrainian media outlets and members of the "Stop Censorship!" movement. The activists unfolded posters stating "2/3 of all attacks on journalists in Ukraine are made by the government", "Yanukovich is crushing freedom of speech in Ukraine" and the like during Viktor Yanukovich's speech at the forum. Subsequently, a number of well-known international publications reported that Yanukovich's statements about the support of free speech in Ukraine are not true, as the government's efforts to control the media grow more and more visible.

Post-congress developments indicate that the government has decided to destroy the last remaining free media now that its efforts to mislead the West have clearly failed. One possible scenario is that the government is rushing to carry out this plan prior to the election so that it can have complete control over the way Ukraine's "democratic election" is reported.

FREEDOM FOR THE CHOSEN

At the Yalta European Strategy conference arranged annually by Viktor Pinchuk in mid-September, Vice Premier Valeriy Khoroshkovsky, a major contributor to the creation of Viktor Yanukovich's image as a "liberal pro-European politician", tried to assure Condoleezza Rice that all political forces in Ukraine have equal access to the media. Meanwhile, monitoring of press freedom conducted in August by the Equal Opportunities Commission showed that the Party of Regions dominates the media in all regions but Ivano-Frankivsk Oblast. The monitoring surveyed 230 regional media outlets, including TV channels, print and online publications in all oblasts of Ukraine. In Donetsk Oblast, the ruling party receives 100 times the media coverage of the opposition.

Inter, a nationwide TV channel owned by Vice PM Khoroshkovsky, had the most positive coverage of the government's activities as well as a poor balance of different opinions, the August monitoring showed. His response in defense of the channel's objectivity is striking: "people watch Inter and see reality. The fact that they don't express distrust means that we're reflecting what is happening in the real world."

The real argument is different though: the Ukrainian media market is monopolized by a small circle of people and business entities linked to the government, whose manipulations prevent the implementation of real market mechanisms. An overwhelming majority of publications in Ukraine operate at a loss because the advertising market is so small, worth just \$180mn a year with just over 5,000 newspapers and magazines. According to estimates, one publication could hypothetically earn no more than \$36,000 in yearly advertising revenue. Yet, most earn even



less because the advertising sector is divided between two or three leaders with the greatest audience coverage. This is true for virtually every segment of the media. The so-called leaders that advertisers focus on are determined by TNS Ukraine, a monopolist in media audience research that recently attracted the ire of several media outlets. They claimed that TNS Ukraine's rates do not reflect the true coverage, and that certain large media holdings use the company to manipulate advertising budgets. The only possible objective indicator for publications is their circulation, yet this is not an effective measure either because there is no certified circulation auditor in Ukraine. Meanwhile, Ukrainian publications cannot earn enough from subscription and retail sales because proceeds do not even cover the cost of paper or distribution (the high cost of which is a result of a monopoly in that sector). Most Ukrainian publications cannot afford to set prices that would cover their overhead costs without losing part of their audience. Because of their low earnings, most Ukrainians cannot afford to pay EUR 2-3 for a publication. A successful publication in Ukraine (with a population of 46 million) is one with a print run of 10,000 copies, compared to those with at least 100,000 copies in Poland and the Czech Republic, and 300,000 in Germany.

Despite their losses, several media holdings controlled by oligarchs, among others, still have competitive publications in their portfolios. One possible explanation is that in lieu of a proper media market in Ukraine, this is being done to dictate conditions to other market participants, ensure beneficial cooperation with the government and exert the latter's influence on public opinion. This pushes entire segments, such as Ukrainian-language publications, from the media market, fills publications with paid articles (one method of survival for most Ukrainian media), degrades journalistic integrity, and erodes trust in the media.

AN INCONVENIENT WEEK

The Ukrainian Week focused on these problems in its special issue dedicated to the World Newspaper Congress in Kyiv. Then, access to its audience began to be blocked.

Starting with that issue, the administration of Boryspil airport banned the distribution of both



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Директору
ТОВ «Український тиждень»
Решетнику А.М.

Шановний Андрію Михайловичу!

Користуючись нагодою керівництво рекламного агентства «АТ Медіа» засвідчує Вам свою повагу та інформує про наступне.

Робітники ДП МА «Бориспіль» були змушені зняти «Український тиждень» з поліграфічних стійок через розміщення в журналі матеріалів проти ініційного уряду. В зв'язку тим, що зняття проводиться вже ввчуже, керівництво аеропорту заборонило виставляти «Український тиждень». Виходячи з вищезазначеного, на жаль, змушені відмовити вам в розміщенні.

To: A. M. Reshetnyk
Director of Ukrayinskiy Tyzhden LLC

Dear Mr. Reshetnyk,

Availing of this opportunity, AT Media management assures you of our respect and informs of the following. Boryspil airport employees were forced to remove Ukrayinskiy Tyzhden (The Ukrainian Week) from the press stands as a result of the publication of articles against the current government. After Ukrayinskiy Tyzhden (The Ukrainian Week) was removed for the second time, the airport's administration banned putting it out. Based on the information mentioned above, we are unfortunately forced to discontinue distribution of your publication there.

EQUAL CRITICISM OF

... THE GOVERNMENT



... THE OPPOSITION



... THE OLIGARCHS



How to deal with oligarchs

Ukrayinskiy Tyzhden and *The Ukrainian Week* on its territory thus depriving us of access to an important audience. We learned this from AT Media, an advertising agency that distributed the publication at the airport (see a copy of the letter forwarded by email on September 11th).

UMH Group, a media holding presided over by Borys Lozhkin and the biggest player on the Ukrainian market for print publications, has blocked the distribution of *Ukrayinskiy Tyzhden* as well. Several retail chains linked to UMH Group, including Press Trade in Kyiv and Tvoya Presa (Your Press) in Kharkiv have refused to sell the magazine regardless of effective contracts and without explanation.

The workers at press retailers in Kyiv informed us that people linked to the UMH Group bought out every copy of *Ukrayinskiy Tyzhden* is. 36/2012 dedicated to the media, the negative impact of press market monopolization in Ukraine, troubles free speech in Ukraine and the failed attempt of the Presidential Administration to use the World Newspaper Congress to whitewash the Yanukovich regime. UMH Group has the potential to monopolize Ukraine's print media market, and Borys Lozhkin, along with the Presidential Ad-

ministration, was one of the initiators behind the idea of hosting the World Newspaper Congress in Kyiv. This was the focus of the issue blocked from distribution.

If the trend continues, it may have a serious impact on the publication. Founded by the Austrian ECEM Media GmbH, it is not related to any Ukrainian oligarchs or political entities. With no proper advertising market and a no-paid-article policy, *Ukrayinskiy Tyzhden*/ *The Ukrainian Week*'s main source of income is proceeds from sales. It appears that by restricting our access to readers directly and through linked media entities, the government is hoping to force the foreign investor to discontinue the publication.

NO TV

Print publications in Ukraine have a much smaller audience compared to television. According to Iryna Bekeshkina, Director of the Democratic Initiatives Foundation, television is an absolute leader in the communication sphere. 46% of citizens receive pre-election news from TV while only 23% do so from print media, 8% from the Internet and 4% from social networks.

Although TV channels mention the Party of Regions over nine times ▶▶

more often than other participants of the election campaign, as research by the Equal Opportunities Commission and Democratic Initiatives Foundation shows, the government seems to be pushing for a complete monopolization of television coverage. Two out of three TV channels with the biggest audience on a nationwide scale that are often the only ones available in much of rural Ukraine have long been under the government's control. The administration of the First National channel has openly stated that its task is to promote the interests of the ruling party rather than those of the nation. Inter TV is owned by the current Vice Premier and is allegedly closely linked to a highly influential group in the current government that includes the President's Chief of Staff Serhiy Liovochkin and oligarch Dmytro Firtash. Controlled by other oligarchs, the rest of the TV channels have been forced to implement self-censorship – more or less visible, yet growing – in issues that the Yanukovich regime finds sensitive.

After Ukrainian oligarch Petro Poroshenko joined the government, it became obvious that his Channel 5 would no longer act as an alternative source of information during the election as it did in the 2004 Orange Revolution. Moreover, the government has taken every effort over the past few years to prevent TVi, the last nationwide independent TV channel, from taking over the mission that had once been Channel 5's. First, TVi lost its license for some frequencies to Khoroshkovsky's Inter. After the election campaign kicked off, cable operators began to turn off TVi in their regions without any sound explanations. On September 5th, the last day of the World Newspaper Congress, the biggest Ukrainian cable operator Volia removed the channel from the basic package of channels it offered, causing the loss of up to 2/3 of TVi's audience according to estimates by the channel's administration. On top of it all, there was an attempt to ban TVi's foreign economic transactions without a special license from the Ministry of Economy. As a result, transnational payments for satellite transmission – an alternative way to communicate information to audiences – could have ended up completely under government control. The mechanism has not been imposed yet, but there is still some

EXPERT COMMENT



Mikael Pentikäinen, Senior Editor-in-Chief at Helsingin Sanomat and participant of the World Newspaper Congress and World Editors Forum in Kyiv

I was not surprised to find out that Ukraine has problems with freedom of speech. We have had discussions on the board of WAN-ifra regarding the situation with the Ukrainian press. Therefore, I was expecting something to happen at the ceremony. I think that it is crucial for Ukrainian journalists to take care of the editorial culture of every free media. The trust of readers is the most valuable asset we have. The international media community is carefully monitoring the development of Ukrainian media and supporting it with all the tools we have. We have to fight together for the freedom of the press, everywhere in the world.

time before the election. In addition to that, TVi's administration faced criminal charges for tax evasion. It had to pay over UAH 4mn (collected by Ukrainian citizens in support of their favourite channel) in tax debt and fines, although it never admitted to owing any debt to the Tax Administration and considers the debt illegal (TVi previously won a similar case in court).

Meanwhile, the government has turned a blind eye to protests in support of TVi and free speech. These took place in most Ukrainian cities even after some courts banned the rallies using weak excuses. Kharkiv's District Court, for instance, banned the protest based on a request from the city council because it "prevents people from moving around the city freely."

THE CONGRESS IS OVER, LET THE REPRESSION BEGIN!

After the World Newspaper Congress in Kyiv, the attack on freedom of speech has mounted. The impression is that the Presidential Administration intentionally waited for the congress to end in order to avoid more accusations of limited press freedom. The government's latest initiatives signal that it is purging the media space to prevent the publication of whatever damaging information the few remaining media outlets can muster.

On September 12th, the government issued an instruction "On Raising Awareness for the Prevention of Terrorism" to the State Television and Radio Committee and law enforcement agencies. They are ordered to reveal and stop any materials calling on terrorist activity "in any form", overthrow of the constitutional order, "actions that threaten civil order" or the overthrow of the government. Despite a heightened protest culture, the threat of terrorism is very low in Ukraine. According to sociological surveys, only 3% of Ukrainians consider terrorist attacks to be a real threat. Independent experts assume that the last two provisions of the instruction may be used primarily to coerce, intimidate and persecute representatives of independent media.

On September 18th, the Verkhovna Rada passed a bill "On Amending the Criminal Code and the Code of Proceedings of Ukraine to Increase Liability for Attacks on the Dignity and Business Reputation of Individuals". Officially spon-

sored by the Party of Regions' Vitaliy Zhuravsky, the draft law was actually designed at the Presidential Administration as proven by an electronic file posted on the parliament's website. The list of crimes in the new draft law includes slander, punishable with prison terms of one to two years or two to five years. Slander that accuses someone of a serious crime may carry up to a three-year jail sentence.

If passed, the law on slander will destroy the remnants of independent journalism in Ukraine. In lieu of a fair judiciary, any journalist who criticizes an official or publishes an investigation on potential corruption will automatically become an object of criminal persecution with the outcome known in advance. This is essentially an attempt to apply the tools used against jailed opposition members to attack legitimate free media outlets using obsolete soviet provisions of the Criminal Code. Despite promises from government representatives to soften the draft law following sharp reactions by the Western and Ukrainian public and politicians, the law, if passed, will signal the end of free speech and journalism in Ukraine. After that, journalism in the country may degrade completely. The government seems to have taken a step back under pressure from the public. When this publication was being prepared, the Party of Regions' Vitaliy Zhuravsky stated that he would recall his draft law on slander. However, he also said that he was going to submit a finalized version to the parliament after the election. According to *The Ukrainian Week's* source in the Party of Regions, legislative changes on criminal liability for slander will "definitely" be passed after the parliamentary election.

If the tactics employed by the government on a massive scale succeed to win them a constitutional majority in the new parliament (300 out of 450 seats)—even if supported by no more than 25% of the population—the Yanukovich regime will be able to completely ignore the international community. In doing so, he may point to having "absolute popular support" and a constitutional majority in the parliament as signs thereof. "All questions about Ukraine will be answered after the election," said Yanukovich at the Yalta European Strategy conference. In this light, this phrase may gain an entirely new meaning. ■

Open Letter

***The Ukrainian Week* would like to inform the Ukrainian and international community of the harassment of the publication after the World Newspaper Congress in Kyiv**

The *Ukrainian Week* has been published since January 2010 as the international English-language edition of *Ukrayinskiy Tyzhden* published in Ukrainian by ECEM Media GmbH, Austria, since 2007. It is one of the few publications on the Ukrainian media market, guided by European standards. Having its own clear position on events taking place in Ukraine, the editorial office has never given in to external influence and did not publish customized materials, which, unfortunately, is a standard practice for most members of the Ukrainian mass media. In January, the publication won the Gerd Bucerius "Free Press of Eastern Europe-2012" award, which has been awarded by the German Zeit-Stiftung Ebelin und Gerd Bucerius, together with the Norwegian Fritt Ord (Free Word) Foundation – "for impartiality, professionalism, quality of work, social activism and courage". The publication consistently stood by the real European integration and irreversible changes within Ukrainian society, the business environment and the state administration sector, which would pave the way for the transformation of Ukraine into a modern European democracy; it always strongly criticized various pro-government and opposition political forces and organizations, the actions of which did not promote, profaned or impeded relevant transformations.

There has been constant pressure on *Ukrayinskiy Tyzhden* on the part of the government and monopolists of the media market associated with it, although it manifested itself in different forms. But as of the beginning of September, it reached a new level, which lies in the single-minded squeezing out of the publication from the market by means of blocking its access to readers. This became particularly noticeable after a critical publication dedicated to the World Newspaper Congress in Kyiv, which took place in early September of this year. The article addressed the problems related to the monopolization of the printed media market and manipulations related to it, which distort the Ukrainian media market and make the functioning of market mechanisms impossible. As a result, large media-holdings, owned, as a rule, by Ukrainian oligarchs, dictate their conditions on the market. These media-holdings are generally not self-sufficient market participants, merely subdivisions of these oligarchs' business empires. At the same time, since the media business is, a priori, unprofitable under existing conditions in Ukraine, for the most part, controlled media execute the function of a manipulator of public opinion within the country. More specifically, Ukraine, with an absolute majority of Ukrainian-speakers is experiencing discriminatory conditions for the functioning of the mass media published in the Ukrainian language, which has already led to the actual destruction of the Ukrainian-language segment of printed publications.

It was after the publication of this issue that the management of State Enterprise Boryspil International Airport banned the distribution of both *Ukrayinskiy Tyzhden* and *The Ukrainian Week* on its territory. We were informed about this by the advertising agency, through which our magazines were placed at the airport: "Boryspil airport employees were forced to remove *Ukrayinskiy Tyzhden* (*The Ukrainian Week*) from the press stands as a result of the publication of articles against the current government. After *Ukrayinskiy Tyzhden* (*The Ukrainian Week*) was removed for the second time, the airport's administration banned putting it out. Based on the information mentioned above, we are unfortunately forced to discontinue distribution of your publication there." (see copy of the letter, forwarded by e-mail on September 11th). Thus, *Ukrayinskiy Tyzhden* and *The Ukrainian Week* have lost access to an important readership.

In addition, the distribution of *Ukrayinskiy Tyzhden* was blocked by the UMH Group media-holding (President Borys Lozhkin), a major player on the Ukrainian market of printed publications, which is trying to monopolize it. Several distribution networks, related to UMH Group, particularly Presa Trade LLC (Press Trade LLC, Kyiv), Tvoja Presa (Your Press, Kharkiv) etc., refused to sell our publication without giving any explanations, regardless of signed contracts. It was the President of UMH Group who was an inspiration behind the holding of the World Newspaper Congress in Kyiv in a format designated to make the Yanukovich regime look good in the eyes of the international community.

Thus, the government is restricting our access to the reader, acting both directly, and indirectly through "friendly" media structures.

In a situation, where there is no normal advertising market in the country, under conditions when *Ukrayinskiy Tyzhden* and *The Ukrainian Week* refuses to publish customized materials in principle, and the main source of income is funds received from the sale of its magazines – the situation with the artificial blocking of access to the readership could be a heavy blow to the publication. Thus, we view these actions as an attempt by the government to force a foreign investor to withdraw from the publication of *Ukrayinskiy Tyzhden* and *The Ukrainian Week*.

Management Board
Ukrayinskiy Tyzhden
The Ukrainian Week

Minority Rule

With the support of no more than a third of Ukrainians, Viktor Yanukovich is preparing for a constitutional majority in the new parliament

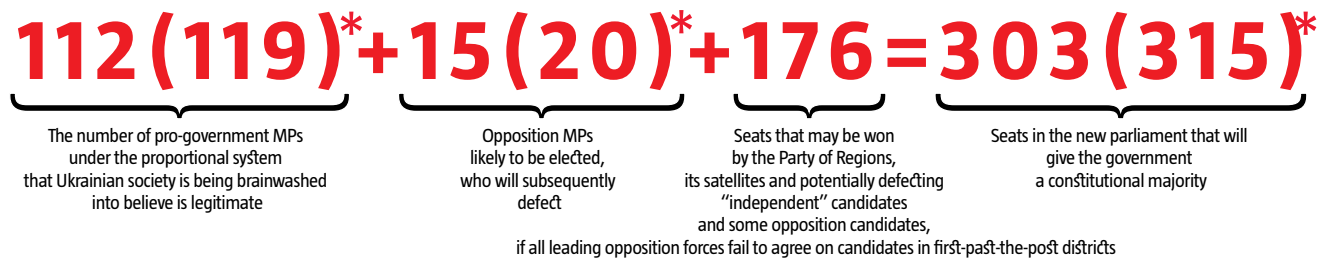
Public opinion in Ukraine on the eve of the parliamentary election is such that the ruling coalition parties would not be able to count on more than a third of the seats in the Verkh-

Author:
Oleksandr Kramar

hovna Rada if the election were truly representative. Almost two-thirds (63%) of the respondents in a poll conducted by four sociological services at the beginning of the election campaign from 27 July to

9 August stated that events in Ukraine were developing in the wrong direction. The discontent was felt by majority (54-55% in Southern and Eastern Ukraine, which are the traditional support

THE THREAT OF A CONSTITUTIONAL MAJORITY



Government-dictated matrix

Through polls, Ukrainian society is now being brainwashed into accepting election results which, according to various scenarios, will give the ruling coalition 112-119 seats under the proportional system

R&B poll	Party of Regions (PR), %	Communist Party (CP), %	PR and CP total	Ukraine – Forward!, (UF), %	PR, CP and UF total	Undecided	Other parties	United Opposition, %	UDAR, %	Svoboda, %	Opposition total	Potential defectors from the opposition's party lists
Among those who intend to vote	27	10.9	37.9	3.7	41.6	17	3.1	20.4	13.4	4.5	38.3	
Among those who have made their choice	32.6	13.1	45.7	4.5	50.2	–	3.8	24.5	16.1	5.4	46.0	

Percentage and number of seats under the pro-portional system in the new parliament (out of 225 seats)

Estimate with the "prize fund" (votes cast for ultimately unelected parties)	35.6 (80 seats)	14.3 (32)	49.9 (112)	0	49.9 (112)	–	–	26.6 (60)	17.5 (40)	5.9 (13)	50.1 (113)	(15–20)
Similar estimate if the result of Ukraine – Forward! is rigged enough for it to enter parliament	33.9 (76)	13.6 (31)	47.5 (107)	5.0* (11)	52.5 (118)	–	–	25.4 (57)	16.6 (37)	5.5 (12)	47.5% (107)	(15–20)
Similar estimate if Ukraine – Forward! and Svoboda fail	37.8 (85)	15.2 (34)	53% (119)	–	53% (119)	–	–	28.4 (64)	18.6 (42)	–	47.0 (106)	(15–20)

These calculations have been made based on figures reported by R&B, a company whose results are always most favourable to the ruling party and which is currently predicting the victory of the Party of Regions and its satellites over the opposition under the proportional system. Various scenarios have been considered, based on an estimation of preferences among those who intend to vote, assuming that the votes of the undecided are proportionately distributed between them. *Under a scenario whereby the party will receive an additional 0.5% owing to a "assistance" of one kind or another.

base for the Party of Regions and its satellites (**see Disillusionment with the government**). However, an analysis carried out by *The Ukrainian Week* shows that under these conditions, the Yanukovich regime will try to gain a constitutional majority (two-thirds of the seats) to fully take power into its own hands, have full liberty to do as it pleases, pass arbitrary decisions and deprive the Ukrainian society and the opposition of opportunities to offer resistance in parliament.

