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Ukrainian Week

monthly digest

№1 (13) JANUARY 2011



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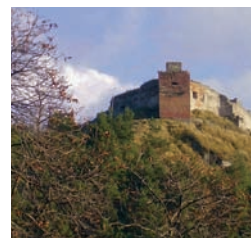
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NAVIGATOR

Noble Walls
One third of the
hundred castles
preserved in
Ukraine can
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The Ukrainian Week №1 (13) January 2011

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

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

Roman Tsupryk, Chairman; Mykola Sheiko, General Manager

Serhiy Lytvynenko, Editor-in-Chief, Ukrainiyskiy Tyzhden

Lidia Wolanskyj, Editor, Ukrainian Week Digest

Anna Korbut, translator

Mailing address: PO Box 2, Kyiv, 03067

Publisher address: vul. Mashynobudivna 37, Kyiv 03067 Ukraine

E-mail: office@ut.net.ua Tel.: (044) 351-1300

Print: TOV SKIMP, Triada Print Publishing

Ordering number: 245. Print run: 9,500

Sent to print on January 28, 2011

Free distributions



January 10

A court accuses former VR Deputy Viktor Lozinskiy of having killed someone



January 12

The Verkhovna Rada refuses to institute mandatory declarations of spending for top officials



January 14

Police raid the Library of Ukrainian Literature in Moscow for the third time and seize its server's drives



QUOTES

VIKTOR PSHONKA judges former ex-Premier

"There's been a crime and someone has to take responsibility for it," the Prosecutor General said, referring to the case against Yulia Tymoshenko, "And the motive was personal." Has he forgotten that he's not a judge?



MYKOLA AZAROV tells the truth

"I felt like dancing the hopak, but I didn't do it because journalists would have written that the premier had gone off his rocker," the Head of Government admitted.



VIKTOR YANUKOVYCH gets a prize

The President of Ukraine received a \$50,000 prize from the ROC "For outstanding efforts in promoting a single orthodox nation." (To know how, see p. 24)



VIKTOR YUSHCHENKO rolls with the punches

When a man called him a rotter, the former President answered, "I fought for your right to talk like this! To walk on your own land and speak in your own language."



Desperately seeking van der Lubbe

On Feb. 27, 1933, the Reichstag was burned down in Berlin. A Dutch pyromaniac and "independent communist" called Marinus van der Lubbe was apparently the perpetrator. However, not just the Dutchman was brought to trial: at the insistence of the Government, then headed by Adolf

Hitler, the head of the parliamentary faction of the Communist Party of Germany, Ernst Torgler and three Bulgarian communists were also charged. Their trial was public taking place over September-December of that year. Only van der Lubbe was found guilty, but the fire became an official excuse for the passing of

The month in history

January 6, 1846

January 14, 1991

January 17, 1921



Mykola Kostomarov, Vasyl Bilozerskiy and Panteleimon Kulish form the anti-serfdom Brotherhood of Cyril and Methodius

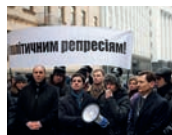


USSR special forces begin storming the television tower in Vilnius, resulting in 14 deaths



The Free Ukrainian University (FUU) is established in Vienna, shortly to be moved to Prague

January 17



Demonstrators gather in front of the Presidential Administration to protest political repressions

January 18



The Kyiv Appeals Court extends the house arrest of former acting Defense Minister Valeriy Ivashchenko

January 20



Unknown perpetrators blow up two bombs in Makiyivka and demand €4.2mn to prevent more

January 22

On Unification Day, a thousand-strong opposition rally takes place on the Maidan in Kyiv

a decree called "On the protection of the people and state," which effectively eliminated civil rights and freedoms. The Communist Party was banned, the seats gained in the Reichstag in the September 3 election went to Nazis instead, and Hitler had consolidated total power. The consequences are history.

Over **Sept. 4-16, 1999**, Russia and the world were shocked by a series of violent explosions of apartment buildings in Moscow and other cities. The war in Chechnya suddenly changed from a seemingly pointless death sentence for young Russian soldiers and a catastrophe in a tiny Caucasian republic, but as a just war against an evil enemy. On Sept. 22, in Ryazan, sacks with suspicious-looking material were found in the entrance to an apartment building. It turned out to be explosive. A criminal investigation into "attempted terrorism" was launched that the Kremlin claimed was successful. But on Sept. 24, the FSB suddenly announced that this was related to "security training" and the bags were full of sugar, and the topic was closed. The explosions also stopped. Meanwhile, the military campaign in Chechnya expanded, and on Dec. 31, then-Premier Putin became acting President and was elected to the job by a landslide in 2000.

On **Aug. 20, 2004**, a series of explosions took place on the Troyeshchyna market in suburban Kyiv as the Presidential campaign went into its final phase. The police arrested a man who happened to have a party membership card from one of the center-right parties. The press began mumbling about a "nationalist threat." In September, Candidate Yanukovich's new billboards were no longer, not about "economic growth and social benefits" but about Ukraine being divided into three "classes," stirring the pot on language, religion and history.

On **Jan. 1-5, 2011**, unknown people blew up a statue of Stalin that was on the property of the Communist Party's oblast headquarters. A guard was injured in the explosion. Almost immediately, the police grabbed members of the Svoboda Party,¹ but could not prove their involvement. Then there was a round-up of members of Tryzub,² another organization, claiming that weapons were also found. Pro-government commentators once again began using the t-word. The official investigation is still underway, but results will doubtless be swift. The press has already been writing about how the current Interior Minister, Anatoliy Mohylov, can arrest people for reporting purpose or for a given date, that is, to fill quotas. After the ineffective attempt in 2004, when terrorism in Troyeshchyna ended in the farce of "eggy terrorism" in Ivano-Frankivsk, no one dared using this latest event as an excuse for taking "severe measures" in Ukraine. Still, those eager to promote this kind of response are many and the temptation great.

In anticipation of an unquiet year, with the standard of living plummeting and a slew of unpopular social policies in the wings, the government is trying to kill the fire of protest among voters. This is probably why activists on the "Tax Maidan" have been held and criminal charges have been laid against prominent opposition politicians. If the t-word joins this arsenal, the country's leadership will feel justified in ignoring even the opinion of international organizations under the guise that it, too, is a victim of "9/11 syndrome" and is trying to fend off a terrorist threat. Hunting for terrorists in Ukraine would be funny, if it did not concern the lives and fates of the real people who are feeling the heavy hand of the state machine.

Rostyslav Pavlenko

NUMBERS

15.1%

fewer people were victims of car accidents in 2010: 4,532 killed and 38,113 injured vs 5,260 killed and 45,125 injured in 2009

UAH 1.5 billion

more is needed, says the Prosecutor General's Office, **because the UAH 2.2bn allocated won't be enough in 2011**

\$264/1,000 cu m

is the price for imported Russian gas in Q1'11, up from \$253

10th place

is how the International Federation of Football History and Statistics rates Ukraine's Premier League

30%

is how much electricity rates are expected to rise

UAH 160 (\$20)

is the expected monthly increase in household costs with the planned new utility rates

8.5 million

of Ukraine's 13.7 million pensioners get less than UAH 1,000 a month

\$124 million

is allocated by the US for democracy-building in Ukraine, compared to

\$68 million for Russia and **\$3.9 billion** in Afghanistan

¹ A rightist party led by Oleh Tyahnybok that made inroads in Western Ukraine in Fall 2010.

² The trident has been a symbol of Ukraine for more than a thousand years.

January 21, 1978



Political prisoner Oleksa Hirnyk immolates himself on Cherncha Hora in protest against russification

January 22, 1919



On Sofiyivska Ploshcha, the Ukrainian and Western Ukrainian National Republics declare unification

January 29, 1918



300 Ukrainian students and cadets are crushed by 6,000 Bolsheviks at Kruty Station

January 30, 2004

The first article in Ukrainian appears on Wikipedia, called "The Atom"

An Old New Year

Without projecting and planning, any kind of economic activity becomes difficult at best, whether it's a company or a household. The main thing is not to forget the relativity of any presumptions. The forecasts published in Ukrainian Week for GDP, inflation, employment, exchange rates, and real estate in the run-up to 2010 [№52, Dec. 25, 2009] proved accurate. Let's try for the same with 2011

GDP, INDUSTRIAL OUTPUT

Summary for 2010

Forecast*: +3- 5%

Actual: +4.3%

Forecast for 2011

Government: UAH 1,253bn (+4.5% y-o-y)

YT: +4.5-5.0% with stable global financial system

Key factors: revived demand for Ukrainian commodities, growing domestic demand prior to Euro-2012



Dmytro Boyarchuk
Executive director,
CASE Ukraine

The official forecast for 2011 GDP growth, 4.5%, is fairly realistic, which is what the State Budget has

been based on. Our forecast is for growth to be in the 4-5% range. Exports are already picking up, and even if they should drop a bit, transport, trade, construction and other industries could well drive demand for these commodities in the run-up to Euro-2012. We think this will keep the economy running in 2011, create new jobs, and increase tax receipts. The only serious problem is that, despite these favorable conditions, the investment climate is unlikely to improve. Still, capital will continue to flow to Ukraine from two traditional sources: Cyprus and Russia.