MAINTAINING THE LEAD

For a long time, it appeared that the government was going to win the election by utilizing the first-past-the-post system, just like it did in 2002 when the then President, Leonid Kuchma, formed a relatively stable parliamentary majority that he could control, despite the fact that at most, the lists of the pro-government parties only garnered 18% of the vote. This led politicians and observers to seriously believe that the Presidential Administration would opt for a relatively representative election under this system, in order to at least partly legitimize the vote both inside the country and, most importantly, abroad. However, most recent trends suggest that either it did not have such intentions or that they had to be modified under the pressure of circumstances which emerged in the first six months of 2012. When the majority of opposition forces rallied around the most popular parties – Yulia Tymoshenko's Bat-

Pollsters predict nearly **35%** for the Party of Regions and its satellites in the election. Thus, a fair result would be for it to have **150** seats in the new parliament rather than the more than **300** that it has set its sights on

kivshchyna (Fatherland) and Arseniy Yatseniuk's Front Zmin (Front for Change) – it must have caught the government flat-footed. It had hoped that banning blocs from elections would rule out this scenario, but has now faced a new challenge. The government did not previously consider Batkivshchyna and the Front for Change jointly winning more votes than the Party of Regions as a threat, because the latter still expected to lead the pack. The merger posed a real threat as it could end up in second place, which would clearly give it the negative image of a “losing party” and hurting the prospects of Yanukovich or any other Party of Regions candidate in presidential elections after 2015. It is worth remembering how fiercely Yanukovich fought to obtain at least a minimal edge over Viktor Yushchenko in the first round of the 2004 presidential election and how nervously the Presidential Administration reacted to Nasha Ukrayina's (Our Ukraine's) relative majority in 2002.

SOCIOLOGICAL PARADOXES

In the past month, there has been an obvious effort to “programme” Ukrainian society and the international community for the impending victory of the Party of Regions, not only in first-past-the-post districts, but also in those where proportional party lists are applied. Back in July 2012, the Rating Sociological Group reported that three leading opposition forces (Batkivshchyna, UDAR and Svo-

boda (Liberty)) had the advantage over ruling coalition parties: of the respondents intending to vote, 40.5% favoured the opposition (36.1% without Svoboda) and 30.1% backed pro-government parties, including 20.3% for the Party of Regions. On 27 July to 9 August, at the beginning of the election campaign, four companies (GfK Ukraine, Rating, Sotsis and the Razumkov Centre) reported similar figures – 42.2% (38%) against 34% (24.6%) for the Party of Regions.

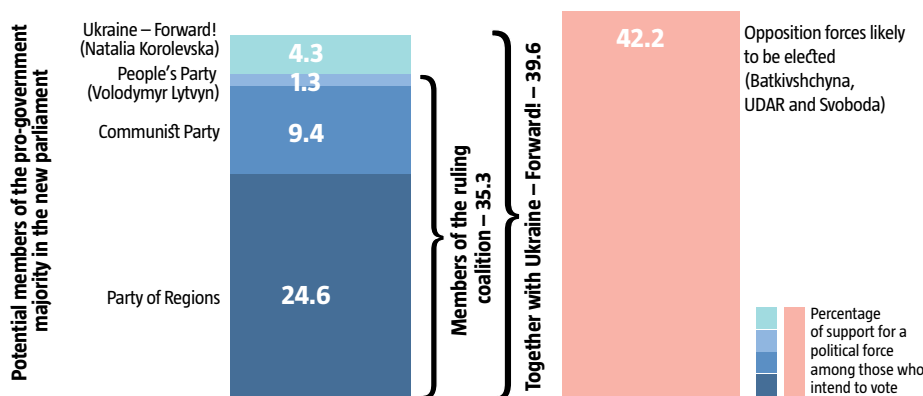
However, by mid-August, the situation began to change radically. On 10-15 August, the Razumkov Centre and the Democratic Initiatives Foundation found, quite unexpectedly, that pro-government forces had gained a slight edge over the opposition (the Svoboda party was excluded from the comparison, since its support level (3.8%) surprisingly turned out to be below the 5% parliamentary threshold). According to the poll, Batkivshchyna and UDAR commanded the support of 36.1% of voters, while the Party of Regions had 28.1% and the Communist Party - 8.2% (jointly - 36.3%).

However, the transformations recorded by the Rating group were the most significant. Its early September figures contrasted with its findings for July: the government's support level leaped from 30.1% to 37.9%, while that of the opposition declined from 40.5% to 38.7%.

In late August - early September, R&B, whose poll results are traditionally most favourable to the government, reported on even greater support for the ruling coalition with a large advantage over the opposition: 37.9% (of which 27% was for the Party of Regions) against 33.8% (without Svoboda, which, according to R&B, was below the threshold). These figures were immediately picked up and disseminated by the mass media outlets close to the Party of Regions. For example, the *Segodnya* (Today) daily wrote that “the GfK NOP opinion poll from 20 August to 1 September showed that the government's rating (32%) was higher than that of Batkivshchyna and UDAR (29%), while with its 3%, Svoboda did not stand a chance of getting into parliament.” The report was accompanied by a ▶

AT THE START

Support levels for pro-government and opposition forces at the start of the election campaign (late July to early August) in a joint poll carried out by four services (GfK Ukraine, Rating, Sotsis and the Razumkov Centre) point to the clear advantage of the opposition under the proportional system



powerful online advertising campaign.

Data followed from the Institute for Research of Regional Development, based on its 1-10 September poll, which showed a similar lead for the government over the opposition (33.3% against 30.3%) and the surprisingly high support level for Natalia Korolevska's Ukraine – Forward! party, which, according to *The Ukrainian Week's* sources, is a technical project run by the government.

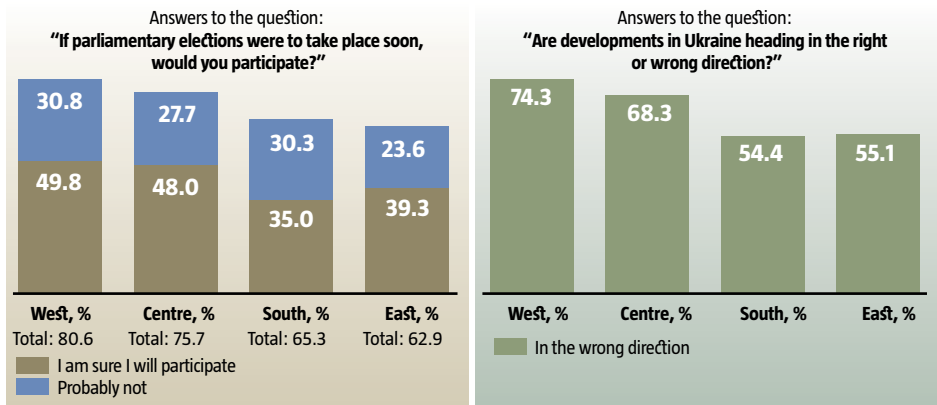
PRE-PROGRAMMING THE DESIRED ELECTION RESULTS

Since there were no events in August that could cause such a steep increase in the rating of the government and decline in that of the opposition, the question arises as to the nature of the above change in popular attitudes. All the developments that are invoked as arguments, such as the merger of the Party of Regions and Serhiy Tihipko's Sylna Ukrayina (Strong Ukraine), the "social initiatives" of the PR and the law on languages it steamrolled through parliament, were completed by the end of July. The obvious movements within the opposition camp (between Batkivshchyna, UDAR and Svoboda) were all internal. However, sociologists reported a decline in support for the entire opposition. Similar movements between the Communist Party and the Party of Regions were also internal, so they can in no way explain the increase in the popularity of ruling coalition parties in the polls.

Moreover, these most recent government – opposition ratios are at variance with the outcome of the previous parliamentary election in 2007 in which democratic pro-European forces had a significant advantage over the soviet-minded and Russia-leaning Party of Regions and Communist Party. The structure of allegiance among various age groups over the past ten years in all regions, to the parties currently in power, which are oriented on the past, is falling with every new generation. The reference to Yanukovich's rating in the first round of the 2010 presidential elections is also questionable, since far more people intend to vote in western and central regions of Ukraine than

Disillusionment with the government

The level of disillusionment and discontent in the mainstay oblasts of the Party of Regions is much higher than that in those favouring the opposition



Source: Poll conducted by GfK Ukraine, the Rating Sociological Group, the Sotsis Centre for Social and Marketing Research and the Razumkov Centre on 27 July to 9 August 2012

in southern and eastern regions, which is the support base for the ruling coalition. This fact is reported by all sociological services. Two and a half years ago, the situation was almost the exact opposite. Finally, people are disillusioned with the current government. The disillusionment is manifested in the passivity of its traditional electorate and has encouraged some of its supporters to switch their preferences to Ukraine – Forward! and UDAR.

Thus, the rapid increase in support for the government as reported by sociologists in the last month appears suspicious. There is no direct evidence of their "cooperation" with the Ukrainian government, but it is as clear as day that the latter will use the recent surveys to justify the unexpected high level of support that the Central Election Committee will record based on voting results under both systems. Moreover, the government is also considering ways to legitimize its pre-programmed results with the help of "authoritative Western polling companies" by continuing its old tactic of financing expensive PR campaigns in the West, something that has long been applied by the Yanukovich regime. More specifically, in an interview with *Gazeta Wyborcza*, Valeriy Khoroshkovsky said that Kyiv is prepared to invite not only foreign observers but also foreign political analysts to carry out exit polls during the parliamentary election in Ukraine, in order to show the democratic nature of

the election – "so that there are no doubts later as regards balloting and the final results."

THE END JUSTIFIES THE MEANS

At the same time, the government is using the wide arsenal of measures it applied in previous election campaigns and others that are new by virtue of their audacity in Ukraine. These include the manipulation of the composition of election commissions or information on reported orders sent down from the centre specifying how many votes the Party of Regions gets from one particular settlement, district or region.

Together they can ensure the required level of distortion of the real picture to suit the government's purpose. This includes the bribing of voters using budget funds, as well as administrative and repressive resources to limit or make it impossible for the opposition and especially its candidates in the first-past-the-post districts, to conduct their election campaign; the intimidation of opposition candidates, activists and agitators; the large-scale use of the numerical advantage of pro-government representatives on election commissions during ballot counting; keeping Svoboda below the parliamentary threshold (for example, giving it 4.95% of the vote), while boosting the result of Korolevska's Ukraine – Forward! party; supporting technical projects such as Our Ukraine, the Radical Party, etc. which are supposed to draw away votes cast for the opposition; conceal objective infor-

mation regarding the actual processes taking place in Ukraine from most citizens by means of the total monopolization of media space in one way or another.

THE SPECTRE OF A CONSTITUTIONAL MAJORITY

Recent opinion polls are designed to make Ukrainian society believe that the Party of Regions and its satellites can legitimately claim 112-119 seats in parliament. All of the abovementioned measures are being used to this end. Add to this 15-20 potential turncoats among opposition forces (see an analysis of the party lists of leading opposition forces in UW, Issue 31 and 32, 2012). This enables the Presidential Administration to set its sights on a constitutional majority in the new Verkhovna Rada if it succeeds in obtaining 170-180 mandates in first-past-the-post districts. This is quite feasible, considering that opposition forces are not acting in a coordinated fashion there. Many of their candidates are weak, and sometimes the opposition is obviously playing into the hands of pro-government candidates. Representatives of Batkivshchyna and UDAR continue to point fingers at each other for failing to abide by the January agreement on a common, jointly approved list of candidates. Another negative factor is that a number of notable opposition members are being elbowed out. For example, in a telling image-crushing address in Lviv on 16 September Oles Doniy accused Batkivshchyna of selling places on its party list and in first-past-the-post districts (which allegedly costs USD 1.5mn apiece) and also said that the leadership of the United Opposition often nominates clearly weak candidates.

According to calculations made by *The Ukrainian Week*, if the opposition fails to nominate agreed-upon candidates, the Party of Regions, its satellites and potential defectors may claim 176 mandates under the first-past-the-post system. In oblasts where the ruling party has at least a relatively higher rating, its representatives stand the best chance of winning if they make full use of administrative resources and don't have strong rivals supported by all opposition forces. In regions where the latter have an absolute advantage, a successful strategy is

used against their "independent" candidates, whereby they are supported by the government (administrative resources) and oligarchs close to it (financing).

If Yanukovich's regime gains a constitutional majority in parliament, this could pose the threat of fatal consequences for the country. 300 and more votes will eliminate the last remaining barriers and top officials, including the president, will have carte blanche to implement what they think is the ideal social order. Ukraine's statehood will be jeopardized as the regime's actions will lead to even further isolation from the civilized world. Nothing will prevent the government from accepting the initiatives of the Kremlin which seeks to restore a soviet-like empire. A consequence of this will be that the state system will undergo entirely predictable changes, making it impossible or nearly impossible to rotate the government, using the instru-



WHY IS IT THAT A MINORITY GOVERNMENT, THAT HAS NEVER HAD THE SUPPORT OF HALF OF THE POPULATION, IS GOING TO CLAIM A CONSTITUTIONAL MAJORITY?

ments of representative democracy. Thus Ukrainian society will have to pay a heavy price for the Party of Regions' constitutional majority.

NOT TOO LATE YET

Why is it that a minority government, that has never had the support of even half of the Ukrainian population, is going to claim a constitutional majority in Ukraine. What has made this possible? The answer should be sought, among other things, in the inability of the opposition to join forces and a number of tactical errors. It all began with its support of the election law proposed and imposed by the government in autumn 2011. It not only opened the way for the government to obtain a majority via first-past-the-post districts and placing the Svoboda Party under threat of not attaining the parliamentary threshold, thus stripping the opposition of nearly 5% of the

vote. Moreover, the opposition's passive response to the Presidential Administration's orchestration of a modification to the procedure, granting parties the right to nominate their representatives to election commissions, also has a negative impact. It has opened the way to the mass falsification, of the results of opposition forces, achieved under current difficult conditions and despite administrative pressure and the information blockade.

Is it possible to avert this scenario? That depends on how coordinated opposition forces will be and whether they will be able to withdraw obviously weak candidates in first-past-the-post districts in favour of more popular figures. This can be done, among other things, by reaching agreements with independent candidates who could potentially resist parliamentary defection. Opposition candidates should not only be agreed upon, but their results must be secured through the joint action of opposition forces. Observers from various opposition parties, who will be monitoring ballot counting, should cooperate closely to prevent pro-government and technical parties from vote-rigging.

A genuinely independent exit poll will play a very important role and special care is needed in the selection of its participants, considering that the government may succeed in finding a common language with even authoritative polling companies, which remain under its jurisdiction. Meanwhile, in many or possibly most cases an exit poll may prove to be the only counterargument against pre-determined results being reported by election commissions, most of which are controlled by the Party of Regions.

Voters, especially those who are skeptical, often for good reason, of existing opposition forces, should understand that, more than ever before, these elections are about saying "no" rather than "yes". First and foremost, they are about averting a scenario whereby the very opportunity to say either "yes" or "no" could disappear. This is a case whereby society will be victorious even if the government gains a simple, rather than a constitutional parliamentary majority. ■



Potatoes: UAH 2 per kilo

The Party of Regions, Ukraine
Social initiative of Olexsij Azarov: Our Region

Powers of Persuasion

The Party of Regions is exploiting every possible financial and administrative resource of the government for its election campaign

A ranking of election law violators released on September 4th by the OPORA (Resistance) NGO featured the Party of Regions and its representatives in centre stage. The statistics tracked political parties and candidates running for parliamentary seats. 188 violations by the Party of Regions were registered in the month of August alone. In second place with 47 registered violations were several formally “independent” candidates with close ties to the Party of Regions. The total number of violations made by opposition forces fulfilling the required 5% threshold, including Batkivshchyna, UDAR and Svoboda, as well as their first-past-the-post (FPTP) candidates, was eight. The most common violations by ruling party include abuse of administrative leverage and voter bribery (109 and 103 instances respectively), interference with the political activity of other candidates (58), illegal campaigning (42), and in-

Authors:
Oles Oleksiyenko,
Milan Lelich

terference of law enforcement agencies in the pre-election process (9).

Unlike their more cautious Kyiv bosses, Party of Regions functionaries in other regions never concealed their desire to return to the soviet reality where the party and the government were one, as it is in Putin’s Russia today. Andriy Shyshatskyi, First Deputy Head of the Party of Regions’ oblast office and Head of the Donetsk Oblast Council, claimed openly at a party conference, “The Party of Regions is the party in power; the Party of Regions and the government are one and the same.” Thus, the ruling party is putting all of the government’s financial and administrative resources behind its own re-election campaign. In a statement reminiscent of the soviet era Communist Party, the Party of Regions’ Donetsk Oblast office announced the following strategy: “Ensure the cooperation of local authorities, FPTP candidates and party organiza-

tions for the solution of socio-economic problems in cities and counties of Donetsk Oblast.” Similar approaches are now in place in most parts of Ukraine where the Party of Regions gained control following the “free” 2010 local elections.

FOLLOW THE LEADER

Administrative coercion is the most ubiquitous in South-eastern Ukraine, which the government believes to be its core electorate. Thus, any efforts by the opposition there outrage the Party of Regions. Apart from the Donbas, this is also a clear trend in Odesa Oblast, where Head of the Oblast Voters’ Committee Anatoliy Boyko has noted increased efforts by the ruling party to interfere with the campaigns of other candidates. These manoeuvres threaten the legitimacy of the election process in Odesa Oblast, and include the libelling of competitors, indirect bribery of voters, and involvement of civil servants

and public funds in the Party of Regions' campaign. Sometimes these efforts go beyond sound reason. Sevastopol City Council has banned a fan zone for Vitaliy Klitschko's boxing match in the city because he is the leader of the second most popular opposition party.

Attempts to spread the use of administrative leverage to Central and even Western Ukraine are crystallizing as well. In his address to the Head of the Central Election Commission, BYuT's Mykola Tomenko noted that local authorities intentionally interfere with meetings between voters and opposition FPTP candidates. Their call to action came in a letter entitled "Working with Competitors in Single-Member Constituencies," signed by Anatoliy Prysiazhniuk, Head of the Party of Regions' election campaign in Kyiv Oblast and Chair of the Kyiv Oblast State Administration. The directive was sent to heads of district, city and county election offices and district coordinators from the Party of Regions.

According to BYuT-Batkiivshchyna MP Volodymyr Bondarenko, "Social Services in Kyiv have hired a hundred new workers each at public expense. They will deliver gift packages to people as if from the local civil service while promoting specific candidates." A similar practice is being used in Bukovyna. According to UDAR's oblast office, social workers collect information on political preferences from people in local villages and campaign for the party in power. Based on the data collected by social workers, opposition party supporters are likely to be removed from the voters' register under various excuses.

ARE YOU LOOKING FOR TROUBLE?

Administrative pressure takes many forms—intimidation by law enforcers, the assault of opposition candidates, civil activists and campaigners by unidentified assailants, forced registration of teachers and other public sector employees for the Party of Regions, abuse of administrative leverage for propaganda purposes, and "courtesy letters" in which campaign contribu-

tions are "requested" of business owners.

Opposition forces and NGOs monitoring the election process have recorded and disclosed several troubling developments. On July 31st, the Central County Court of Mykolayiv arrested Liudmyla Nikitina, head of the United Opposition's election office in Pervomaysk, a town in Mykolayiv Oblast, as a preventive measure. On August 29th, leader of UDAR's office in district No. 105 in Luhansk Oblast Serhiy Zlobin was arrested. On September 1st, a representative of Svoboda in district No. 128 in Mykolayiv Oblast was arrested at the railway station in Mykolayiv when he arrived from Kharkiv.

Apart from this, opposition candidates often face criminal charges and are summoned to interrogations. Cases against Ihor Reshetnyk and Oleksandr Romaniuk, two United Opposition candidates, have recently been launched in Mariupol, Donetsk Oblast. Volodymyr Derkach, a United Opposition candidate in district No. 41 and proactive participant of protests arranged by Chornobyl victims in Donbas last year, was summoned to an interrogation and is accused of beating a student and forging documents that entitled him to privileges as a Chornobyl victim.

BYuT's MP Mykhailo Sokolov recently found himself linked to the case of terrorists who set four bombs in Dnipropetrovsk in spring 2012. The investigation found that the two suspects charged with arranging the explosions worked as Sokolov's advisors, and their letter with demands was allegedly printed at his office. Sokolov has already received two invitations to interrogations and ignored one. As a result, the SBU has threatened to bring him in for interrogation by force.

Valentyn Koroliuk, a United Opposition candidate from district No. 154 in Rivne Oblast, was recently threatened with physical harm, according to Batkiivshchyna. On August 27th, an unknown assailant tried to break into the apartment of Svoboda's Andriy Bortnik who is running in district No. 71 in Rivne Oblast. Oleksiy Davydenko, UDAR's

candidate in district No. 216 in Kyiv, has reported intimidation as well. On August 31st, his office was robbed. On September 3rd, his car was stolen. He has also received anonymous threats.

Sometimes the ruling party uses soft intimidation tactics, threatening to fire opposition members and activists. UDAR's candidate in district No. 61 in Donetsk Oblast Yevhen Korzh reported that he had been fired from an engineering plant before the party meeting on July 31st where he was nominated because he refused to quit the campaign. The same thing happened to Roman Volkov who is running as UDAR candidate in FPTP district No. 43. According to Volkov, his boss summoned him after he returned from the UDAR meeting in Donetsk and demanded that he cease his political activity, otherwise, he would be sacked.

In some cases, the pressure placed on opposition candidates does work. In Zaporizhzhia Oblast, UDAR candidate Oleksandr Volkov resigned from the campaign in FPTP district No. 80. He said that his nomination posed a threat to his successful business.

Reports of pressure on average activists are mounting, com-

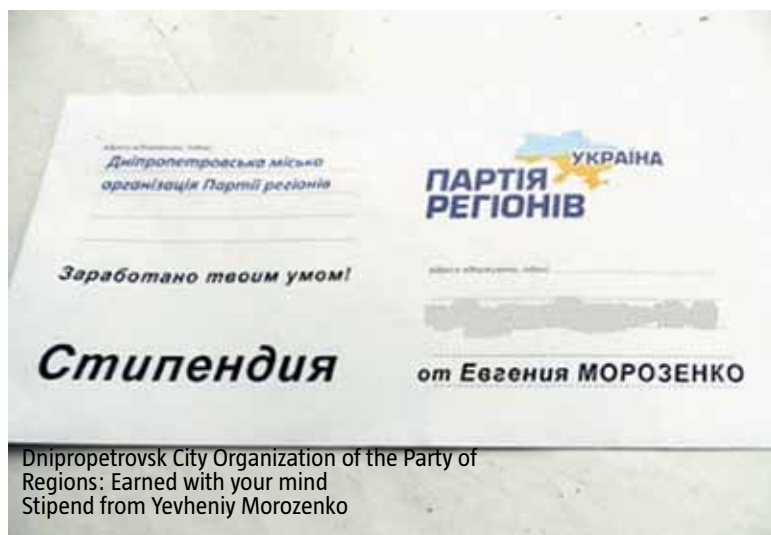


REPORTS OF PRESSURE ON AVERAGE ACTIVISTS ARE MOUNTING, COMING FROM VIRTUALLY ALL PARTS OF UKRAINE ON A DAILY BASIS

ing from virtually all parts of Ukraine on a daily basis. They include interference with the distribution of promotion leaflets, attacks on opposition party tents, blocking of promotion cars by the road police, attempts at psychological pressure on average activists, recording of their personal data and much more. In some cases, the police are directly involved in such efforts—"unknown men of athletic appearance" do the dirty work while the police are conveniently absent. A group of unknown men attacked activists while they were distributing promotion brochures for candidates other ▶



Public trust: With the people and for the people. Serhiy Shakhov



Dnipropetrovsk City Organization of the Party of Regions: Earned with your mind Stipend from Yevheniy Morozenko

than Speaker Volodymyr Lytvyn in the district in Zhytomyr Oblast where he is running. The brochures were mostly about Lytvyn's role in the passing of the notorious language law. Lytvyn's brother Petro was recognized among the attackers. He denied allegations of his involvement in the incident. Later, the activists were arrested, brought to the police station and beaten up again.

In Rivne Oblast, an unknown man sprayed something on a promoter of the United Opposition. She was taken to the hospital with symptoms of poisoning. On July 30th, unknown assailants burned the car of Iryna Zolotarivna, head of the United Opposition's campaign office in Izmail, Odesa Oblast. On August 8th, a fire broke out in the garage of Maksym Volkov, leader of the Izmail Youth Union, a member of the United Opposition. An unknown man assaulted Taras Diachenko, an UDAR activist in Dnipro District, Kyiv. On September 9th, a group of unidentified people attacked activists who were spreading leaflets about the crimes of the ruling party. The attackers insisted that the activists accompany them to a police station while refusing to provide any police ID. A group of policemen and Berkut special forces crashed a campaign tent for Batkivshchyna and injured activists and a Batkivshchyna candidate from a FPTP district.

The intimidation of average activists stems from the government's desire to prevent incon-

venient information from reaching voters. There is no reason to expect that this pressure on the opposition and the media will stop. These actions are likely to mount and the arsenal of tools is likely to expand as Election Day draws nearer. So far, the government has not yet exploited the loyal judiciary for election purposes to the extent that it could.

BRIBING TAXPAYERS AT THEIR OWN EXPENSE

Incentives from pro-government candidates include conventional bribery at the candidates' expense and speculation about efforts to get funding for social projects in candidates' districts that are already in the budget. The candidates use taxpayer money to open playgrounds, buy medical equipment for hospitals and fix roads, advertising as their personal contribution what is in fact merely the fulfillment of government commitments.

This practice is most common in districts where candidates come from families that have power but no extensive business assets of their own. They are reluctant or cannot afford to pay their own money for the election campaign. Apart from the case with Volodymyr Lytvyn who got over UAH 80mn for a campaign in his district, Artem Pshonka and Oleksiy Azarov, the sons of the Prosecutor General and Premier, have significant public funding for campaigns in their districts in Zaporizhzhia and Donetsk Oblast. Both allocations are estimated to

be at least UAH 60-70mn each. Over UAH 50mn was allocated from the budget before the election for social projects in Kyiv Oblast district No. 97 where Serhiy Fedorenko is running. He is the leader of the Party of Regions' Brovary office, better known as Premier Mykola Azarov's massage therapist.

The Party of Regions does not seem to be concerned with the fact that its candidates are using taxpayer money for election campaigns on a massive scale.

Sometimes budget funds are not enough and the government

GOVERNMENT USES ADMINISTRATIVE LEVERAGE TO FORCE BUSINESS OWNERS TO PAY FOR ITS CANDIDATES' CAMPAIGNS

uses administrative leverage to force business owners to pay for its candidates' campaigns. In particular, local authorities sent "courtesy letters" to company owners with requests to transfer a certain amount to a specified bank account. The most common purpose listed in such letters was "social projects" for developing the oblast, county or town. One telling example was reported by Svoboda: on September 14, 2012, a businessman from Dnipropetrovsk Oblast released copies of invoices demanding his contribution to fund the election campaign of the Party of Regions and



The Party of Regions: Socio-cultural fair supported by the office of MP O. Plotnikov



With kindness to people: Halyna Hereha

the Communist Party. He was told that his business would be closed down if he refused to pay the bill. He did so but indicted the true purpose of the transactions in the invoices as a response to the intimidation by the two parties. **Invoice No. 31 dated July 13, 2012, paid by the Elegia company says that the transfer was made "To cover pre-election promises by the Party of Regions and the Communist Party of Ukraine to install a water supply system in Pivdenne village" (invoice SF-00067 dated May 28, 2012) and "To cover court fees for the election campaign of the Party of Regions and the Communist Party of Ukraine under the order dated September 16, 2012, case No. 5005/2590/2011" (see copy of the invoice).** Shortly thereafter, the businessman was summoned to the SBU office in Pavlohrad where he lives.

Before the official election campaign kicked off, no one could hold candidates liable for bribing voters. Under the law, bribery is classified as "charity" until nominees get their candidate certificates from the Central Election Commission. Still, most candidates have continued to bribe potential voters even after the election campaign started. They are doing so through hastily registered charitable funds, making the cause perfectly legitimate. In addition to distributing gift packages familiar from earlier election

campaigns, some candidates have been more creative. They pay for a village or city day celebration, take people to football games, offer free haircuts or breast examinations, fill cell phone accounts, give out free eyeglasses, distribute envelopes with money (in amounts ranging from UAH 50 to 300) or gifts for school or pre-school students.

So far, only one instance of voter bribery has been officially recorded by the court. Odesa's

THE PARTY OF LIFE: Pro-government candidates convince voters that all they need, from water and potatoes to culture, is the result of their devoted efforts

Administrative Court of Appeals ruled that Davyd Zhvania, a FPTP candidate in district No. 140 and a turncoat, bribed voters by distributing free school uniforms to students. The ruling was sent to the Central Election Commission, which merely issued a warning. Meanwhile, in the case of the premier's son, the court was forced to deny that Azarov Jr. had engaged in bribery using public funds, and dropped the charge immediately after it was filed. ▮

ПЛАТІЖНЕ ДОРУЧЕННЯ № 31
від "13" липня 2012 р.

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Відправник "РАЙФФАЙЗЕН БАНК АВАЛЬ" У КИЄВІ

КРЕДИТ рах.№ 26008019423001

Отримувач КП "Павлоградводоканал"
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Voting Wrong...



Author:
Yuriy
Makarov

Finally, someone has uttered the sacramental words I have been waiting for so long. “This country needs censored democracy” a leading Ukrainian economist said in an interview. Below, I will explain what “censored democracy” is, but now I sadly admit: after a good laugh at sarcastic appeals for grandchildren to hide their grannies’ passports to keep them from voting in elections or posters of an old woman saying that her cat will inherit her house after she found out that her grandson voted for the Party of Regions, the public and some opinion leaders have begun to think that democracy, as it is, does not work in Ukraine.

Using their free right to vote, the electorate keeps choosing the wrong people. Ukraine has bad luck with presidents. Mayors and MPs are even worse. Sadly, it is becoming clear that we may once again trade our birthright for a mess of pottage. Something should be done to prevent this.

Doubt about democracy as a universal tool to organize a state and society is nothing new. The last time it arose was in the 20th century when the most terrible political regimes in the world ascended to power democratically. Leo Strauss, a German-American political philosopher and the father of neo-conservatism, offered a cynical diagnosis of democracy: people are not equal, not all people can be responsible for the future of their country, therefore the chosen ones, who understand supreme interests of the nation and humanity, are entitled to making decisions under the guise of liberal democracy. Numerous attempts to make his words sound politically correct and interpret them so that they would not hurt liberals’ noble feelings followed.

However, research has found that voters become reasonable after their annual income per person exceeds USD 5,000, while those who earn less are willing to choose a Lukashenka and tolerate political police and “ministries of truth.” Hence the concept of returning to mandates for participation in indirect ruling of a country, such as entitlement to vote based on residence (to remove immigrants from the scene) or property ownership like in medieval England, which is not far from the antique division into voting citizens, idiots (which literally stands for someone not entitled to vote in Latin), and slaves. The ultimate blow came recently from Slavoj Žižek, Slovenian philosopher considered the flagman of

leftist liberals. “Society should be ruled by a special class whose interests do not come down to its narrow class interests,” he wrote in the article that astonished the Internet community. According to Žižek, this special class should possess the knowledge that will allow it to “overcome the initial deficiency of democracy which is the non-existent ideal image of a well-rounded citizen.” In other words, average voters are not capable of taking reasonable decisions. They lack the necessary knowledge and competence as well as the habit to think and reflect.

The modern intellectual struggling to save himself from ultimate cynicism under the pressure of mounting entropy of life is hardly someone to judge and condemn. The question is how reasonable it is to use his pains as the ground for general conclusions. Frankly, I am not happy with the preferences of the mob, lumpenproletariat, the crowd... negative words to refer to the “wrong Ukrainians” are aplenty. Yet, what are the criteria

by which the right ones are distinguished from the wrong? A long proven fact is that ethnic purity is a myth and nationality resides in one’s mind, not in his genetic code.

Is it money? In that case, all rights to vote should immediately go to the “smart” ones in their luxury cars. Is it resi-

dency, then? But we know how those who have lived in their hamlets for three to four generations keep voting for every new Yanukovych.

Perhaps, we should come up with a voter-eligibility test?

I fear that the search for criteria to distinguish the right voters and isolate the wrong is moral and intellectual capitulation from the very beginning – tempting, yet erroneous in its foundation. Not because this runs counter to John Locke’s natural and unalienable title, but because this exempts people who think and reflect from the need to reach understanding and social dialogue – in fact, from any communication at all. All they need to do is keep performing their useful, highly-intellectual acts.

Somehow, I still believe that Ukrainians are not dumb. Their repeatedly embarrassing choices are a result of the crowds’ limits as much as it is the result of the lack of a trustworthy supply from the elites. This is what the indifferent must realize in place of looking for excuses in intellectual techniques. ■

**THE SEARCH FOR CRITERIA
TO DISTINGUISH THE RIGHT
VOTERS AND ISOLATE THE
WRONG IS MORAL AND
INTELLECTUAL CAPITULATION
FROM THE VERY BEGINNING –
TEMPTING, YET ERRONEOUS**

Thorbjørn Jagland:

“Trial against Tymoshenko should not have been launched at all”



Interviewer:
Alla Lazareva

Thorbjørn Jagland, Secretary-General of the Council of Europe, recently visited Ukraine. On the eve of his trip to Kyiv, Mr. Jagland spoke with *The Ukrainian Week* about his attitudes toward Ukraine's new language law, the work of the Ukrainian judiciary and parliament, and the prospect of Strasburg imposing sanctions against Ukraine.

U.W.: The Council's latest resolution on Ukraine, adopted by the Parliamentary Assembly in January, was quite a firm and demanding text. Among other things, it referred to possible sanctions if the Ukrainian authorities continue to use the judiciary for political purposes. What do you think about the effectiveness of sanctions in general? Do you think that sanctions will be adopted against Ukraine?

In general, I cannot rule out the possibility of sanctions against any member country that does not comply with its membership obligations or refuses to receive assistance aimed at helping them comply. As for Ukraine, we are trying to provide assistance to make the necessary reforms. We will soon see whether the promised changes are possible or a political will to reform exists. That will determine our subsequent course of action.

U.W.: Despite the recommendations of the Council of Europe, the

Ukrainian parliament adopted two new articles of the Criminal Code that impose criminal penalties for political activity. What will the Council do about this?

First of all, you have to note that Ukraine recently adopted a new Code of Criminal Procedure that took into account nearly all of our recommendations, so productive dialogue is possible. Unfortunately, the two articles that you referred to still appear in the Criminal Code. The whole mess around the [Yulia – Ed.] Tymoshenko case stems from these two articles, which made it possible to launch a case against her based on political decisions. My view is that this trial should not have been launched at all because the gas deal with the Russian Federation was a purely political decision. Those who wanted to dispute it should have done so in the parliament and not brought it to court. If we look at the realities of the time, Tymoshenko was under heavy pressure because the Russians were threatening to stop gas delivery to the West. Now, there could have been an excellent opportunity to let the people judge this for themselves by letting Tymoshenko run for president. Unfortunately, the Central Election Committee had another view. The two articles to which we are referring here have allowed the authorities to act in an inadmissible way.

U.W.: So the Council of Europe will actually come back to these two articles, section 364 and section 365 of the Criminal Code?

Yes, absolutely. We believe that they should be changed.

U.W.: Elmar Brok, who is the chairman of the Foreign Committee of the European Parliament, stated in an interview with *The Ukrainian Week* that he felt the elections were undemocratic from the start because Tymoshenko and Lutsenko were not able to take part in them. Tymoshenko

has issued similar statements from her prison cell. Do you share this view?

This is a very unfortunate consequence of recent events in Ukraine. It is possible that the elections can be technically free and fair, but not respected politically, because of the fact that the main opposition leaders are excluded from the process. This is an unfortunate consequence of the situation that has been created by bringing Tymoshenko to court instead of having a real political debate in the parliament, so that the people could decide and give their judgment about the whole thing.

U.W.: How is the CoE's Action Plan for Ukraine being implemented?

I launched this action plan one year ago. There has been a little progress, but there are also some controversies.

U.W.: Can you comment on some of the points that are controversial?

I can give you one example, since we have talked about the Criminal Procedure Code, in which more or less all our recommendations have been taken. But there has to be a follow up. For instance, by revising the law on the Prosecutor's Office, which still has not been done. That is very important, because it has to do with the power of the Prosecutor, which as we see it has to be reduced. So the role of the Prosecutor's Office has to be reformed and we are going to discuss the issue in Kyiv.

U.W.: As for the parliamentary elections in Ukraine, how should election observation by the Council of Europe be organized?

There will be election observation by the Parliamentary Assembly. And it will be coordinated with the OSCE [Organization for Security and Co-operation in Europe – Ed.]. There will also be pre-election observation headed by Andreas Gross, leader of the socialists group. The mission will include both reporters of the PACE Monitoring Committee. It is very important for us to anticipate the situation before the elections, to see how candidates and political parties organize their campaigns and make sure all the participants have equal access to media. ■

Ukrainian business: a fraud of the century

All Ukrainians wanted to cast off the yoke of the communist dictatorship and the planned, ration-based socialist economy. What did they obtain after succeeding in doing so? Most people did not receive a better life. The "reforms" were such that fraud and embezzlement of public property were not just permissible but even prestigious. How can Ukrainians come to terms with this fraudulent and largely criminal business? Most importantly, how can things be put back on the right track? Without a free market and the energy of entrepreneurs, Ukraine will continue to eke out a miserable existence. In this series of articles, I attempt to expose the main problems faced by Ukrainian business and show what alternative paths of development exist. This article is about the importance of free entrepreneurship for the economy and how it is in Ukraine.



Author:
Volodymyr Lanovy,
PhD in Economics,
President of the Centre for Political Reform

It is often said that privately owned companies seek only their own benefit, and the country's economy can do well without them. Following this line of reasoning, state-owned enterprises are the only ones that secure the welfare of the entire nation. Most Ukrainian politicians and government officials subscribe to the idea of seeking an optimal balance between the two types of companies.

Another widespread opinion is that private companies require efficient owners. It follows that, lacking such owners, companies must remain property of the state. There is also the well-known view that all forms of property need to be supported and developed. Is this really true? Evidently, it is not that simple.

ENTREPRENEURIAL PROFIT AS COMMON GOOD

If there is no economic profit, there is no accumulation of capital or investment nationwide, and this means that the conditions for growth in production, more jobs and R&D are not in place. This is axiomatic. Profitability can be found only in a market economic system with private property.

There was no economic profit under feudalism and previous social systems. The few exceptions were obtained by confiscating the property, goods and labour of peasants, urban workers and scientific institutions and by expropriating private capital accumulated in tsarist Russia. The soviet government also claimed land rent and in-kind rent, exploited the military and convicts who did penal labour and earned income on war indemnities and the lend-lease in WWII, etc.

Why Is Ukraine a for Entrepreneur

The profits were reaped not by enterprises that were economical, innovative or otherwise economically efficient, but by those whose products were sold at prices centrally fixed at a level higher than unit cost. Meanwhile, some other enterprises were forced to sell their products below unit cost, so they were unprofitable according to the economic plan.

Prices were fixed in a centralized fashion, which was the fundamental distinct trait of the planned economy. Profits were reaped by the state and the state then distributed them among certain economic entities. As the sole proprietor of all profits, accumulated capital and investments, it did not need other entities willing to seek and obtain them. That system was fundamentally flawed and could not be successful, because it failed to stimulate entrepreneurial activity, which is the human initiative that leads to the production and realisation of innovative consumer values, the application of innovative production technology and/or the opening of new markets.

The means of production and labour have no sense without entrepreneurial ideas and actions. It is only jointly that means of production, labour and the organisational efforts of entrepreneurs create value and become part of it. Land and monetary capital that are involved in creating value also need to be factored in.