Oleksiy Blinov
Director,
Analytical
Department,
Astrum
Investment
Management

2011 will see GDP growth of as much as 6% in Ukraine.

Moreover, the main trend will be livelier investment, in the public and in the private sectors alike. We expect investment in fixed assets to grow 20% this year. But most projects will likely be financed through external borrowings. The foreign trade situation will remain good for Ukraine, especially for the steel industry and heavy machinery, as the world economy is slowly recovering from the crisis and growth is accelerating.



Vasyly Yurchyshyn
Director,
Economic
programs,
Razumkov Center

The GDP forecast on which the Budget was based is more modest than the

ambitious declarations of members of the Government about the results of "reforming" the economy. Growth of 4.5% is realistic, but there aren't really many reasons for optimism. Firstly, growth in 2011 is unlikely to be greater than in 2010. Secondly even if the Government's projections for 2011 come true, the country will not reach pre-crisis GDP levels, that is, this growth is starting from a very low baseline.

**EVEN IF THE
GOVERNMENT'S
PROJECTIONS FOR 2011
COME TRUE,
THE COUNTRY WILL NOT
REACH PRE-CRISIS GDP
LEVELS**



INFLATION**Summary for 2010***Forecast: +11%**Actual: +10.5%***Forecast for 2011***Government: 8.9%**YT: 11-12% with stable global financial system**Key factors: growing residential services rates and food prices*

Oleksandr Zholud
Senior Economist,
International
Center for Policy
Studies

In 2011, inflation will fall from 10.5% to around 9.9%, while the Consumer Price

Index will stay below 110% for the first time since 2003—provided that the harvest is normal and world prices for agricultural goods don't skyrocket as they did in 2010. Normally, Ukraine does not have two-three years in a row of heat waves. The anticipated rise in residential service rates will also push inflation, but this item represents less than 10% of the consumer basket. Among foodstuffs, sugar will grow the most in price because of the low sugar yield of beets in 2010, as will basic types of bread: despite price rises in 2010, its price remains below cost.



Vasyl Yurchyshyn
Director,
Economic
programs,
Razumkov Center

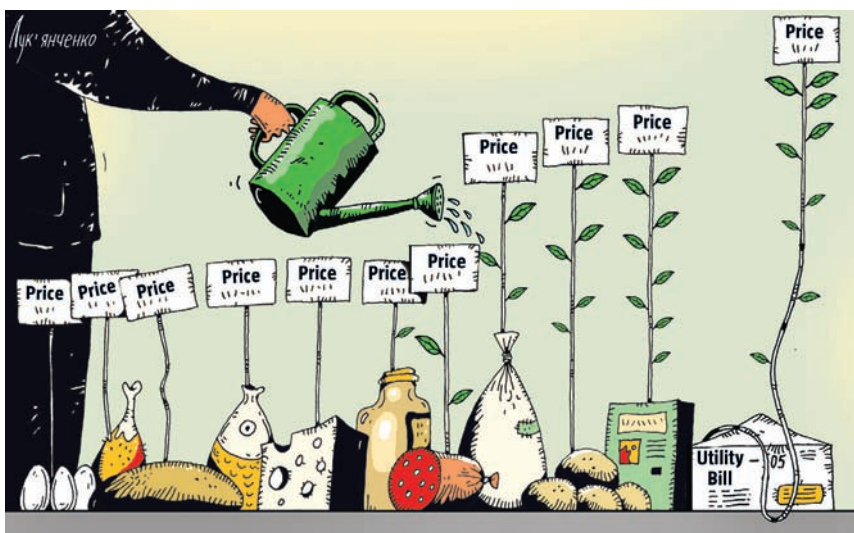
Official inflation figures have been underreported in recent years. For instance, in 2010, Derzhkomstat registered a mild rise in prices in August and September, although in fact, food prices grew very sharply during this period—some items as much as 150-200%. So the inflation indicator used by the Government for 2011 means nothing: 8.9% is only possible to reach in official reports. Meanwhile, the consumer basket is growing more and more costly because of the already-announced increases in utility rates, growing domestic prices for gas, public transport, and so on.