Some companies receive profits exclusively due to special entrepreneurial qualities, and these profits are the difference between revenue and production costs after interest has been paid on the capital received. Without ownership of a company, a person will not show entrepreneurial qualities. Nor will he channel his own and borrowed money to establish a new enterprise and develop it.

Notably, entrepreneurship plays an active, creative part in the economic process unlike other, passive components.

Entrepreneurship should be distinguished from scientific research, the creation of innovative products, design, branding and building a typical technological process. All these elements are prerequisites for manufacture and business, but without entrepreneurship, they remain on paper only.

This special entrepreneurial process yields better products, the highest productivity, minimum costs and the best supply/demand ratio.

Entrepreneurial profit is, as a rule, short-lived. Its maximum value is achieved at an initial stage when new production ideas are implemented or a new good is manufactured, as long as it is unique.

With time, others begin to master the new production methods, production volume grows and higher demand for such innovations is met. Then the size of the entrepreneurial profit decreases, while other components of net profit (rent, interest, payroll and depreciation) remain virtually unchanged.

Entrepreneurial profit disappears completely when organizational and technological improvements spread throughout the industry and when no one has an individual advantage in terms of economy, or when a new product begins to be manufactured by all competing companies and consumer demand is fully met.

By standing still, an entrepreneur risks losing everything and going bankrupt.

ENTREPRENEURIAL ACTIVITY AS AN ENEMY OF THE PLANNED ADMINISTRATIVE ECONOMY

Why did socialism remove entrepreneurs, and can the CEOs of soviet plants and factories (and chiefs of ministries and agencies) be called entrepreneurs? In some cases, soviet directors exhibited entrepreneurial qualities: they reequipped their plants, implemented better technology, serialized new products, optimized production capacity, etc.

a Cage rs?

But they never became entrepreneurs. First, they did not receive any of the profit resulting from their innovations. Instead, they only received their salaries which, truth be told, included various bonuses and stimuli, special one-time payments for technical upgrades and personal benefits awarded by ministries.

In other words, such improvements could never materialize without the consent of the owner (the state, or its ministry), which viewed plant directors exclusively as hired labour. Second, the changes made at state-owned enterprises were not, in essence, innovations because they only replicated — in a planned economy — the achievements of other entrepreneurial entities, which were normally located abroad. Typically, they did so inaccurately, because foreign models often had to be modified or altered.

In general terms, three waves of technological import may be singled out: during industrialization; after WWII (American lend-lease and war indemnities imposed on Germany); and in the 1970s and 1980s, when a strong flow of petrodollars after crises in world energy allowed the USSR to purchase new equipment in the West.

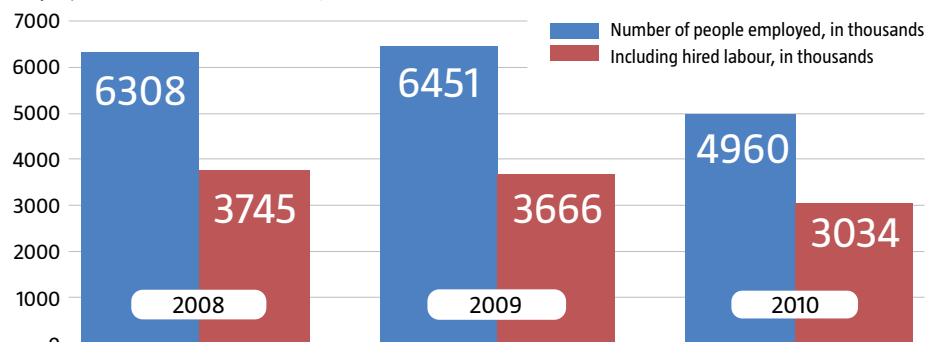
Soviet constructors who designed products that were serialized by the industry, from footwear to cars to ships and nuclear reactors, were copied from foreign specimens, including those procured by the soviet special services.

WHY IS THE PROFIT-ORIENTED ENTREPRENEURIAL ECONOMY NOT WORKING TODAY?

Several prerequisites must be in place for a profit-oriented entrepreneurial economy to function. First, prices must not be set on an individual basis. Instead, an average price should result from the interaction of all sellers and buyers of a certain product on the market. This price correlates with average costs in the industry and goes up or down depending on the supply/demand ratio. This is market, rather than ad-

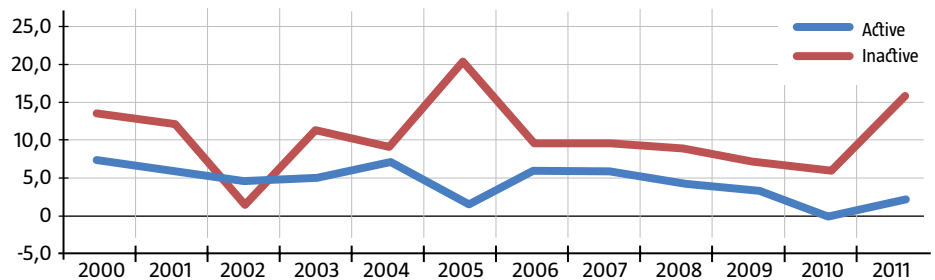
SLUMPING BUSINESS

Employment in small businesses, 2008-2010



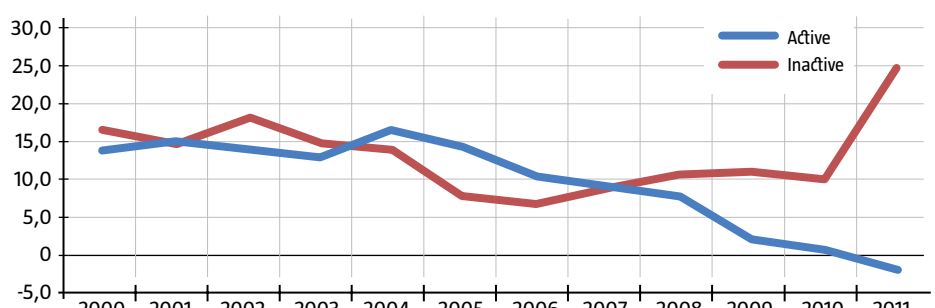
Source: State Statistics Committee

Dynamics in the number of legal persons in 2000-2011, % of previous year



Source: State Registration Service

Dynamics in the number of physical persons in 2000-2011, % of previous year



Source: State Registration Service

ministrative, pricing at work. In this case, price is an external factor for a specific enterprise and a common quantity for every player, independent of individual costs.

Second, entrepreneurial profit emerges only in companies that outperform others by installing newer or more productive equipment, using better or cheaper materials or organizing the production and administrative processes more efficiently.

Another source of profit is pricing: when an entrepreneur first comes out on the market with a fundamentally new product, he sets a price that is much higher than that of traditional products.

The same thing happens when a businessman opens new markets for his traditional products. Other entre-

preneurs who have not achieved similar results incur production and marketing costs that are on the level of market prices or higher, and thus their activity does not bring that much profit.

In this case, entrepreneurs are content with bonuses for special managerial functions (formulating the overall concepts, finding markets, landing large contracts, involving highly qualified CEOs) or receive rent payments as owners of land, minerals, buildings, communications and so on. The corresponding expenditures are, of course, part of production cost. Entrepreneurial profit is only one part of all profits received by company owners, so when it disappears, other components remain.

Third, entrepreneurship brings together components of the manu- ▶

facturing process and marketing procedure and secures the operation of a company established for this purpose. Success depends on how well the components are made to fit together, as well as the choice of equipment, labour and technology.

A true entrepreneur lives by innovating. Innovations are what enables businesses to put products on the market whose value greatly exceeds that of similar products made by other suppliers. Products of this kind bring the owner temporary entrepreneurial superprofits.

Fourth, the entrepreneur is not, for all intents and purposes, a creditor, investor or financial partner. A person who seeks to accumulate and save money, receive interest on capital and make successful temporary investments never turns into an entrepreneur. He is a financier. The goal of an investing financier is to reduce the risks of capital placement (if possible), diversify investments, pull out of unsuccessful investments in good time and move his money elsewhere. A person who has accrued savings is primarily interested in investing in property, stocks, land and whatever else might secure the highest interest, dividend or rent.

None of the above pertains to the entrepreneur. His task is to organize and improve a specific business. Thus, if he has to also search for money needed to implement his business idea, solve tasks to minimize investment risks, etc., it will

only hamper him and will hurt the economy in general.

Fifth, anyone can become an entrepreneur, but he must have an intellectual, businesslike, socially and politically independent personality. This enables a businessman to carry out an objective financial analysis of existing production facilities, do marketing research, select the best new ideas in terms of design, technology and production and invite highly qualified specialists.

This kind of freedom is impossible in an unfree, closed, undemocratic, utterly bureaucratic and corrupt society. It also follows from this that a government employee, a law enforcement officer, a serviceman, a tax inspector, etc. cannot be an entrepreneur. Where people like that do "business" social goods are embezzled, bribery is forced upon citizens and criminally punishable abuse of office is rampant. Moreover, if an enterprise is launched and controlled by bureaucrats who cannot possibly have entrepreneurial qualities, it will not bring profits. In other words, in most cases it is impossible to adjust Soviet enterprises to a competitive market economy.

Sixth, a profit-driven entrepreneurial economy requires a competitive environment and a free market. The entrepreneur has to seek profits that arise from new combinations and improved business. If he is a monopolistic supplier of a special product on a certain market, he will

objectively be able to set a much higher price compared to products in the same group on the same market. This price will reflect the real value and will include entrepreneurial profit as payment for innovation. However, a monopoly on innovation is short-lived in conditions of a competitive market economy.

Other producers also desire to receive innovation-generated profits and will try to start producing the unique product themselves as soon as possible. The growing supply will

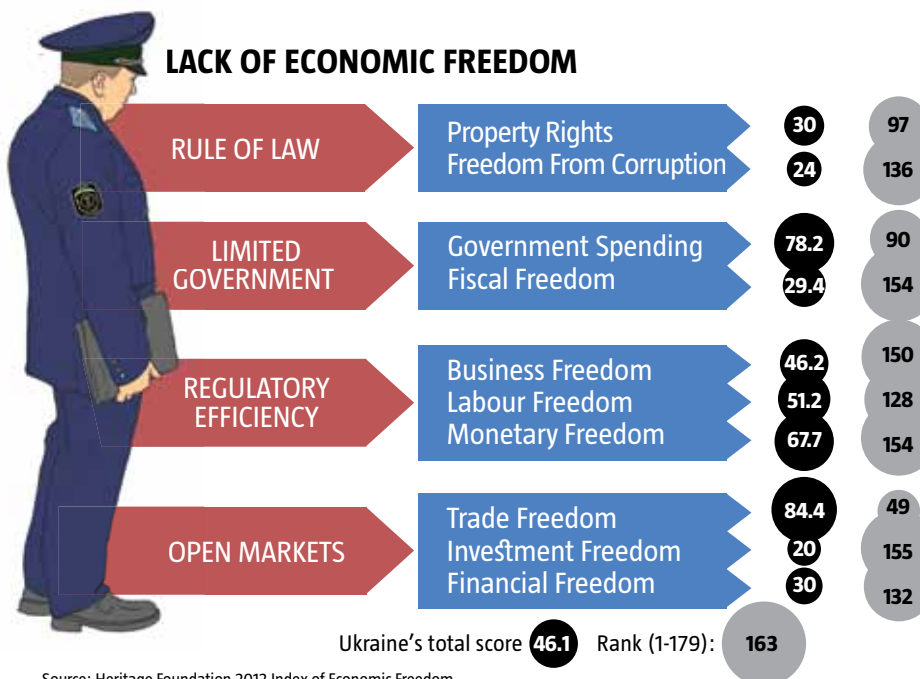


THE ENTREPRENEURIAL SECTOR IN UKRAINE IS VERY NARROW, SPARSE AND MARGINAL

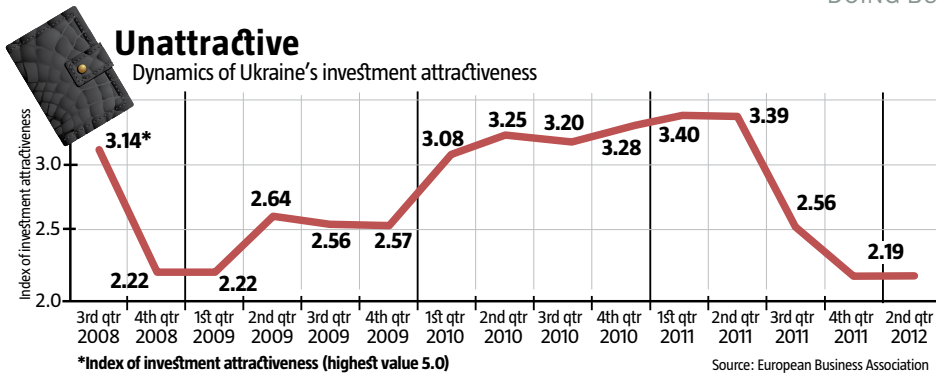
meet the spiking demand, and a monopolistically high price will go down. In this way, the price will begin to reflect production costs. Thus, competition destroys innovation-generated superprofits, and this is a positive phenomenon. The initial monopolistic supplier will be forced to come up with new types of products.

Artificially created and natural monopolies and their protection under the government, which was part and parcel of the socialist economy (and could not be otherwise because the state, as the sole owner, also craved for monopolistic superprofits) and survives, to an extent, in the current Ukrainian realities. However, the above suggests that this is a road to degradation. Moreover, entrepreneurial activity alone – without the government's involvement to support competition and overcome monopolism – may fail to produce positive social results and may, to the contrary, lead to economically unacceptable business structures and skewing the market.

Seventh, society must work out a tolerant and reverent attitude to entrepreneurs, both at the everyday and state level. This is the starting point for the mental and physical attitude of government officials, tax inspectors and policemen to businessman as a social group and to entrepreneurial expenditures and profits (including superprofits). If these financial resources that entrepreneurs have are viewed as undeserved, unfair and earned at the cost of "exploiting the working class", taxes will be superhigh; policemen and inspectors will be unduly biased; and the investment and business climate will be unfavourable.



Source: Heritage Foundation 2012 Index of Economic Freedom



Social acceptance and intolerance have to be based on the understanding that entrepreneurial profit originates from labour. In contrast, monopolistic superprofits and corrupt political rent generated by certain businessmen must become a target of social obstruction and punitive persecution on the part of government, law enforcement and judicial bodies. This may not be an easy thing to do, because profits, just like money, do not smell.

UKRAINE AS A CAGE FOR ENTREPRENEURS

Does Ukraine possess the above features and meet the requirements set for a profit-oriented entrepreneurial economy? A hostile attitude to private entrepreneurs – independent, innovative and creative – is undisguised and widespread in Ukraine. The public has formed an image of an impudent and greedy fraudster. Most people perceive the state as the sole benefactor that guarantees justice and develops the manufacturing industry. Mentally, Ukrainian society tolerates entrepreneurs as the unnecessary addition to the freedoms and property rights enjoyed by the citizens. Tax inspectors and policemen have been set on entrepreneurs like hounds. Fiscal pressure has cut off energy supplies to entrepreneurs.

Only those who cooperate with officials and those who have billions command respect because they can nicely reward a judge or a journalist. Entrepreneurs are not being raised or educated in Ukraine. Specialized colleges and institutes equip students with technological expertise and knowledge of economic relations in their respective industry (manufacture, construction, transport, commerce, tourism, the restaurant and hotel business, design, etc.) but not with the skills needed for entrepreneurial activity. Neither are individual approaches or non-

standard solutions encouraged. Thus, it should not come as a surprise that college graduates look for jobs only in existing organizations and fail to find them. They do not even think about starting their own business.

Our country lacks the cult of inviolability of a private individual and the protection of personal information. The rights and freedoms of people are not a supreme value like in the Western world.

The entrepreneurial sector in Ukraine is very narrow, sparse and marginal. The authorities view it as a place for small-scale flea market transactions and related industries (delivery, transport and financial services). The entire system of financial and legal relationships between the authorities and entrepreneurs is built on this foundation.

It is still “permissible” to engage in individual activities that involve providing various intellectual and other professional services. There are few other sectors where entrepreneurial zeal can be seen: residential construction and business property development, entertainment centres, resorts, shopping malls, etc.

Due to destructive privatization and government-backed elimination of competition, the new owners of industrial, communications and agricultural enterprises inherited by Ukraine from the USSR never turned into entrepreneurs. They are content to receive other types of net profits – corrupt and monopolistic profits, various subsidies and soft loans, rent on mineral mines and fertile land, etc. Thus, most of them continue to lose their markets and revenue.

Unfortunately, entrepreneurs are unable to obtain sufficient financial means to develop production. The state is of no help, not even in R&D and socially significant projects. Instead, it sets tax traps to freeze revenue and confiscate prop-

erty. Moreover, since Ukraine became independent in 1991, sky-high bank interest rates have made bank loans unaffordable. Bank loans do not account for even one-tenth of the demand in the national economy. The annual increase in credit resources has been at a mere UAH 60-70 billion in the past several years, which is less than five per cent of Ukraine's GDP.

But independent entrepreneurs have received virtually none of this money – it is distributed among those who are close to the government, own financial institutions and who are not entrepreneurs by definition. When resources are lacking, there is no sense to seek innovations, manufacture new products and build the necessary equipment. That is the reason why there are no Ukrainian-made innovative goods to be seen.

The entrepreneurial sector accounts for an unacceptably low part of the national economy and is mostly marginal, which hampers the profitability and progress of Ukraine's economy. An extremely heavy burden is placed on the national economy by unprofitable companies – at least 45% of the total number in some years and 56% during the crisis in 2009. This means that true entrepreneurs did not have access to such companies. It is also worth noting that the lion's share of profits is secured by the financial

SOCIETY MUST WORK OUT A TOLERANT AND REVERENT ATTITUDE TO ENTREPRENEURS, BOTH AT THE EVERYDAY AND STATE LEVEL

and credit sector of the economy. Approximately one-third of enterprises in the industrial sector make any profit, and of these no more than 10 per cent are entrepreneurial, according to my calculations.

Another roadblock is the non-market character of Ukraine's economy: prices are set by the authorities, certain commodities are regulated in an administrative fashion; the central government interferes with the distribution of financial resources; the government puts restraints on foreign economic activity and so on. Therefore, Ukraine has found itself in an impasse – there is no future without entrepreneurship. ■

Brand New

Emerging-market companies are trying to build global brands



Americans can stop worrying about China's plans to take over their country. The worst has already happened: on July 25th Lenovo, a Chinese computer firm, announced a deal to sponsor the National Football League. America will continue to provide muscle-bound linebackers, but the Chinese will provide the clever laptops and desktops that make their tussles possible.

Lenovo was founded in 1984 by 11 engineers at the Chinese Academy of Sciences who wanted to

supplement their meagre stipends. It spent years building its business in China. But then in 2005 it burst onto the global scene—and rattled America's Congress—when it bought IBM's ThinkPad personal-computer business. The company is now the second-largest PC maker in the world and hopes to grab the top spot from Hewlett-Packard soon.

Lenovo is one of several emerging-market firms striving to become global brands. They are no longer content to do the grunt work for Western firms, for two simple rea-

sons: non-branded companies typically earn gross margins of 3-8% and are constantly at risk of being undercut by cheaper rivals. Branded firms enjoy fatter margins (15% or more) and more loyal customers.

Yet becoming a global brand is exceedingly hard. Emerging-market firms must struggle with limited budgets and unlimited prejudice. GfK, a consumer-research company, found that only one-third of Americans were willing even to consider buying an Indian or Chinese car. Wipro, a successful Indian outsourcer, points out that its total sales are roughly the size of IBM's marketing budget. Only four emerging-market brands make Interbrand's list of the world's 100 most valuable: Samsung and Hyundai of South Korea, Mexico's Corona beer and Taiwan's HTC.

How can others make the leap? *The New Emerging-Market Multinationals*, a book by Amitava Chattopadhyay, of INSEAD, and Rajeev Batra, of the University of Michigan's Ross School of Business, offers some clues.

First, they must exploit their two basic advantages—economies of scale and local knowledge—to expand into new markets. Some have become so dominant in their home markets that they can hardly avoid expanding abroad. Turkey's Arcelik, for example, controls 50% of the Turkish market for domestic appliances and is now expanding rapidly in Europe. Lenovo gets 42% of its sales from China and has 40 times more stores there than Apple has worldwide. Some firms use their understanding of local markets to expand globally: India's Marico produces shampoo suited to the highly chlorinated water that flows from Middle Eastern taps. Others move swiftly to exploit opportunities: Turkey's Evyap established itself as a leading seller of cheap

soaps and scents in Russia when the Soviet Union collapsed.

Messrs Chattopadhyay and Batra argue that emerging-market companies need to add three more ingredients to these basics. The first is focus: they should define a market segment in which they have a chance of becoming world-class. Natura Cosméticos, a Brazilian cosmetics-maker, zeroed in on the market for “natural” cosmetics with ingredients extracted from the rain-forest. Lenovo focused on computers for corporate clients before expanding into the consumer market. Haier, a Chinese maker of dishwashers and fridges, focuses on consumers that many of its rivals neglect, such as students.

The second ingredient is innovation: firms need new products and processes that generate buzz. HTC produces 15-20 new mobile-phone handsets a year. Natura releases a new product every three working days. Haier keeps producing new ideas such as fridges with locks on them (to keep dormitory mates from snaffling your tofu), compact washing machines (for clothes for pampered Japanese pets) and freezers with compart-

ments that keep ice-cream soft (for impatient gluttons). Ranbaxy, an Indian drug firm, has developed controlled-release systems that allow patients to take only one pill a day instead of several small doses.

The third ingredient is old-fashioned brand-building. Emerging-market bosses must grapple with many traditional branding puzzles. Should they slap the company's name on the product (as Toyota does) or another name (as Procter & Gamble does with its stable of brands, from Gillette razors to Pampers nappies)? How can they market themselves effectively in multiple countries without busting the budget? Lenovo has hired an expensive American marketing boss, but saves money by doing most of its advertising work in Bangalore.

It is easy for companies to botch brand-building. The quickest way to build a brand is to buy one—but bought brands can be difficult to integrate (as Lenovo discovered with IBM's ThinkPad) or can take a long time to pay off (as Tata Motors is discovering with Jaguar). Building a brand from scratch can take decades. And managing a portfolio of

brands is complicated and demanding: people who made their fortunes manufacturing things may not be suited to the airy-fairy world of brand management.

WILL THE NEXT TOYOTA BE CHINESE, OR INDIAN?

Still, there is little doubt that emerging-world brands are on the rise. HTC is one of the biggest-selling smartphones in America. Huawei, a Chinese firm, has just overtaken Sweden's Ericsson to become the world's largest maker of telecommunications equipment. BYD, another Chinese company, produces 85% of the world's lithium-ion batteries for mobile phones.

Emerging-market firms are evolving in much the same way as Japanese firms did in the 1960s and 1970s, from humble stitchers to master tailors. In 1985 Philip Kotler of Northwestern University's Kellogg School of Management observed that Japanese companies had shifted from “injuring the corners” of their Western competitors to attacking them head-on. The same pattern is beginning to repeat itself, but on a much larger scale. ■

Non-branded companies typically earn gross margins of **3-8%**
Branded firms enjoy fatter margins of **15% or more**

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Jerzy Buzek: “The most convenient and successful way for Ukraine to resist Russian influence would be to sign the Association Agreement”

Interviewer:
Oleksandr
Pahiria

In 2009, Jerzy Buzek was the first East European politician to become President of the European Parliament. His election victory with 555 out of 738 votes, an unprecedented majority in such elections in the history of European legislature, contributed to Poland's success, reinforcing its role in European policy. Jerzy Buzek was one of the first European politicians who said that the Yulia Tymoshenko case was politically motivated. Even after his term as a European MP expired at the beginning of this year, Jerzy Buzek continues to monitor the situation in Ukraine.

UW: Is the European community still hoping that the upcoming election in Ukraine will be free and transparent, and lead to a change in Ukrainian policy, after the repressions initiated by the current government against its political opponents and the pressure that has been put on the independent media?

We always try to be optimistic and believe the governing bodies of any country when they say that they are preparing an entirely free, transparent and fair election. However, we will, of course, be observing it. We know that not everything is as it should be now, at the beginning of the campaign, in terms of freedom of media and speech, and the imprisonment of some important political figures. This is all against the rules for a democratic and fair election. But let's wait and see. We still have another six weeks before the election and we continue to hope that many of the weaknesses that exist today can be eliminated.

UW: What are your views on possible sanctions against Ukraine on the part of the EU,



PHOTO: ANDRIY LOMAKIN

USA or international institutions, should the will of the people be misrepresented during the election? How can Ukraine avoid the Belarusian scenario?

It's extremely difficult for me to answer such a question. I don't

even want to think about the necessity of the imposition of sanctions against Ukraine or the development of a Belarus scenario – I believe that the latter is impossible. Of course, generally speaking, sanctions are always possible. They should always be

directed against individual persons, not a society or citizens. Today, however, we are thinking of good cooperation and signing the Association Agreement. We are ready to help you with the transparency of your election and campaign if you need advice or help. We are hoping for a positive scenario rather than a negative one.

UW: In his recent interview for Gazeta Wyborcza, Ukraine's Vice Premier Valeriy Khoroshkovsky admitted that the Ukrainian government was preparing for a bad scenario in relations with the EU, that could end up with the freezing of economic and financial contacts if the EU believes in the speculations and decides to unilaterally support the opposition. Are you considering this scenario?

I believe that freezing contacts will not be a necessary solution, because it is the worst possible scenario. I believe that you (Ukraine – Ed.) can improve a lot in the electoral system, even in the last few weeks of the campaign and the election will be fair and transparent enough for us (the EU – Ed.) to decide that the outcome is correct and in line with the desire and expectations of Ukrainian citizens. In any case, we wouldn't want to influence the outcome itself. It is not the outcome itself that is the most important issue for us. What is most important for us is transparency, fairness and the way that the votes are counted – whether the results can be verified by your civil society and independent people in the polls.

UW: Do European leaders realize that Mr. Yanukovych is playing games with them by promising to fulfill obligations regarding democratic values and judicial reform, but not actually doing anything to implement them?

Step by step, we are discovering that this could simply be a game. Two years ago, we believed the authorities that were elected by the citizens of the independent Ukraine. This is what we always assume in cases where we recognize an election to be transparent and free. Now, we have considerably more doubt concerning the various reforms that your (Ukrainian – Ed.) au-

BIO

Jerzy Buzek is a Polish politician, participant of the Solidarity movement and Prime Minister of Poland from 1997 to 2001. He joined the European Parliament in 2004 and was elected as its President in 2009

thorities have committed to under the framework of our relations; the reforms that were necessary to achieve the compatibility and cooperation of our systems. It is difficult to cooperate with one another if there is no compatibility. From my perspective, three issues, namely a transparent and independent judiciary, far-reaching municipal reform and the fight against corruption, are probably the most important ones. A strong and independent judiciary is necessary to rebuild trust and confidence between the government and the citizens, and between individual citizens. Rapid growth, welfare and prosperity are extremely difficult to attain when there is a high level of corruption. Corruption exists in every country, but the key difference is its level. It is very high (in Ukraine – Ed.). It prevents prosperity, rapid



STEP BY STEP, WE ARE DISCOVERING THAT THIS COULD SIMPLY BE A GAME OF YANUKOVYCH WITH BRUSSELS

growth and the creation of new jobs. In terms of municipal reform, you need new power to develop your country on the level of municipal authorities. You need to create jobs and decrease unemployment with the help of healthy municipalities and self-governing regions.

UW: For many years, Poland has been a promoter of Ukrainian interests in Europe. How has the situation changed over the past 2.5 years?

Actually, nothing has changed. We are still strong supporters of Ukraine and its cooperation with the EU. The general attitude of the Polish people has not changed over the past 2.5 years. We are deeply involved – in our hearts, but not by participation in decision-making, which can only be done by Ukrainians – in all processes in Ukraine. We are, however, worried about the level of democracy, transparency and freedom of the media.

UW: Polish politician Jan Tombinski is now the new EU Ambassador to Ukraine. How do

you expect him to influence relations between Ukraine and the EU?

Each EU ambassador has to stick to the EU's general policy. From this viewpoint, the ambassador's nationality does not matter. On the other hand, the Ambassador from Poland has a much better understanding of the situation in Ukraine, of what Ukraine needs, of Ukraine's feelings regarding the EU and relations with it. I know Mr. Tombinski personally. He is a top level diplomat both in Poland and the EU. He was responsible for Poland's presidency in the EU for six months: that was a huge responsibility for my country before the EU. Everything worked out very well and Poland's presidency was a great success. A big part of that success was his achievement and his efforts. From this point of view, he will be a good ambassador who understands Ukraine.

UW: The European Commission recently launched an investigation against Gazprom's monopolist schemes on the European market.

There is nothing unusual about this investigation – it can happen with any company. Some time ago we had a similar investigation against Microsoft, one of the richest companies in the world that resulted in a fine of almost USD 1.5bn. Our investigation against Gazprom pertains to its use of improper rules that do not comply with our clear and transparent rules. This is very important for us. Russia is trying to do the same in post-Communist Central European countries that are now EU members. Of course, we resist this practice at the EU because it is the strongest type of reaction. We've also had troubles in Poland with selling some of our products to the Russian market and the EU supported us in this battle. The most convenient and successful way for Ukraine to resist Russian influence would be to sign the Association Agreement and develop our Eastern Partnership. We are ready to invest into Ukrainian gas pipelines and your economy, providing our economic, judicial and democratic systems are compatible. ■

Andreas Gross: "Ukraine needs another democratic revolution"

Interviewer: Oleksandr Pahiria

On September 20-21, a delegation of observers from the Parliamentary Assembly of the Council of Europe (PACE) visited Kyiv to conduct pre-election monitoring and evaluate the election campaign in Ukraine. After meeting with top Ukrainian officials, diplomats, members of major political parties, NGOs and reporters, they called on the Ukrainian government to take a number of steps to ensure free elections and pluralism in the media, and stop the abuse of administrative influence. *The Ukrainian Week* talks to Andreas Gross, head of the delegation and Chairman of the PACE Social Democratic Group, about PACE's evaluation of the election situation in Ukraine.

UW: Can you share your observations about the pre-election process in Ukraine?

— I'm very concerned about the political situation in Ukraine. I'm particularly referring to those who see no real political alternative. Many citizens feel helpless, confronted with the fact that politics is

totally dominated by money. The people who made the Orange Revolution, especially its many thousands of young supporters, are totally disappointed today, have turned their backs on politics and are lost for Ukraine's future and nobody is trying to get them back. Only an open and pluralistic system would attract them. Instead, it is closed and dominated by big money and oligarch interests. These people are fed up with this situation and would prefer to leave the country. I have been observing elections in Ukraine since 1990 and I've visited the country 30 times since then. My impression is that the parties are fighting for power for themselves only, not for the general social interest. I've lost many of the illusions I still had the last time I came here. Public denies any positive element about the opposition, and the opposition does the same about but real society and real politics are much more subtle and diverse than that.

UW: How does PACE evaluate the government's planned crackdown on independent media over the past few months?

— The media situation is a disaster in Ukraine. It is a symbol of all that is wrong in the country. I've heard that one can even buy news on TV. All the big TV channels, other than TVi (which is now losing its audience because it has been removed from the lists of channels provided by operators) are owned by oligarchs who thus determine the state of democracy in the media. Ukrainian TV and radio has no pluralism. This undermines the essence of professional journalism and is essentially the end of journalism. At the same time, the government dominates the courts. With all this on your plate, you might think that you need another democratic revolution. But to do this, you have to wait 25 years for another generation to make it happen, because you cannot make a revolution every ten years.

UW: Does the procedure to set up election commissions

PHOTO: ANDRIY LOMAKIN

implemented by the Ukrainian government meet Council of Europe Standards?

— This looks like farce to me. The composition of nearly all election commissions will be one-sided. The main task of election commissions at all levels – from local to central – is to choose people who will act as referees, not players. In Ukraine, there are too many players on the commissions. Therefore, many citizens have lost their trust in the election process because there are no conditions for a transparent and fair process, no pluralism in the media, and no reliable sources of information. People feel helpless. This is the reason why so many of them have turned their back on the system, resulting in the degeneration of the political process. That is why you have so much cynicism and no power alternative to that of money in politics. The power of money can only be balanced with the power of citizens, but Ukrainian citizens are now losing their faith in themselves and their future. I find it so disappointing, even depressing.

UW: Yanukovich's government is trying to persuade the international community that it can control the election using Putin's video observation system at the polling stations. What is your opinion on the effectiveness of this technology?

— The web cameras in Russia were counterproductive for the Kremlin because they helped the opposition prove what had really happened in the March election. And at the end of the day, the web cams documented the vote counting process. In Ukraine, we've just heard from the Central Election Commission Chairman that the law was prepared so badly that he does not know whether the cameras will be turned off after 8 p.m. before the counting, or whether the counting will also be recorded – and if so, will this be for the Central Election Commission only, or for the overall public too? This proves that the parliament is not functioning properly because such laws should be clear. A good discussion is a necessary condition for making the right decision – this is one of the essential roles of any parliament. Good laws cannot be made without good discussions. Now, there is a law that is difficult to implement. We pointed

at that in our meeting with the Central Election Commission Chairman. There is no way that every polling station will use web cameras as it wishes. This is also an expression of the total failure of democratic institutions in Ukraine because you have a law that does not help to organize fair and good elections. On the contrary, it is a source of confusion and conflict, and may contribute to the election's lack of legitimacy. A legitimate election process requires transparency and clarity. It is organized so badly in Ukraine, with so many flaws and deficiencies, that the outcome will be very questionable. The webcam law is just a typical example of this.

UW: Has the Ukrainian government failed its free election and democracy test?

— It's too early to say this. My personal opinion is very pessimistic when I see what has been happening over these past weeks in Ukraine. The worst thing is when big money has the power which dominates and breaks a party's promises after the elections and people no longer trust them. This is a disaster for the development of a democratic society. That's why I'm very pessimistic at this point. But I still hope that some things will happen that will change the situation.

UW: What is your opinion on the draft law to restore criminal liability for slander that the parliament passed in the first reading?

— Now is the worst moment to do such a thing even if it were well done. But this is a very bad draft law. Doing it in this way shows that its aim is to intimidate society further and restrict open debates in the media. Slander is a very sensitive issue, so you should be very careful with it and follow the experience of democratic countries and the standards of the Council of Europe, the EU and the UN. However, the current draft law denies them.

UW: The government's attempts to impose elements of a police state based on the Russian practice have recently crystallized in Ukraine. Does this mean that Yanukovich's regime is primarily following Russia's lead?

Ukraine is in some ways worse than Russia today because you don't have big demonstrations and

BIO
Andreas Gross was born in 1952. He co-founded the Institute for Direct Democracy (1989, Zürich), became member of the Swiss parliament in 1991, represented Switzerland at the Council of Europe since 1995, served as PACE's Vice-President from 2002 to 2004 and chaired the PACE Social Democratic Group since 2008. Mr. Gross has taken part in election observation in many former Soviet Union countries as the Council of Europe representative

mobilized civil society here, which are the assets of Russia. Since last December, demonstrations have been the sign of a growing and strengthening civil society and there have been many positive developments in Russia. Ukraine hasn't had any. Eight years ago, Ukraine had a revolution. Since then, millions of Ukrainians have become disillusioned and turned their backs on politics. Today, I see many similarities with the times of Kuchma again, especially in the lack of free speech, open media and fair laws. Everybody thought after the Orange Revolution that pluralism and freedom of speech could never ever be destroyed again. Now, they are almost ruined. Ukraine's democracy is regressing, Russia's is progressing. My impression is that Yanukovich is not following Putin. Instead, he is organizing his own clan and trying to "clarify" Ukrainian politics. This is even worse.

UW: Over the years of Yanukovich's rule in Ukraine, oligarchs have gained much more influence over the country's economy and politics. How does this affect democracy in Ukraine?

— This is the question I asked many people in Ukraine and could never get a clear answer. No other country in Europe has such influen-

CONFRONTED WITH THE FACT THAT POLITICS IS COMPLETELY RUN BY MONEY, MOST UKRAINIANS FEEL HELPLESS

tial and powerful oligarchs. This shows the legacy of totalitarianism and a specific weakness of Ukrainian society. You don't have many forces that unite the country but many who divide it. After the suffering caused by totalitarianism and the imposed Famine of 1932-1933 organized by Stalin that killed millions, many people are even more afraid of politics. Some grave mistakes were made after independence. With weak rule of law and a lack of understanding of the market liberalization needed, the oligarch system had a chance to establish itself firmly. We need a basic common reflection on why this happened and what has to be done to change this. ■

Brussels Against Gazprom

President Putin is nervous. Western experts believe that the European Commission has a good chance of winning the conflict regarding Gazprom's monopoly prices on Central European markets

The common energy policy that has been much debated in Brussels' top offices is slowly gaining shape. The EU has launched a special investigation based on Lithuania's complaint against Gazprom's use of unfair competition instruments. So far, most Central and Southern European countries

Authors:
Alla Lazareva,
Alain
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France

have jointly supported the initiative. And so they should, as this issue concerns them directly due to the fact that they depend on Gazprom more than others. By contrast, several big Western states, including France, Italy and Germany, are still surprisingly silent. Many think it is their support that will determine the out-

come, and impact, of the investigation. Based on earlier experience with similar procedures in the EU, however, European experts claim that their reluctance will not be a decisive factor.

POLITICAL PRICES

"Real energy competition will be the best argument in favour of the EU," said Lithuania's President Dalia Grybauskaitė at her meeting with the European Commissioner for Energy, Günther Oettinger. "When EU citizens start paying less for gas and electricity they will see how efficient the European project is. Yet, this real competition still needs to be launched into action."

In addition to complaining about Moscow to the European Commission, Vilnius is also making sharp statements. Lithuania is in the process of actively changing its energy supply system. It is building a liquid gas terminal in Klaipėda, negotiating a new gas pipeline project to Poland, erect-





ing new electricity lines with Sweden, and designing a nuclear

PUTIN OFTEN MENTIONS THE PROSPECT OF TURNING TO CHINA, HOWEVER GAS PIPES THERE ARE YET TO BE COMPLETED

BYPASSING PIPELINE: After the Nord Stream was opened in November 2011, Russia gained a direct path to supply gas to Western European markets. Now, it will hardly be able to fully use this leverage against the EU

power station, in essence, preparing itself to leave the energy orbit of the former USSR. "We've started a chess game with a dangerous rival," says Lithuania's Energy Minister Arvydas Sekmokas. "We started playing with white and our pawns are confidently moving forward."

"The Directorate General for Competition has compared the prices other consumers of Russian gas pay for it and deemed Lithuania's complaint justified," its press-service told *The Ukrainian Week* in Strasbourg. "Lithuania is buying gas at a price that is 13% higher than Estonia's and 20% higher than Latvia's. It pays EUR 403 per cum, which is EUR 90 more than Germany is paying. Therefore, the Commission will examine how politically motivated Gazprom's prices are."

Vilnius officials believe that Lithuania is buying Russian gas at the highest price in the EU as a result of its determination in implementing the EU Gas and Electricity Directive. Lithuania is hoping to complete the segregation of energy production and sales and build an NLG terminal by 2014, when its current contract with Gazprom expires.

Latvia is also struggling to get better gas prices through EU mechanisms. Days ago, Krišjānis Kariņš, Latvian EPP MP, passed an unprecedented document through the European Parliament. Based on Kariņš's report, the parliament approved a new mechanism for EU member-states to exchange information on big energy contracts they seal, or approve, with non-EU partners. Its primary effect is to tilt Gazprom's monopoly position.

"The voting on September 13th was difficult," a European Parliament administrator told *The Ukrainian Week*. "The document was passed with a very

small majority, primarily thanks to the Polish and Baltic delegations. On the whole, countries which will be involved in the Gazprom investigation, such as Bulgaria, Hungary, Poland, Latvia, Lithuania, Estonia, Czech Republic and Slovakia, have proved ready to fight for greater transparency in the gas supply system. Meanwhile, old-time big partners of Gazprom and Russia respectively, including France, Germany and Italy, do not have a clear position."

The new mechanism essentially demands that EU member-states sign contracts with Gazprom and other similar companies only if approved by the European Commission. However, some of its big clients have grown used to a certain amount of privileges and they would prefer to negotiate gas supply terms with Moscow directly. Kariņš, the sponsor of the 'revolutionary' report, has given the best comment

on the situation so far: "Out of all big countries, Poland is the only determined supporter of the EU common energy zone. This concept has long been overdue but has not yet crystallized completely. Former Soviet Union countries view Gazprom as a tool for making them more dependant and obedient, while France, Italy and Germany see it as a source of income."