Dmytro Boyarchuk
Executive
director, CASE
Ukraine

We expect the CPI to grow 10.6% December-on-December this year. Moreover agricultural inflation

will be the most significant factor in the growing cost of the consumer basket for Ukrainians, in which foodstuffs represent more than half. We also expect residential service and public transit rates to climb, along with the cost of fuel, especially gasoline. Pessimism about the hryvnia among Ukrainian consumers will only stimulate inflation more.

**EXCHANGE RATE****Summary for 2010***Forecast: 7.5-8.5 UAH/USD**Actual: 7.9- 8.18 UAH/USD*

Mykola Ivchenko
Director,
FOREX Club

The US dollar exchange rate used in the 2011 State Budget calculations is quite realistic and the fixed rate will remain quite stable.

Until June 2011, the average sell price will be UAH 7.93 and will slowly decline to UAH 7.89 to the dollar. Key factors in keeping the national currency stable are cooperation with the IMF and growing demand for raw materials and unfinished products on export markets.



Eric Naiman
Partner,
Capital Times

H1'11 will see a fairly stable hryvnia and even a slight strengthening, to UAH 7.80/USD, spurred by inflows of investment capital.

Most of this will be due to privatization and debt investment, that is, long-term lending or purchasing debt. In H2, we expect the hryvnia to weaken again, to UAH 8.20/USD, caused by the traditional decline in the balance of trade as the amount of Russian natural gas consumed rises steeply.



Serhiy Yaremenko
Former deputy
Governor of the
National Bank of
Ukraine

My exchange predictions are the same as the official ones. The main factor that will

affect the stability of the hryvnia will be whether IMF conditions are adhered to: the rate is to stay within a corridor UAH 7.90-8.00/USD, which is what it is doing so far. In return, the Fund will unload dollars in Ukraine so that the hryvnia doesn't fluctuate. This means that other economic factors will play no role.

EMPLOYMENT**Summary for 2010***Forecast: 9.5%**Actual: 8.5%***Forecast for 2011***Government: 7.6- 8.1%**YT: 8% provided GDP grows 4.5-5%**Key factor: economic recovery*

Ksenia Voronova
Senior consultant,
Brain Source International

Over 2008–2009, the number of employed individuals shrank by at least one million, but right now trends on the labor market are positive. Officially, employment rose from 57.7% to 58.4%, while the number of jobless shrank by 140,000 to 1.9 million. Our forecast is for this trend to continue through 2011. In 2010, many new jobs appeared for marketing, recruiting, sales and banking specialists [those groups that faced the most cuts at the start of the crisis. Ed.]. In

2011, new jobs will also open up in IT and at companies that specialize in producing basic consumer products, including processed food.

Iryna Bekeshkina**Director of Research (DIF)**

The labor market could be hard-hit if the government starts trying to force business out of the shadows, hunting down those who pay wages under the table. In 2010, the planned deficit for the Pension Fund was UAH 29.6bn and it could go even higher in 2011. If an employer pays monthly social contributions on UAH 20,000, it is unlikely that it will be pleasant to discover that payroll costs have suddenly risen to UAH 60,000. Faced with the threat of tax raids, many enterprises are simply cutting costs by letting some go and expecting the rest to work double duty. This will cause unemployment to rise and state spending on the jobless to go up with it. The benefit of increasing fiscal pressure is probably not worth the cost.

REAL ESTATE PRICES**Summary for 2010***Forecast: –10-15% (primary market)**Actual: -11% (primary market)***Forecast for 2011***Government: None**YT: –1-1.5% (primary market)**Key factors: small number of contracts, builder reluctance to reduce prices, weak mortgaging market*

Oleksandr Rubanov
President, Union
of Real Estate
Professionals of
Ukraine

The number of contracts in the property market will not rise in 2011 and could

even go down. In short, the market will stagnate. Prices for residential space on the secondary market could come down 1.5-2% more over the year. On the primary market, the volume of unfinished construction projects is already around 90%, and what work is going on is very dilatory [as apartments are sold. Ed.] It's going to take at least 4-5 years to reach 2002–2004 levels again.



**Mykhailo Yermolenko, General
Director, Knight Frank LLC Ukraine**

Market players had a lot of hope going into 2010 that the housing market would finally start recovering because of pent-up demand, but there were few changes. In 2011, prices for housing, which is mostly bought for use, not for re-sale, will remain as they are or contract 1–2% in the first six months. Many apartments on the secondary market have been for sale for a long time and have not moved, although owners have lowered prices as much as they are prepared to go.



Viktor Vlasov
President, Vlast
Group

In 2011, property prices are likely to inch up slowly. New properties will come onto the primary market, but not many, so there will

be little downward pressure on prices. The market will recover as reasonable mortgages become available again.

**IT'S GOING TO
TAKE AT LEAST
4-5 YEARS
TO REACH
2002–2004
LEVELS AGAIN**

FOR QUICK SALE:

One central bank. Great starter for DIY fans

The new governor will make it easier to devalue the hryvnia, acquire banks and cover the deficit

In Spring 2010, the buzz first started that an unknown banker by the name of Serhiy Arbuzov was pegged to be appointed NBU Governor. At that point, the little-known financier was chair of the Supervisory Board at Ukreximbank. The rumors grew in volume after Mr. Arbuzov was appointed First Deputy Governor at the NBU in September, although he had no central bank experience. By the time veteran NBU Governor Volodymyr Stelmakh resigned in late December and the Donetsk man replaced him, no one was surprised.

When polled, Ukraine's bankers have been surprisingly non-committal about the President's man, offering anodyne statements like "Arbuzov will make NBU policy more predictable," "Banking regulation will get tougher," "The NBU needs a strong hand," "Arbuzov is an expert" and so on.

But the bankers were unwilling to go on the record with the main point: Serhiy Arbuzov is just a figurehead. The one-time manager of a small financial institution associated with the Yanukovych family is now at the wheel of a large-sized country's central bank. The question is, whose strong hand is Ukraine looking at in its central bank? Maybe Mr. Arbuzov is a real pro—though nobody is quite sure in what so far. Some bankers who met the Donetsk financier over the summer and fall—only the chosen were apparently able to actually talk to him—say he is "OK."

"[Ex-Governor] Stelmakh hasn't talked to market participants for the past three years," says the representative of one IFI. "His deputies did the negotiating. It turned out that Mr. Arbuzov was getting far more involved in the market situation than Mr. Stelmakh." According to this man, another Deputy NBU Gov-

Author:
Olena
Shkarpova

FIN BIO

Serhiy Arbuzov declared income of UAH 150 million in 2009, without having an identification number, something that citizens of Ukraine normally only refuse to register on religious grounds. This makes it hard to find out just where the new NBU Governor's significant income came from.

ernor from Donetsk, Ihor Sorkin, has also been very actively engaged.

In fact, since Volodymyr Stelmakh resigned, NBU management has become more dependent not only on the President's positions, but on Premier Mykola Azarov, as well, risking serious shifts in the financial market—the first one being a weaker hryvnia. A recently disclosed official document called "The Basis for NBU Monetary and Lending Policy in 2011" states that the highest priorities include stabilizing prices and keeping them that way. According to this document, inflation is to be brought down to 5% by 2014. This is simply the inflation targeting that Volodymyr Stelmakh was talking about back in late 2008.

There is nothing intrinsically wrong with easing exchange control and targeting inflation instead. The problem is that this policy will be implemented by people—the President's main backers are big-time commodities exporters like Rinat Akhmetov and Dmytro Firtash—who want to see the national currency weaken. Meanwhile, under cover of inflation targeting, NBU officials can launch any devaluation, whether economically justified or artificial.