LEGAL COMPONENT

Experts claim that it will take at least several years to implement the new EU energy cooperation mechanism, even though fundamental principles have already been introduced. "Negotiations have been ongoing since February 2011," Latvian international lawyer Rita Šerpiņa explains. "EU member-states decided then that they would coordinate their actions with third party countries, primarily Russia. But it's a challenge to make everyone share this



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collective European interest. A man with a full belly thinks no one is hungry, as the saying goes. Kariņš has spent nearly a year negotiating with various political groups and promoting the concept of a joint front against Gazprom, but some countries still resist it. They failed to obstruct the voting at the European Parliament (on the approval of big energy contracts – Ed.), therefore they are likely to sabotage the co-operation concept at the level of the EU Council.”

The comment of Philippe Lalliot, Speaker for the French Ministry of Foreign Affairs, to *The Ukrainian Week* on whether Paris supports the European Parliament’s directive to coordinate big energy contracts with non-EU states partly confirms the fears of the Baltic States regarding the reluctance of Old Europe. “We support the introduction of the new mechanism to share information on energy contracts sealed with non-EU partners within the EU,” he says. “As for the Gazprom investigation, we are observing the progress but not making any early conclusions.”

Could the reluctance of big EU countries affect the outcome of the antimonopoly investigation? “Not at all,” claims Michel Pamuis, a French expert on alternative energy sources. “The Directorate General for Competition has extensive experience in the area. It gets appeals from countries, companies and even individuals. Basic charges sometimes run counter to the Commission’s position. However, investigations are still held, although they often last more than one year.”

The victory over Microsoft was probably the most significant antimonopoly investigation ever undertaken by the EU. Bill Gates’ empire was imposed huge fines of EUR 497.5mn in 2004, EUR 280mn in 2006 and EUR 899mn in 2007. The giant paid them all, although it appealed against the fines to a court of cassation. More importantly, though, the investigation did push Microsoft to make some concessions.

“The investigation against Gazprom is in line with the Directorate’s general agenda,” the press-service of the European Parliament explains. “A few days after the investigation was an-

nounced, the EU launched another equally big antitrust case regarding monopolized export of solar panels from China. The investigation was initiated by Eu ProSun, a group of European solar panel producers. It looks like the Chinese exporter is dumping European prices by 60-80%.” Experts estimate that by 2020 Europe will be using 50 times more solar panels compared to what it does now. The solar energy market is becoming as significant as that for gas and China is openly struggling for a monopoly on it. Now, it looks like the EU is finally coming to realize the threat.

After WWII, the EU – then known as the European Coal and Steel Community – started from a common energy project. Six European states decided to manage these rare strategic resources jointly. Since natural gas has equal strategic meaning and is gradually being exhausted, the attempts to revive the energy partnership have once again gained symbolic sense. And more importantly than this, the 1957 Roman Agreement – the first EU foundation agreement – had a provision on the right to competition.

Vladimir Putin’s angered statements in response to the EU’s investigation against Gazprom make it clear that Russia cannot afford to ignore the European market. Putin often mentions the prospect of turning to China, however gas pipes there are yet to be completed and there is still a long way to go. Gazprom is the biggest gas entity in the world, yet it sells only 25% of its gas at a profit to the West. The other 75% is consumed at discount prices domestically. Losing the European market will turn into a disaster for Russia. Thus, the Russian president is outraged by the investigation.

It is probably true that small countries such as Lithuania and Latvia could not win against the ambitious giant on their own. The slow, yet determined European machine gives them a much better chance. Indirectly, Ukraine could also benefit from this situation. However..., “Ukraine could have hoped that the European Commission would take its interests into account too, if the current regime had not lost Brussels’

The victory over Microsoft was probably the most significant antimonopoly investigation ever undertaken by the EU. The giant was imposed huge fines of

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trust and Ukraine had signed the Association and Free Trade Area Agreements with the EU,” says Mykhailo Honchar, Energy Programme Director at Nomos. “Last year, the European Parliament recommended the Commission support Ukraine in gas negotiations with Russia. In its basic document on partnership with non-EU countries that are significant for the EU’s energy security, dated September 7, 2011, the European Commission suggested initiating trilateral negotiations with the EU, Ukraine and Russia. It looks like Kyiv has missed the opportunity. Given Ukraine’s current relations with Brussels, I don’t think there is any hope that someone in the EU will deal with the problem of Ukraine’s discrimination in gas relations with Russia. Meanwhile, Kyiv still hopes to find a ‘scheme’ and is preparing to grab Naftogaz’s extraction assets. Ukraine can’t possibly revise the effective contract in the current circumstances.”

Experts assume that the in-



RUSSIA CANNOT AFFORD TO IGNORE THE EUROPEAN MARKET

vestigation against Gazprom will last at least two years. This may be sufficient for the European-energy-NATO type organization to emerge that Lech Wałęsa once dreamt of building on the ruins of the Berlin Wall. ■



All charges of the European Commission are potentially lethal for Gazprom’s business model

“Gazprom underestimated the powers of the European Commission, which has pushed member countries to “unbundle” (liberalise) their gas markets... It has tried to block unbundling with a mixture of carrots and sticks. But this has brought more trouble... A year ago the commission launched a series of spectacular raids on 20 offices belonging to Gazprom and related companies. That dispelled the idea that the company’s political ties in big European countries gave it immunity. On September 4th the commission launched an antitrust probe based on three charges: preventing gas trading across national borders; hindering diversification of supply; and unfairly linking gas and oil prices. All these are potentially lethal for Gazprom’s business model. It likes to strike deals country-by-country, which enables it to reward friends and punish enemies. It will be hard for Gazprom to defend single-country deals against the rules of the EU’s common market. ...as America’s Microsoft learned, expensively, in its row with the commission, in Europe monopoly power brings more enemies than profits.”

Criminals in Politics

Is politics free of criminals? Has it ever been so? In fact, it hasn't. Far from war criminals, who, as a cynic's dictionary would suggest, are statesmen who lost the war (whereas the heroes solely remain on the winning side), felons squeeze into politics from time to time. Crooks, charlatans, various other dodgy figures and even mobsters become part of the classe politique. As the witty saying goes, the dividing line between parliament and prison tends to be quite thin.

Politics has always been about a watershed between legitimate and illegitimate figures in power. In fact, legitimacy is the most precious property of politics. Yet well before political leaders reach the heights of legitimacy and law, they tend to draw close to the world of crime. Suffice it to remember Machiavelli's concept of the prince as un mezzo bestia e mezzo uomo (half beast, half man) to prove this to have always been the case.

A successful ruler who succeeded in his end to unify and centralize the state at any cost becomes a hero, whereas those who did the same as the victorious, but failed to achieve their ends get painted in history as bloodthirsty villains hungry for power. A successful rebel becomes a revolutionary and a reformer, while a failed one is relegated to the margins of political history as the head of a pointless uprising.

Successful dictators and tyrants cannot achieve much without the help of the underworld, for they always need assassins, thieves, crooks, torturers, and manipulators. On a closer look, what we take as the heroic saga of the clash between liberal political regimes and dictatorships is in fact the clash between civilized politics and the brutal exercise of power by criminals.

Even the Shakespearean tragedy of Russia in the 20th century began as the collapse of a withering, albeit imperial, power and as an onslaught of a criminal element. After all, Stalin, on the rise and, especially, during his Baku period, was much of a mere thug. In more than one way, he was a successful criminal who was uniquely successful in consolidating power and creating his self-aggrandizing myth as the legitimate heir to Lenin, and also as his brother-in-arms and disciple. The Russian state collapsed as it was taken over by a criminal regime disguised as the Universal Church of the Left.

Criminalization of politics and, conversely, the swift politicization of criminal groups and gangs is not an exclusiv phenomenon of the dark past, though. Suffice it to recall the beginning of a rapid period of painful change in the former Soviet Union when, to call things by their right names, criminals and various shadowy groups sought to surface by legalizing themselves and their agendas. Some of them were solemnly accepted into the classe poli-

tique; others failed to achieve it and were excluded or jailed.

Who were Vladimir Putin and his entourage when their notorious company The Lake came into existence? Who was Viktor Yanukovich in his youth? What kind of political elite exists in post-soviet countries where wealth was not accumulated throughout decades and centuries, but was instead acquired in the fast lane for state-favoured profiteers protected by former uniformed agents? It could hardly have been something other than a fusion of the so-called *siloviki*, that is, KGB officers, secret service agents, state-protected thieves, and some entrepreneurs who accepted the challenge of closing ranks and cooperating with this sinister mishmash left of the former empire's power machine.

Curiously enough, sometimes they can bear a family resemblance to the powerful and wealthy groups of Renaissance Italy – such as famous families that ruled Italian city-states for centuries. Recall the Orsini family and the Colonna family in Rome, the Medici family in Florence, or the Sforza family in Milan. They had their own court judges, court artists, court scholars, and court historians; quite frequently, they acted not only as political dynasties and noble families but as political groups and crime units as well.

Just look at Mario Puzo's perceptive novel *The Family*, which explores the Pope Alexander VI family as a prototype of the modern mafia. His son Cesare Borgia becomes a cardinal in age 18, yet then he abandons his early ecclesiastical career and goes on to reach the heights of genuine political and military glory.

Judging by Machiavelli's account in *The Prince*, a perfect embodiment and incarnation of un mezzo bestia e mezzo uomo, Cesare Borgia took to the political path as a beast of prey and a merciless killer, yet he ended up as a political visionary and an architect of a unified and strong Italy. Even for a killer and criminal, a chance exists to become a statesman. Or vice versa. Much of Shakespeare's plays and sonnets may well be described as the metaphysics of crime committed in the name of good and humanity. This has been witnessed by Europe's historians, dramatists and poets; and we ourselves can testify to this, as we have seen so much turmoil, unrest, and ups and downs in Eastern Europe from 1990 onwards.

What is crucial is whether a family, a household, or a clan, is held superior to the state, and whether they remain opposing agents. However, the worst happens when the two merge. Misdemeanour and felony are inescapable parts of politics until they become watered down, washed away or otherwise marginalized. True, a former felon can become a committed statesman. Unfortunately, we have seen too much of the opposite. ■



Author:
Leonidas
Donskis

SUCCESSFUL DICTATORS AND TYRANTS CANNOT ACHIEVE MUCH WITHOUT THE HELP OF THE UNDERWORLD



WORLD WITHOUT LEADERS

American political scientist Ian Bremmer talks about why the global structure is becoming less manageable

Interviewer:
Bohdan
Tsiupyn

In the 1970s, it was known as the Library Group because the leaders of half a dozen major world powers held their unofficial meetings at the White House library. Later, the meetings transformed into official summits, the first one held in France in 1975. At that point, it was a Group of Six or G6, joined by Canada the next year, turning it into the G7. The name was changed to “G7+1” in 1997 when Russia was admitted to the group in an effort to support what then seemed to be Boris Yeltsin’s pro-democratic policies. The plus was later dropped and Russia became simply a member of the G8, a club of countries considered to be the major powers in the world. In

May 2012, Vladimir Putin as Russia’s newly elected president refused to attend the G8 summit. Why has Moscow, once so eager to get a seat at the prestigious table, now rejected the group? Does this signal the decline of the G8?

American political scientist Ian Bremmer agrees with this assumption and believes that the power of other international organizations such as the UN and NATO is declining, coupled with the narrowing leadership of the US worldwide. He presents his opinion in his new book titled *Every Nation for Itself: Winners and Losers in a G-Zero World* along with the warning that the world will become less and less predictable from now on.

UW: Why is the world growing more regionalized despite globalization?

I think that there are two important reasons for this. One is that we’ve experienced an enormous shift in geopolitical and economic power and it’s not just the “rise of the rest” as Fareed Zakaria likes to say. It’s the rise of the different – the countries and emerging markets which are poor, more politically unstable and more domestically focused. And some of them have very different economic and political systems. One is China, a country with an authoritarian regime politically and state capitalism economically. We’ve experienced the “rise of the rest” before, when the

Europeans and the Japanese rose after WWII. It wasn't a challenge to the United States, even though some were concerned, particularly about Japan. It was a group of allies that worked together very closely, and occasionally they had their differences, but that didn't change the structure created by the US and the West. Now, G20, global climate deals and global trade deals require a meeting of the minds not just between a lot more countries but between countries that really don't agree on much of anything. They don't share the same values and priorities. It doesn't make emerging markets wrong, it's just that we won't see clear leadership in the world.

The second reason is the decreased willingness to provide this leadership, with the Europeans and Japanese currently caught up in their own domestic struggles. And there is no one remotely electable in the US right now to talk about a Marshall Plan in Europe. The US is not prepared to remove Bashar Assad from power in Syria or lead a global climate deal. It's the underlying balance of power and the nature of the countries that comprise it, but also the willingness of the US and its allies to play that role.

UW: There are other countries that are willing to increase their international impact. President Putin is an ambitious leader but he did not come to the latest G8 summit. Do you see this as validation of your analysis?

Certainly. The truth is that it was much easier for that conversation to happen with the Russians absent. They talked about bailing out the Eurozone, about Syria and Iran. The issues that are dominant on the G7+1 agenda are the issues Russia is either not interested in or is on the opposite side of. If Putin and Obama had had a direct bilateral meeting, it would probably have been bad enough to derail the conversations on normalizing trade status that are going on in Congress. [The US Congress is considering lifting the restrictions on trade with Russia established by the 1974 Jackson-Vanik amendment inherited from the Cold War – Ed.] Remember how we used to

call it the G7+1 before it became the G8? Well, +1's don't usually work.

UW: You wrote that Ukraine "does not pivot" in your book. What did you mean by that?

In this world, the G-zero world, you clearly want options. You want to have lots of countries finding you an attractive place to invest. But when Angela Merkel calls a country a dictatorship it makes it harder for the country to work closely with Europe. Historically Ukrainians have expressed a lot of interest in EU accession,

change. It has been deteriorating into dictatorship over the course of the last 10 years. Their ability to attract FDI outside of the energy sector has been very limited. You see the opposition on the streets in Russia and you see the budgetary situation: how they need to price oil up to make the budget work. But that doesn't mean that Russia can't change. We hope that it will.

UW: Zbigniew Brzezinski once said that Russia will not become a normal country as long as it tries to keep Ukraine under its control, because it continues to be an empire by subduing Ukrainians. Do you agree with him here?

It's much more about state capitalism and economic influence than about direct military subjugation. But certainly Russians are using political influence to keep Ukrainians acquiescent. I do think that that undermines Russia's ability to be a normalized international player.

UW: How pragmatic is Mr. Putin when he says that the USSR collapse was the biggest disaster of the 20th century? Don't Russia's actions against Georgia hint at Moscow's policy being guided by imperialistic ideology?

This certainly implies that he is willing to use populism and nationalism for his own ends. But ultimately all these leaders can be very pragmatic—brutally pragmatic—when they look at issues such as how to maintain power.

UW: Is your book just good reading for people interested in geopolitics or can it be helpful to politicians in choosing their direction for the future?

A lot of government officials have been calling me. I don't think that my book necessarily tells politicians "here is what you have to do." A lot of it has to do with their own preferences and their understanding of how much risk they are willing to tolerate. What I hope it does do, though, is make it a little bit clearer for them just how different the geopolitical environment we're looking at today is from what we've experienced over the past half century. ■



THE US IS LESS WILLING TO PROVIDE LEADERSHIP WHILE THE EUROPEANS AND JAPANESE ARE CAUGHT UP IN THEIR DOMESTIC STRUGGLES

being part of the European Customs Union and building closer trade ties. Unfortunately, for many reasons, that has not been possible in terms of Ukrainian political and economic systems. In reality, Ukraine does not have a lot of options. It is fundamentally tied to Russia. And a lot of Ukrainians, including some officials, aren't happy about that. We see that in the problems with gas delivery that Ukraine has nearly every winter. But the reality is that the Russians are more than happy to use that political and economic privilege over Ukraine to limit its opportunities. And the political system in Ukraine also does some damage. So, Ukraine does not have that pivot at all.

I hope that my analysis will be useful to those Ukrainians that are pushing for better opportunities. And I'm not talking about the Orange Revolution or democracy. Instead, I'm talking about a more attractive economic and investment environment, transparency, rule of law, lack of corruption – all kinds of things that would make the Europeans feel that Ukraine could once again be a bread basket and an important area for partnership. The Europeans don't feel that way at all right now.

But things change over time, everything does. Russia could

BIO

Ian Bremmer was born in 1969. He attended Tulane University and Stanford, and presently teaches at Columbia University. Bremmer is the founder and president of Eurasia Group, a leading global political risk research and consulting firm. He has authored eight books, including the best-selling *Every Nation for Itself: Winners and Losers in a G-Zero World* and *The End of the Free Market: Who Wins the War Between States and Corporations?*



A Bird Rebellion

The fighters of Berkut, a special-purpose police unit in Ukraine, are forced to pay a tithe to their commanders, participate in illegal deals and disperse protesting crowds. Such activity is not acceptable to all, so the first voices of discontent are being heard from the ranks

PHOTO: UNIAN

Author:
Valeria
Burlakova

The actions of the Berkut (Golden Eagle) special forces unit set a precedent for Ukraine's Interior Ministry bodies. No, its fighters did not rise against the current government by casting off their helmets and joining protesters, as German law enforcement officers recently did. They simply tried to inform the public at large that each of them was forced to pay a certain amount, around UAH 150 per month, to their commanders. A criminal case over abuse of office has already been initiated against the commanders of a Berkut unit.

MONEY EARNED ON THE SIDE

This extortion is a routine matter in law enforcement agencies, but it does normally surface. Speaking off the record, officers say that extortion "has, and always will exist" in Berkut and other structures of the Ministry of Internal Affairs. Moreover, policemen are sure that the Berkut protesters in Sumy are understating the amount they are forced to pay. "It is inevitable; there's no getting away from it. The majority understand this and mut-

ter unhappily, but still hand over the money," their colleagues say. UAH 150 is a ridiculously small sum. With a monthly salary of more than UAH 4,000 no-one would raise havoc about having to make such paltry "charitable" donations.

"I will write down what I personally know," stresses a user, registered as Unknown on a forum for Interior Ministry employees. "The sum is about UAH 1,000, rather than UAH 150, per person." This amount is far more tangible, but not beyond the means of policemen. According to law enforcement officers, this money is used for a variety of purposes, from purchasing stationery and computers to gifts and bribes to higher officials for turning a blind eye to the failures of the rank-and-file. Many Interior Ministry employees are convinced that the Berkut fighters should not have gone public about the extortion, regardless of the amount of money they were forced to fork out. Some believe squealing of this kind is simply wrong, while others say that silence would be golden if only because now these men will lose their jobs, sooner or

later: whatever happens, the initiators will be forced to leave their unit.

Doubts have also been raised over the integrity of those who went public. "Were the Berkut fighters themselves as pure as the driven snow? They don't violate the law, empty people's pockets and beat up faces?" another policeman inquires indignantly. "Did the commander keep all the money for himself? He didn't pass it on upstairs? He didn't use it to help the unit? I don't believe it... This is the reality of the contemporary police force. In all units, commanders collect money from their subordinates. Perhaps he is completely off his rocker and his demands exceed their capabilities. If that is the case, they are right; the information should be leaked [to the press]. But not in such a dumb manner..."

Interior Ministry employees mention their illicit earnings uncomfortably often. "In this case, the commander is a real stinker," a major from Luhansk says. The reason for his contempt for the commander of the Sumy fighters is not the extortion as such, but because he "taxed their legitimate

pay, not the money earned on the side". This is what has outraged the fighters, he maintains. Curiously, "taxes" on unofficial earnings may be in a range that goes far beyond the official pay. "The rate in our unit is up to USD 5,000," says a Lviv-based Berkut fighter.

LAW ENFORCEMENT AS A "BUSINESS"

Where do Berkut fighters obtain this much money and how? These questions are almost rhetorical. The two sources are largely the extortion of money from people leading illegal ways of life and kickbacks from drug dealers.

At the same time, there are few media reports on proven facts of criminal activities perpetrated by the police. This is possibly because when faced with the choice of a bribe or a complaint against extortionists, most Ukrainian citizens view it as a choice between losing a specific sum of money and their own freedom. Speaking on condition of anonymity, a young student from Kyiv said that he used to have a stable source of additional income by selling drugs. Berkut fighters grabbed him during a drugs deal and later let him go for UAH 50,000. Similar figures are mentioned in official reports. For example, a criminal case was opened in Mykolaiv against three Berkut fighters who demanded USD 5,000 from a man in exchange for not filing charges for the possession of drugs.

A Kyiv resident who sold illegal substances for many years assures us that this is a well-oiled system. Small drug dealers do not survive on the market for very long; they soon have to pay kickbacks or they end up in jail. Meanwhile, law enforcement agencies openly protect big dealers, which includes helping them to maintain a monopoly in a certain territory for regular pay. Allegedly, there are less profitable but more surprising schemes. For example, there are a number of drug sale points in the Borschahivka district in Kyiv, says local resident, Petro. Sometimes Berkut fighters are "on duty" nearby. A person walks out of one such point with drugs, directly into their hands. They confiscate the drugs and money, unless, of course, the drug user wants to end up behind bars.

And then, not only do they not arrest the drug dealer, surprise, surprise! – they return the confiscated drugs to him. According to the source that spoke to *The Ukrainian Week*, they receive half of the price originally paid by the client. However, it would be absurd to implicate only Berkut in cooperation with drug dealers – others are also involved. The complicity of persons from the Interior Ministry in drugs trafficking is often not denied even by their superiors.

What policemen themselves think merely confirms the widespread practice of illegal earnings. "People in trouble are left to their own devices," they say, when discussing their low salaries. "Smart people do not sit still and earn money any way they can."

WHY BERKUT?

"Welcome to the TRUE COPS! site." reads the welcoming message at <http://mvd-ua.com>. On the "Re-



"TAXES" ON UNOFFICIAL EARNINGS MAY BE IN A RANGE THAT GOES FAR BEYOND THE OFFICIAL PAY

alities of Service" page, future law enforcement officers can read the reflections of experienced policemen about what youngsters can expect in one sphere of law enforcement or another, including Berkut. They emphasise that just about the only benefit of working in this special unit, is that one year of service is counted as one and a half.

Novices are not assigned to serious missions, which according to forum participants are few and far between. The young guys are told they will be simply "standing guard during searches where your very appearance in masks alone will intimidate the proprietor, or conducting boring raids at night clubs without storming into rooms and shouting: "This is Berkut! Everybody get down!"

Experienced colleagues warn would-be fighters that their main mission will be dealing with protest actions. A big headache is journalists: "[Journalists] often make a preliminary deal with representatives of radical movements or simply politicians about provoking [Berkut] members so that

later, after carefully editing the recording, they can give the mass media nice videos in which a strong fighter in camouflage is beating up "a helpless fighter for the good of the people". It turns out that, in addition to journalists, protesters themselves give Berkut fighters a hard time: "It is hard during protests when, standing opposite a crowd shouting "fascist", "communist henchman", "servant of a convict" or "Bandera lackey" at you (depending on the political preferences of the protesters) or simply yelling "Death to cops", you have to silently clench your fists because the commander said: "No action without my command."

NO RIGHT TO SPEAK

However, not all Berkut fighters want to be the "dogs of the regime". Many romantically-minded young men join Berkut, and believe that society's negative attitude to them is partly justified. They are in no hurry to blindly execute inadequate orders. "I don't want to bow and scrape," a Berkut fighter comments on his attitude towards the current Ukrainian government. "But that's the kind of job I have... I am forced to take people in hand. Unfortunately, this is not always fair."

On the same forum, many policemen offer their views, despite opening themselves to ridicule, about ways to make their colleagues honest and change the system from within and ridding it of its numerous flaws: miserable salaries that lead to corruption; internal extortion; huge "taxes" on money earned on the side, which is often the reason forcing policemen to seek these illicit earnings in the first place, etc. Some contributors say that this year's little demarche by Berkut fighters in Sumy is the first high-profile protest of Ukrainian law enforcement agencies since the soviet era.

However, the main thing that bothers those tasked with dispersing popular protests, is their own inability to protest. In Ukraine, this is something that is directly prohibited by law for Interior Ministry employees. Law enforcement officers point to the only possible way of expressing their protest today: simply throwing your ID in the face of your boss and saying: "I quit." ■

A Planetary Mega

Cities adjust to global climate change and the new economic environment

Interviewer:
Hanna Trehub

Any urban citizen wants to live in a comfortable and safe environment. Unfortunately, Ukrainian cities cannot boast having even the minimum of benefits for their citizens. In Ukrainian the urban reality is that municipal services are economically underdeveloped and unready to face environmental challenges. When heat peaks in summer or heavy rains flood cities, it emerges that utility services are unprepared to deal with the whimsical weather. As a result of uncontrolled frantic construction in Ukrainian cities, park and recreation areas are rapidly shrinking. *The Ukrainian Week* talks to Blair Ruble, a world-renowned expert on urban studies, about the development of post-soviet urban space and how cities in the world are adjusting to economic and climate change.

UW: What urban development concepts are currently popular in the West? What will cities look like in 10 or 20 years?

The latest concerns in urban planning and development revolve around two sets of issues: economic and environmental sustainability. These two concerns are linked, of course, and emerge from the global challenges of international economic stagnation and fiscal crisis in many countries, as well as the

BIO

Blair Ruble is the Program Director for Comparative Urban Studies at the Woodrow Wilson Centre in Washington. Dr. Ruble received his MA and PhD degrees in Political Science from the University of Toronto in 1974 and 1977. Prior to August, he chaired the Kennan Institute, and worked at the Social Science Research Council in New York City, as well as at the National Council for Soviet and East European Research in Washington. Dr. Ruble is the author of six monographs and is an expert on urban and political processes in Ukraine, Russia and Eurasia.

unprecedented trials of global climate change. As we look forward, planners and municipal leaders are increasingly concerned with how to structure cities to be attractive to the so-called 'creative class' taking shape as a result of the increasing economic dominance of knowledge-based economic sectors. Sustaining this class requires large scale investment in human, rather than fixed capital. The challenges of climate change present other tasks, including greater reliance on public trans-



KYIV ENTERED THE POST-SOVIET PERIOD WITH UNIQUE ASSETS OF ITS GREEN AREAS, AN ASSET WHICH IS BUSILY BEING DESTROYED FOR THE SHORT-TERM BENEFIT OF A FEW

portation, more efficient energy use, enhanced coastal security, and retrofitting cities for new climatic realities. Chicago perhaps represents a compelling example of a city that is rethinking its future along both fronts, as local leaders are reimagining their city by 2050 with the climate of New Orleans in the deep American South.

UW: How do you see the development of East European cities, considering post-WW II reconstruction, plus the construction boom of the 1950s, intense building in the 1970s-1980s, and the contemporary urban development of the 2000s? How are the situations in Prague, Budapest, Warsaw different from those in Kyiv, Minsk and Moscow?

I believe that the trajectories of East European and former soviet cities are quite different right

now. Despite shared experiences with socialist city building, those cities now within the European Union are guided by very different policy assumptions from those further East. Urban planning and assumptions about technology and transportation align with similar policies elsewhere in the EU (as can be seen in investment in public transportation, including facilities for bicycles). Former soviet cities are struggling to find the most appropriate balance between planning and the market. More importantly, cities in the European Union adopt models of meaningful and open citizen participation in local decision-making while democratic participation in all too many cities of the former Soviet Union remains little more than fakery.

UW: In certain countries of the world, such as South Korea and Japan, cities are built to fit into the natural landscapes in the best way possible, and green spaces are essential benefits for urban dwellers. Is this trend widespread in contemporary urban development? In Kyiv, for example, the destruction of green zones to make room for new skyscrapers has become a norm over the past 10-15 years.

While there are examples of the greening of urban landscapes in South Korea and Japan, I am not at all sure that they are the only - or even the best - examples of what is possible. Returning to the issue of environmental sustainability, we see the construction of new - and the retrofitting of existing - urban landscapes with green zones, even at the level of grass-covered roof gardens on high-rise buildings. "Green" is considered to be an amenity to be valued, not thrown away. If the goal of a city is to at-

opolis

tract a creative labour force as the new 'creative class' that adds the greatest value to the local economy, then what better way is there to do so, than to value your green spaces? Kyiv entered the post-soviet period with unique assets in the form of its green areas, an asset which is busily being destroyed for the short-term benefit of a few. This is a consequence, of course, of elevating the quick gain of a few at the expense of a more significant long term gain of the many; a strategy which sadly appears to stand at the centre of Ukrainian political and business plans at the moment.

UW: What role do modern megalopolises play in the modern world? How specific is life in the biggest urban centres of the world?

There are a few trends, in my opinion. If you talk about post-soviet cities, they have opened to the world and turned into international migration and tourist destinations. However, the two urban trends I've mentioned earlier are both great challenges and good chances for cities. In the first place, they facilitate the evolution of city dwellers who are integrated into the international economy and oriented towards each other rather than towards their country. There is a category of global cities which manage to feed on each other, such as New York, Tokio, London and increasingly Shanghai. They all begin to exist separately. Another big challenge is that most of the planet's population lives in cities. They are concentrated in Africa, Asia and Latin

America. China is a different story. Over the past 20 years, nearly 200mn people have lived in Chinese cities. Many rural dwellers moved to cities in Africa which, however, are not big enough to fit them all. The same thing had happened in North America and Europe over a hundred years ago, when people moved from villages to cities where jobs were created for them. Nothing like that is happening in Africa now. Its cities develop rapidly, yet they are overridden with epidemics and poverty, where people earn a dollar or less a day. These people shape the world, so it is time to think about how to resolve the situation.

In the first place, this refers to Latin America - a hyper-urbanized continent today. After

50-70 years, it has passed the significant state of urbanization and has valuable experience worth sharing. But look at the deeper changes, such as climate transformations, health care and urbanization. They are all intertwined. If you look at the Earth from the sky, the density of cities is shrinking even when the cities themselves expand. This results in the shrinking area of farmland. We have to realize the process. It cannot be stopped but it can be controlled.

UW: Megalopolises have always been popular migration destinations. Are there any specific phenomena or changes that are typical for our time?

People always move and migrate. The difference between the present and the past is technology. They can now move faster and further. The Internet allows people to stay in New York while living a life as if they were in Kyiv. This changes the essence of a migrant's life. When someone wakes up one morning in Kyiv and says that he or she will move to the USA and become an American because Kyiv offers no economic prospects, this is not an accurate definition of migration. We are witnessing great acceleration today. The way we move has changed and the meaning of these moves has changed, too. ■■



PHOTO: ANDREY LOMAKIN



Urbanization According to Plan

Most flaws of modern Ukrainian cities stem from the soviet construction boom of the 1950s-1970s

Author:
Yaroslav
Hyrych

Modern Ukraine is an industrial country with a predominately urban population. To a large extent, its cities developed upon a material and demographic base that was established during the era of rapid soviet urbanization.

In the UN's 2007 demographic report, Ukraine was listed 24th out of the 25 most urbanized countries in the world. The growing number of cities with rising populations is a global trend. According to the

2010 report by the World Health Organization (WHO), the total share of urban population worldwide was 50% in that year. Modern humanity is more urban than it has ever been in its entire history. This is the result of the demographic boom of the late 20th century and advancements in science and technology. In 1900, urban populations comprised only 14% of the total global population. This share grew to 29% by 1950, 38% by 1970 and 46% by 1990.

Ukrainian cities grew even more rapidly, adding half a million people annually in the 1960s. Censuses of the late 20th century showed a permanent increase in Ukraine's urban population, mostly due to migration from villages, which contributed 47.8% of growth in 1959-1970 and 51.6% in 1970-1979. As a result, the Ukrainian SSR became an urban country in 1965 when the urban population exceeded 50% of the total. By 1994, the rural population was half the size of the urban population.

UTILITARIAN APPROACH

The massive migration from villages to cities was sparked by a slew of factors, such as the impact of World War II, the natural trend toward urbanization with people moving to towns and cities, the policy of enlarging small villages and collective farms, the elimination of hamlets, the declaration of small villages as unpromising, the flooding of territories with man-made lakes, labour mobilization campaigns, the fact that rural populations had no passports and the socio-cultural environment developed slower in villages than it did in cities, and the crisis of the collective farm economy.

Soviet urbanization was nominal, reflected in statistics only, yet never shedding its rural traces. Facilitated by rural resources, urban development brought forth a pseudo-urban culture, the marginalization of migrants and a low-quality social infrastructure.

Rapid urbanization was caused by the great demand for labour in the industries of the Ukrainian SSR. Villagers were an important resource for new factories and plants. With the soviet practice of residency registration for those who lived in cities and the lack of passports among the rural population (this gradually changed from 1953-1981), the workforce was 'purged' from agriculture in favour of industry through labour mobilization, organized labour camps, Komsomol and other civil campaigns.

In the 1960s, the government focused more on the population's social needs in Ukraine. It implemented pension reform, changed the system of education and began to pay salaries to collective farm workers in cash, not in kind. Nikita Khrushchev's key social project was housing reform. Intense residential construction in the Ukrainian SSR spurred rapid urban growth.

Urban development policy of that time was based on the landmark decision to expand housing construction made at the 20th Congress of the Communist Party in February 1956 and the respective decree by the Ukrainian SSR's Council of Ministers issued in summer 1957. These acts triggered a series of important decisions that brought residential real estate to a new level in the Ukrainian SSR.

The key focus was intense construction of civilian housing. To cut the cost of a single square metre by 1/3, standardized projects and general city plans were introduced; industrial construction was launched; campaigns against "architectural excessiveness" including adornment of facades, eleva-

enough for a person to stand with bent elbows, while 110cm would suffice to take off clothes and put them in a closet, so that was the width of the corridor.

Made to fit this universal standard, buildings and cities lost their architectural face. Functional efficiency and a pragmatic approach to civil and residential housing became top priorities. A new wave of the war with religion further facilitated the drastic change of urban space as the authorities revived the campaign to wipe out any remaining religious structures.

TEMPORARY HOUSING

In cities, huge residential districts were erected wherever there were vacant lots. This typical soviet practice was in stark contrast to the West, where getting a plot of land for construction was difficult. Residential districts replaced settlements around plants and factories. Moscow's Cheriomushki built in 1956 was the first residential district of this kind in the Soviet Union. Kyiv's first new residential district was Pershotravnevyi (May 1st), constructed from 1957-1963.

A decree of the Ukrainian SSR's Council of Ministers passed in May 1958 launched the epoch of standard *khrushchevka* apartments. One of the project's founders was Vitaliy Lagutenko, Head of the Moscow Architecture and Planning Department, and grandfather of Ilia Lagutenko, leader of the popular Russian band Mumiy ♪

FACILITATED BY RURAL RESOURCES, URBAN DEVELOPMENT BROUGHT FORTH A PSEUDO-URBAN CULTURE AND A LOW-QUALITY SOCIAL INFRASTRUCTURE

tors, high ceilings, steep roofs and so on, were declared. Cities were being filled with newly-built residential districts. To complete the planned amount of work on time and cut construction costs, the authorities had to launch massive production of building materials essentially from scratch. A short-term need for apartments facilitated innovation in construction, yet the results were often of poor quality.

In terms of interior design, soviet architects used the "economy of squares" concept offered by Lazar Cherikover in the 1930s-1940s. He claimed that a human needed 90cm to iron laundry and 85cm to put on shoes. A 75-80cm wide toilet room was considered large

CHEAP & SIMPLE: *Khrushchevka* apartments became a symbol of massive urban construction





Troll. One version of the story claims that the K-7 project was borrowed from a similar French project that included five-story buildings with no elevators, low ceilings, small apartments, shared bathrooms and poor sound and thermal insulation.

The new buildings were literally produced in chunks at factories and the ready-made panels were moved to the construction site and pieced together over short periods of time. Obviously, the Communist leaders viewed khrushchovkas as temporary housing that would last 20-25 years until Communism was firmly established in 1980. The buildings of the “first period of industrial construction” were built both in the Soviet Union and other socialist countries, therefore they were the most widespread elements of the “expanding victorious socialism”. According to official data, more housing was built in Ukraine from 1956-1964 than over the previous 38 years of Communist rule. The authorities failed to completely eliminate the shortage of housing, but made the problem much less acute. The relocation of over one third of the urban population of the Ukrainian SSR out of collapsing communal houses and into their own apartments became a revolution in the social sphere.

FROM THE CAPITAL TO THE VILLAGES

The construction of cheap standardized housing in the Soviet Union was not unique. Weimar Germany was the pioneer of standard industrial construction based on the Bauhaus concept in the 1920s, followed by post-WWII

RUSH HOUR: Massive construction of residential districts without proper infrastructure led to never-ending commuting problems in soviet agglomerations

As of June 1, 2012,
68.7%
of the Ukrainian population lived in cities

France, Israel and the USA. After the Second World War, industrial construction and the rejection of neoclassicism were universal trends. First and foremost, this was caused by the need to quickly rebuild the war-ravaged infrastructure. The Soviet Union was unique in its strict compliance with standards whereby identical buildings were constructed everywhere, from the capital to the villages.

Soviet architects borrowed some points from the concept of the “international style”. Its forebears included Swiss architect Charles Le Corbusier. He viewed urban construction as a tool of social transformation and a block of apartments as the key city object. His main goal was to improve urban comfort through widespread transportation networks and park zones, made possible by higher buildings and greater population density in residential districts. Later, Le Corbusier’s ideas for “radiant cities” were tested during the construction of Brazil’s new capital, Brasilia, from 1957-1960.

With the launch of the 1955-1957 housing reform in the Soviet Union, creative architectural processes came to a halt. Although ini-

tially innovative, the ideas of 1920s-1930s modernism were implemented as mere caricatures in the 1960s-1980s for the sake of cheap and standardized construction.

The Communist Party was trying to keep as much control as possible over urban development, so it passed the relevant decisions. The programme approved at the Party’s 22nd Congress in 1961 fixed the roadmap for the construction of Communist society. Thus, social infrastructure disparities between cities and villages had to be wiped out. Officials were given the task of halting excessive concentration of the population in big cities while facilitating the development of smaller cities and towns, and the gradual transformation of collective farm villages and hamlets into bigger ‘town-like’ settlements. One important issue for soviet demographers was that of an “optimal city size”. Research by the Urban Development Institute under the Academy for Construction and Architecture of the Ukrainian SSR held in the 1950s found that a population ranging from 20,000 to 300,000 meets the optimal standard. In reality, however, the existing settlement practice was preferred. It entailed economic and demographic domination of the Soviet Union’s southwestern and southern economic zones.

Urbanization processes in the Ukrainian SSR evolved according to several trends. The galloping growth of urban populations led to new forms of settlement: agglomerations. From 1957-1979, Ukraine’s major agglomerations emerged. Kyiv hit the one million mark in 1957, followed by Kharkiv in 1962 and Odesa in 1974. By 1976, Kyiv’s population measured over two million. The 1979 USSR Census revealed two more “millionaire” cities: Dnipropetrovsk and Donetsk. In big cities, so-called pendulum migration developed, whereby most people commuted from suburbs and residential districts to workplaces and schools in business or industrial zones in the morning and returned at night. Filling the cities with residential districts caused transportation problems, exhausted options for land development and aggravated criminal activity. These were essentially Eastern

AN EASTERN TREND

Western Europe has relatively few multimillion-resident cities today. Germany has four; the UK, Spain and Italy have two each, while Austria, Belgium, Bulgaria, Poland, Serbia, Romania, Hungary, France, and the Czech Republic each have just one. Cities with over two million people include London, Berlin, Madrid, Rome and Paris. The USA, whose population totals 313 million, has only 9 megalopolises. Meanwhile, Russia, with a total population nearly half that of the US, has from 9 to 14 megalopolises, according to different estimates. The number of multimillion-resident cities in modern India ranges from 39 to 55. China has around 100. Australia’s five giants are home to nearly half of its population of 22-million.



models of settlement culture whereby the focus was on the progress of huge cities (**see An Eastern Trend**).

The soviet command-administrative system was an integral part of urban development. The number of cities increased greatly from 1956-1965 as a result of amendments to legislation that allowed executive committees of oblast councils, in addition to the Ukrainian SSR's Verkhovna Rada, to grant city status to settlements. In 1946, Ukraine had 258 cities; by 1959, it had 331, 370 by 1965 and 385 by 1970.

In addition to the regulation of city status, government instructions affected the way cities developed. After the administrative territorial reforms of the 1920s-1930s and 1950s-1960s, a city or county centre that lost this status eventually faded. However, some settlements developed due to administrative orders. Uzhhorod, a town of 17,000 people after the war, evolved after it was granted the status of oblast centre and a university was opened there (one of only seven in Ukraine at that time).