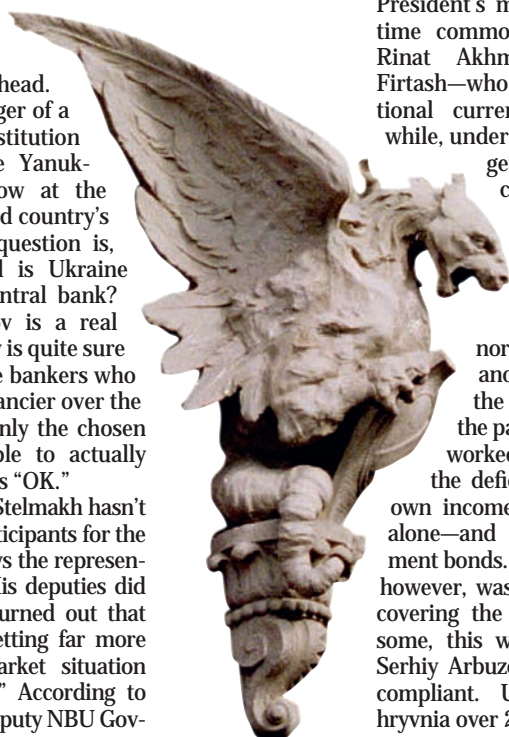
Appointing Mr. Arbuzov NBU Governor automatically solves another thorny problem: the budget deficit. Over the past few years, the Bank worked intensely to cover the deficit by transferring its own income—UAH 1bn in 2009 alone—and buying back government bonds. Volodymyr Stelmakh, however, was not too happy to be covering the deficit. According to some, this was why he resigned. Serhiy Arbuzov seems to be more compliant. Unsecured issues of hryvnia over 2011-2012 are unlikely

be large enough to provoke hyperinflation, but they could well result in devaluation.

Meanwhile, the consolidation of the banking sector could now take mere months, not the five years Mr. Stelmakh had been planning. The Presidential Administration is actively promoting the idea of increasing the requirement for statutory capital from UAH 75mn to UAH 500mn. Mr. Arbuzov is unlikely to oppose this move and a bill to this effect has already been registered in the Verkhovna Rada. If it passes, Ukraine will end up with only 40-50 banks instead of the current 175 as the bigger ones gobble up the smaller ones.

Such a consolidation plays into the hands of the FIGs, including Rinat Akhmetov's SCM, which is expanding into the market at this time. The latest news was the merger of PUMB or First Ukrainian International Bank, and Donhorbank: the combined bank will be among the top ten biggest in Ukraine. SCM has already announced the acquisition of another small retail bank, Renaissance Credit—and that's just the beginning.

Bankers are looking forward to Serhiy Arbuzov's first public speech as Governor. They expect it to help them understand what the NBU's policy will be for the upcoming year. The Donetsk financier is very good at saying not much of anything, if the interviews published in the past six months are anything to go by. On the other hand, Premier Azarov has already clarified Mr. Arbuzov's role and the likely policy of the central bank somewhat: "The hryvnia will be stable due to systematic and coordinated efforts by the Government and the NBU and moderate spending policy." It's pretty clear with whom the new NBU Governor will coordinate from now on. ■



The faces of UKRAINE

Their actions create the synergy of success, freedom and national progress

Every day, hundreds of thousands of Ukrainian citizens simply do whatever it is they do best, as best as they can, sincerely, without any expectation of reward or recognition. These people are treading the path to a democratic world where a person

has rights and duties enshrined in law, where an individual is guaranteed freedom and dignity, where no one has to fear the future. The path to real political freedom lies in the intellectual and spiritual independence of individuals. The Ukrainians presented here are all

strong, independent, talented, good people. They may differ as to profession, age and life experience. They may live in different corners of the country and the world. But they are all joined by one thing: a love of Ukraine. And there are hundreds of thousands of them.

UKRAINE'S PARALYMPIC TEAM (Chernihiv, Cherkasy, Ivano-Frankivsk, Kharkiv, Kirovohrad, Kyiv, Lutsk, L'viv, Sumy)

At the 10th Winter Paralympic Games, which took place in March 2010 in Vancouver, Ukraine's athletes brought home 19 medals: five golds, eight silvers, and six bronzes. Ukraine was in third place, together with Canada. This success is all the more impressive when you think that the Olympic Team Ukraine came back from Canada empty-handed. The Paralympic team had 26 athletes, including 14 invalids with diseases of the musculo-skeletal system, 5 who were blind, and 7 assistant athletes who performed together with the blind and helped

them get to the finish. The team competed in the biathlon, speed skating and skiing and included such renowned athletes as Olena Yurkovska, Liudmyla Pavlenko, Svitlana Tryfonova, Yulia Batenkova, Yuriy Kościuk, Vitaliy Lukianenko, Oleh Munts, and Serhiy Khyzhniak.

Anatoliy Zadvineyev, the first trainer of paralympic skier Oleksandra Kononova: "The main thing is that this kid is an invalid and an orphan. Oleksandra not only brought a terrific result for Ukraine, but she proved to herself that she has a place in this world. To win three golds and a silver is an unbelievable result for such a young person."