The population's concentration in industrially advanced areas of the Ukrainian SSR, such as the Donbas, the Dnipro area and the Black Sea coast, was another significant element of soviet urbanization. Intense construction policies spurred the emergence of plant-

PLANT CITY: Cities growing out of workers' villages and big plants were a typical element of urban development along the Dnipro River and in Eastern Ukraine



MADE TO FIT THIS UNIVERSAL STANDARD, BUILDINGS AND CITIES LOST THEIR ARCHITECTURAL FACE

cities. As a result, monofunctional cities, towns and worker villages mushroomed in the Donbas. Still, the employment of the entire population in just one industry and the dependence of a city or town on a major nearby plant carry the threat of socio-economic collapse.

"THE GREAT TRANSFORMATION"

Diaspora researchers provide interesting interpretations of the process of urbanization in Ukraine during the last two decades of soviet rule. They claim that the gov-

ernment controlled the movement of the population, and urban growth was an instrument of Russification (despite the formation of a Ukrainian ethnic majority) by which a different ethnic element was proactively settled in cities. Bohdan Kravchenko, Canadian political analyst and sociologist of Ukrainian origin, said that the Ukrainian SSR did not have equal status in the Soviet Union compared to other republics. Dmytro Solovey, member of the Ukrainian Free Academy of Sciences in the U.S., viewed this as "planned hampering of Ukraine's industrial de-

velopment and the increase of its urban population [...] while all preferences were given to the Russian SSR".

Canadian historian Orest Subtelny focused on the increasing number of urban citizens and the transformation of the mental portrait of Ukrainian society, referring to this as "the Great Transformation". He also noted a shift in the ethnic structure of cities where "Ukrainian majorities finally emerged". Thus, the share of Ukrainians in the population of Kyiv grew from 60.11% in 1959 to 72.45% in 1989.

The construction of a lot of cheap housing launched in the late 1950s fuelled urban population growth, satisfied industry's labour needs and made the Ukrainian SSR more urbanized.

Still, the soviet authorities failed to control the rapid growth of cities dictated by the demand for labour. The process unfolded unaccompanied by an increase in the amount of available housing, well-planned infrastructure development or support of culture at an acceptable scale. As a result, urban construction was often chaotic, creating new inconveniences for residents. Other negative impacts of soviet planned urbanization included higher crime rates, demographic crises, socioeconomic problems in villages, the spread of alcohol and drug addiction and aggravated pollution. ■

FILMS

He Who Became a Strongman

The end of August saw the start of the filming of *Strong Ivan*, the currently little-known story about Ivan Firtsak, a Ukrainian who was recognized as the strongest man in the world in 1928

Author:
Yaroslav
Pidhora-
Hviazdovsky

Based on the novel by Uzhhorod-born author, Oleksandr Havrosh, *The Amazing Adventures of Ivan Syla, the Strongest Man in the World*, the project for the film was born last year, when Dnipropetrovsk-based producers Volodymyr Filippov and Andriy Suyarko were shooting the final scenes of Mykhailo Ilyenko's *Firecrosser*. *Strong Ivan* is being filmed at four locations and touches on three countries. The main character is played by Dmytro Khaladzhi, who, just like Ivan, was recognized as the strongest man in the world, and is now a performer in an American circus ...

UW: How did this project start?

– My condition was for a good quality screenplay with a clear vision of its development – I wasn't even interested in money. The

producer's condition was a children's theme. This is what we agreed on. So I started to search. I saw Oleksandr Havrosh's book at my friends' house in Lviv. Everything started from there.

UW: Your film has to have up to 10% of animation. This is an obvious novelty in Ukrainian cinematography. But it's quite an expensive endeavour, isn't it?

– Well, let's think about it: in the screenplay, for the scene at a railway station, we need – the actual train station, which has to look like one from the early 20th century, carriages with the same requirements and a crowd scene requiring 300 people. Isn't it better to simply draw all of this?

UW: In addition to the animation, so-called animatics – a visualized computer model of the film – has been created for

it. What is the level of the director's freedom in this situation? In other words, does the animatic model leave little space for a director to be creative?

– You have to understand that the animatic model is created under my supervision. It helps to work with actors: before filming a scene, I gather the actors and specifically show them how it should look. Olha Sumska once clapped her hands, saying: "It should always be done like this so that I know what I'm supposed to do in the shot!"

UW: I think that such a system also significantly simplified your work with Dmytro Khaladzhi, because he is not an actor. How did you choose him and how did you prepare him for his first ever role in a film?

– I found him by accident. And the fact that he is not an ac-

Events

16 October, 7 p.m. —

Romeo and Juliet

National Opera of Ukraine
(50, vul. Volodymyrska, Kyiv)

Sergei Prokofiev's ballet in 3 acts, is known for its beautiful set, exotic costumes and masterly choreography. The dancers immerse themselves in their performance to such an extent, that it seems as if the heroes of William Shakespeare's tragedy have been transferred from the pages of the book and relive this story on stage, over and over again. Surprisingly, the original version of the ballet had a happy ending. In time, the directors changed it so that it corresponded with the original. The premiere took place in the Czech Republic in 1938.



17 October, 7 p.m. —

La Traviata

National Opera
of Ukraine
(50, vul. Volodymyrska, Kyiv)

When Giuseppe Verdi's opera was first presented to the public in 1853 in Venice, both critics and the audience did not like it because of its immoral subject. Today, *La Traviata* attracts full houses and long standing ovations. The opera is based on *The Lady of the Camellias* by Alexandre Dumas, fils, where a once famous courtesan dies of tuberculosis, forgotten and abandoned by the people closest to her. The opera is a convincing drama from beginning to end.

17 – 20 October —

**UA/PL ALTERNATIVE
MUSIC MEETINGS**

**Dzyga, Dyvan festival
restaurant
(35, vul. Virmenska, Lviv; 2,
Bessarabska Ploshcha, Kyiv)**

The festival will be a platform for Ukrainian and Polish underground musicians to meet and interact with alternative music fans. This year's festival will take place in two cities of Ukraine. Polish bands The Kurws, Baaba feat. Gaba Kulka and drum'n'bass band 60 Minut Projekt will present the latest trends on their music scene while Ukraine will be represented by the Stepan & Meduza trio and the Singleton indie rock band.





tor – well, we had no other option. But we came up with one interesting thing – when we understood that we couldn't find someone who was both an actor and a person with the physique we required, we simply took the text away from Dima. So he began to work with his eyes, he began to work internally, some-

thing that everyone can do – not necessarily an actor. We spoke to the young actor playing the role of the boy (the young Ivan – Ed.) as if he was an adult, psychologically preparing him for the adult execution of his role in the scene and for serious communication with adults, with Ivan himself, who can break a person in half,

but at the beginning of the film, he himself still looked like a child – he came from a village to the metropolis and saw a car for the first time, wow!.. The most important thing for us in the film is that everyone who speaks to Ivan, changes. The boy was a thief, but becomes an honest person. And even the anti-hero, Fix, who does nasty things to Ivan – when Ivan breaks a record, winning against the Czechoslovakian champion, the only one in the hall who claps for him is Fix. Ultimately, Fix gives up his life for him.

UW: What is the moral of the story?

– A person who has a pure soul, unconsciously changes the world around him/her. I'm not going to argue about whether Firtsak, the real man behind the protagonist, was such a person or not. A movie is a movie, and this one is also a children's movie. So we show this to children, literally show them, because a person has to either say or do something. So we allotted actions to our heroes. Cinematography is not theatre, it doesn't have to have visualization. In conclusion: the brief action of a person says more than a long-drawn out ambitious talking without doing anything particular. ■

19 – 21 October

Cheese and wine festival

Lviv

Lviv will soon host a big day for gourmands and a delicious celebration for all locals and visitors. They will have the chance to savour a wide selection of cheeses and wines and learn about cheese and wine-making traditions in

Lviv. Each of the three days will offer a variety of entertainment including music concerts. The list of guest stars is currently being kept secret, but organizers promise only pleasant surprises.



29 October, 7 p.m.

Scorpions

Sports Palace (1, Sportyvna Ploshcha, Kyiv)

The legendary hard rock band will once again rock Kyiv as part of its "The Final Sting" world tour. This is the second part of the Scorpions' last tour where they will play a completely different programme, including songs from their latest album Comeblack, released in 2011, is a record made up of completely new versions of their greatest hits. The rich programme will give everyone a wealth of positive emotions. This is the last chance for all Scorpions fans to see their idols on stage. The Scorpions are ending their music career with this second part of the tour.



1 November, 7 p.m.

Deep Purple

Sports Palace (1, Sportyvna Ploshcha, Kyiv)

One of the most popular rock bands of the 1970s will visit Kyiv. Its heavy music still unites generations of young and older fans. This is all about Deep Purple, a UK band that has a history covering almost 45 years. When the musicians are on stage, charging the audience with their drive and energy, it's hard to believe that so many years have passed. "It's so great, to sit next to your dad who is over 45 and shout out the lyrics along with the band," excited fans claim.

Thrill Seekers Find Adven

Extreme city tours reveal a different Kyiv

Article and photo:
Vladyslav Vozniuk

Urban explorers have found a unique alternative to the routine of housework and peaceful beer sipping in pubs. Their hobby is a radical kind of city tour. They might climb a 136 metre high bridge over the Dnipro, descend into metro tunnels or discover an abandoned bunker – all within their own city.

UNDERGROUND WATERS

The bigger the city, the more exciting its sites, such as abandoned houses and labyrinths of old courtyards. Most of the extreme tourists who enjoy this sort of exploration are photographers. In pursuit of a unique shot, they forget their fear and end up in places that very few people have the privilege of seeing. Some view this as a great way to relax, admire urban beauty or plunge into extreme adventures without even leaving the city. Once the urban explorer emerges from the city's depths, he or she can be at home taking a warm shower within less than an hour.

The hobby can reveal new horizons within cities that seem so familiar. Few Kyivites know that their city has nearly 60 underground rivers mentioned in ancient chronicles. Long ago, the place that now hosts a modern megalopolis had been home to wooded hills with deep ravines where small rivers and streams ran. As the city grew and expanded, the clear waters turned into sewage channels completely concealed under concrete. These modifications were made a long time ago, so the underground reservoir tunnels often have interesting old designs or carefully built brick walls. The most attractive underground rivers are



Adventure In Ukrainian Cities



A night atop Kyiv's
136 metre high
Southern Bridge

Klov, Hlybochytisia and Nevodnychi. Klov, Khreshchatyk and the rapid Klovytisia run into a single river called Prozorivsky. The Khreshchatyk stream runs in an old brick tunnel under Kyiv's central street. Construction of the tunnel was launched in 1888. Until then, the place that would once host the central street was often flooded during heavy summer rains. According to some sources, people and horses even drowned there.

The names of the Verkhniy and Nyzhniy Val streets (Upper and Lower Wall) come from the earthen retaining walls built along the Hlybochytisia river (the Deep River) that now runs beneath the centre of the boulevard. Hlybochytisia was straightened in the early 19th century and later hidden under asphalt. The name of Hlybochytiska Street also comes from the stream flowing under it.

Kadetskyi Hai or Cadet Park, a small river under the Railway District, is also surrounded by solid walls. They form a spacious modern box of iron and concrete. Since the water flows under the railway in many places, engineers used some unique solutions when designing the reservoir.

If you prepare to travel underground you should bring rub- ▶

URBAN EXPLORATION TRENDS

Diggers prefer anything that is below the floor. They descend into abandoned bomb shelters, underground river reservoirs, drain tunnel labyrinths and other underground passages.

Roofers are less extreme than diggers. They prefer to have professional cameras every time they watch a sunset on the roof with a glass of wine.

Industrial tourists enjoy huge abandoned (or still used) industrial sites, abandoned houses and military objects.

Infiltrators see no boundaries. They penetrate no-entry zones, guarded objects and always stick their noses into something they should have stayed away from. Their greatest delight is to get past the guards unnoticed.



A dungeon of the Kyiv fortress



The abandoned luxury of a pre-revolution mansion



An abandoned service elevator in an old mansion



ber boots, a construction hard hat and old clothes you are not afraid to stain. Two headlamps are a mandatory element. The tour may turn out to be fatal: rain can fill the tunnels with water. They serve as storm drain-pipes, sending rainwater to the Dnipro. Four urban explorers have already died in the Prozorivsky reservoir during heavy rains. Following some rules (see Safety Guideline) will help you avoid the threat.

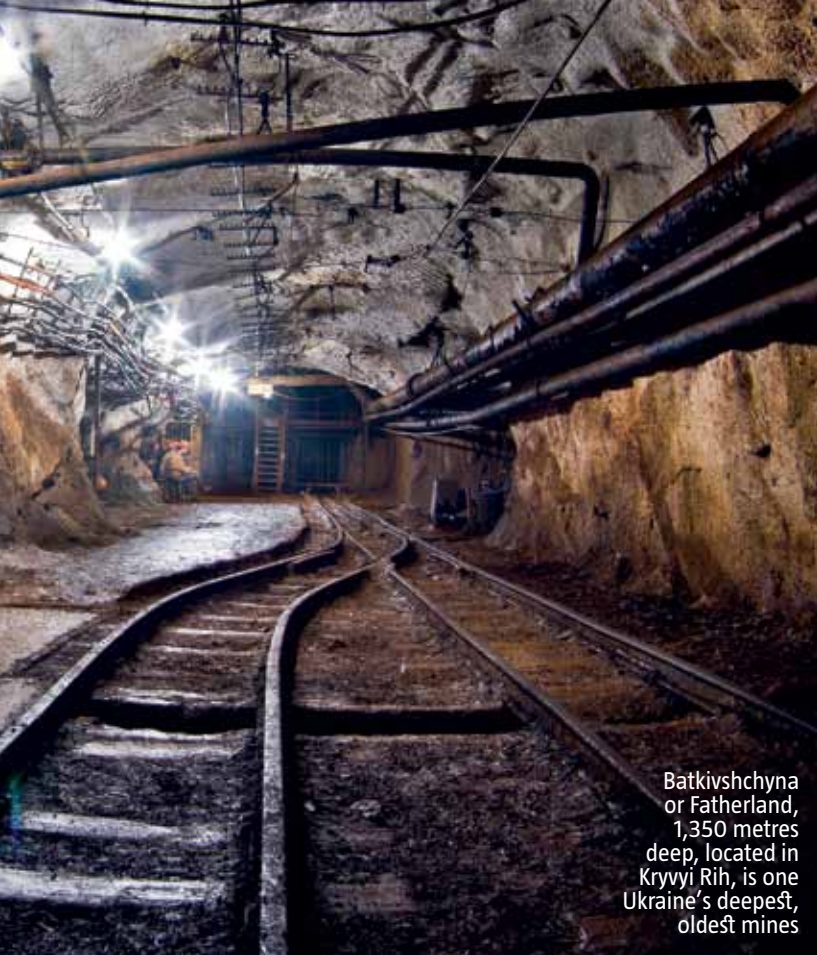
Explorers often encounter security guards while in pursuit of exciting sites. Every interesting place in Ukraine is most often hidden from sight, while any place open to the public inevitably has some annoying attributes, such as crowds of people and chaotic hot-dog and souvenir kiosks. Urban explorers always choose the first option – no matter what the outcome will be. As Mark Twain once said, “Twenty years from now you will be more disappointed by the things that you didn’t do than by the ones you did do.”

ROMANCE NEXT DOOR

Where is the most romantic place in town? A roof! Yes, it’s

that simple – romance is at arm’s length. You can savour the sunset with your sweetheart or enjoy meditation in solitude. The easiest way to get to a roof is via the fire escape, yet not everyone will risk doing that. Even experienced roof-hoppers consider this extreme. Another way is to find a building under construction in the downtown or on top of a hill and ask the guards to let you climb to the roof. Just come around on a weekend when the builders have the day off and spend a day on the roof for just UAH 50. Many entrances to the roofs are open – it just takes some time and effort to find them.

Abandoned houses merit special attention. Clearly, one will find no treasures there, yet the special ambience is often worth it. Everything is interesting and mysterious there, from the smell in the attic to spacious empty rooms with high ceilings and deep multi-layered cellars. Most abandoned houses are guarded because they are often owned by someone who does not care what happens to the building itself. As a result, architectural sites often fall into disrepair. They are even-



Batktivshchyna or Fatherland, 1,350 metres deep, located in Kryvyi Rih, is one Ukraine's deepest, oldest mines



A labyrinth of corridors between abandoned ballistic missile tunnels in Vinnytsia Oblast



A giant ventilator resembling an airplane turbine feeds metro tunnels

tually demolished and the owner gets what he wanted. The guards are there to ward off squatters who occupy houses without title, right or rent payment. A curious explorer may wander through the rooms and corridors, provided that nobody sees him. Without guards, hordes of homeless people quickly turn the buildings into trash piles. Moreover, marauders and metal hunters are frequent guests there, and running across one may be dangerous.

OVERCOME THE BARRIERS

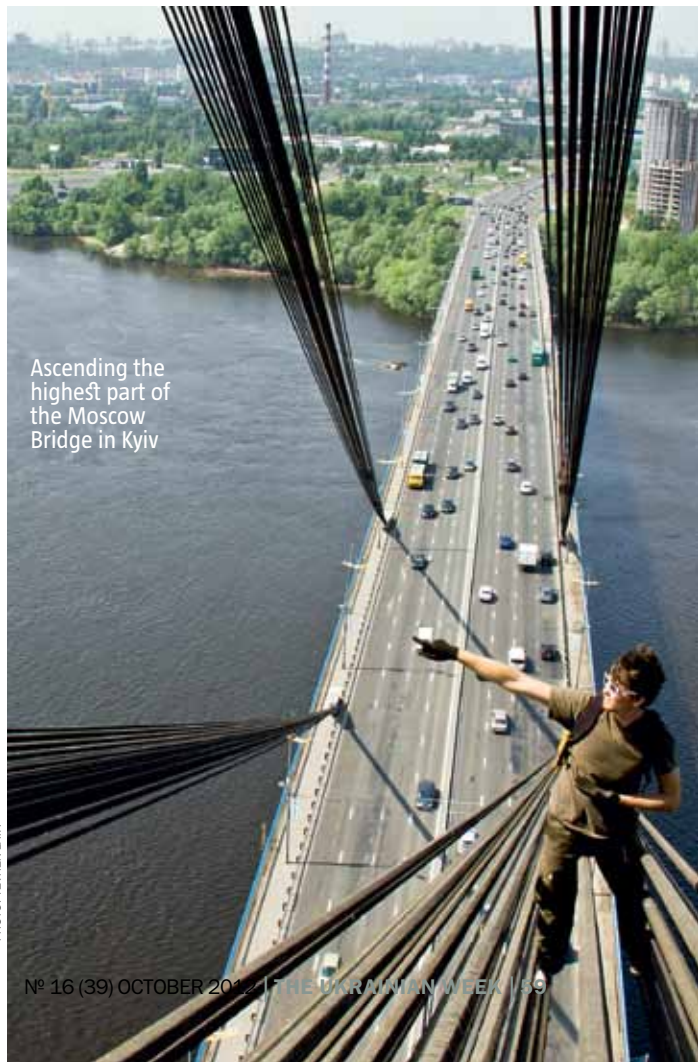
The Internet hosts many websites where urban explorers share insider info about interesting objects, arrange tours and discuss anything related to their hobby. They post guidelines and

a code of conduct on locations, as well as safety guidelines. For instance, urban explorers are not allowed to take away anything they find in abandoned houses, leave garbage or destroy anything there. In fact, the urban exploration trend has all of the elements typical of a subculture, such as art dedicated to it, concerts and exhibitions in unusual places, and tours for urban explorers from other countries.

In terms of legitimacy, an explorer may go anywhere that is not locked in Ukraine. Issues with guards are largely solved on the spot. The latter often look at urban explorers they run across as insane and let them go because they see that the tourists have no criminal intentions. ■

SAFETY GUIDELINES

1. Never go underground alone – you should always have someone to save you if you get into trouble.
2. Your family or friends on the surface should know where you have gone.
3. Go to the underground only in dry weather with no possibility of rain. The best time to do this is in winter.
4. Light is your life so you need reliable headlights.
5. Before going anywhere, think twice about how you are going to get out of there.
6. Do not drink any alcohol prior to or during your expedition.



Ascending the highest part of the Moscow Bridge in Kyiv

PHOTO: YEVHEN LATA



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