PHOTOS: OLEKSANDR CHERKIMENOV, ANDRIY LOMAKIN, MAKSI LEVIN, ANATOLIY BYELOV, UNIAN, UKRINFORM

SVIATOSLAV VAKARCHUK
musician, leader of Okean Elzy,
founder of the People of the Future Fund (Kyiv)

Okean Elzy has been named most popular rock band in the CIS and Eastern Europe more than once. In 2009, a popular vote on the song "Druh (Friend)" in August named it the best song in Ukraine for the previous 18 years. In 2010, the band did an unprecedented tour with the group's seventh album, *Dolce Vita*. In 9 months, they performed more than 100 concerts in 95 cities of Ukraine, Belarus, the US, Canada, across Russia from Kaliningrad to Sakhalin, Turkey, and Czechia. In 2009, Mr. Vakarchuk founded the People of the Future Fund. The fund is currently carrying out his 3-D project, *Dumai! Diy! Dopomahai!* (Think! Act! Help!), whose purpose is to equip orphanages with computers and internet access, to develop a culture of philanthropy in Ukraine and trust in it among ordinary Ukrainians.

"When you realize that you cannot change this country, don't give up. Tell yourself: I cannot change everything, but I can change this little bit here. Clean up your courtyard, or help a specific orphanage. You begin to do this and you feel more optimistic, and you start to think more positively about Ukraine, too."



ANDRIY ANTONOVSKIY
poet, translator, performer, artist (Barcelona)

When Andriy Antonovskiy moved from Khmelnytskyi to Spain, instead of settling for the quite life of a migrant worker, he decided to build cultural bridges. Together with his wife, Catalina Giron, he translated an anthology of poetry called "Three centuries of Ukrainian Literature" into Catalan. It included the poetry of Taras Shevchenko, Lev Borovykovskiy, Ivan Franko and Lesia Ukrainka, "Rotation" by Bohdan-Ihor Antonych, and poems by Mykhailo Semenko, Lina Kostenko and Yuriy Andrukhovych. Thanks to his intermediation, ties between Catalan and Ukrainian writers have become quite lively. In 2010, Mr. Antonovskiy organized a visit to Barcelona by Serhiy Zhadan, Halyna Kruk and Yurko Zavadskiy, whose literary evenings were quite popular.

"We are too far from one another. What do Ukrainians know about Catalans? Just about nothing. A bit about Gaudi, FC Barcelona, and that's about it. The same for them. For Catalans we're some kind of mysterious people somewhere over there on the borders of China! They actually have a saying that after Hungary, China starts."



LESIA VORONINA
children's writer, journalist (Kyiv)

One of the best-known children's writers in Ukraine, whose body of writing includes a series of comic detective stories for children and over 100 comic series, Lesia Voronina has not found the path to success easy. As the boss of *Soniasnyk* (Sunflower), a children's magazine, in 1992, she managed to survive that time of socio-economic disaster in the country. For nearly 20 years since, Ms. Voronina has constantly and determinedly promoted children's literature, visiting schools and orphanages, and donating books to county and oblast libraries. Despite having won many a prize and award in literature, the well-known writer remains a modest and pleasant woman who overcame all the obstacles to do what she knows best. On the side she is an activist, participating in protest actions against the choking of civil society in Ukraine.



"When I wrote my Super-agent 000 tongue-in-cheek series of detective stories, I really, really wanted kids to learn to take life with a smile, so that they would understand that dumb brute force

is not the main thing and that evil can be overcome, not just with pumped up muscles and iron fists but by laughing at it."

PAVLO HUDIMOV
musician, designer, curator and owner of Ya Galeria art center,
and leader of the Hudimov band (Kyiv)

Pavlo Hudimov is known as the one-man-band thanks to his many-sided arts activities. Yet his work promoting Ukrainian culture and arts seems to have annoyed someone very much, because in September 2009 the gallery was set on fire by unknown vandals. That did not stop Mr. Hudimov. With his own money and the help of friends, artists and musicians, he renovated the premises and opened a second Ya Galeria on vul. Khoryva. In 2010, a third gallery opened in Dnipropetrovsk. Together with local and international sponsors, Mr. Hudimov has also set up a grant program called "Gene Pool" for young artists. In January 2011, a show opens in Vilnius exhibiting the works of grant recipients.

"Ukraine has enormous artistic potential that is not only coming but is already happening. This work on projects that help reveal the potential gives me real joy."



NADIA HULA
professor, head of the biochemistry of lipids at the
Paladin Institute of Biochemistry, NAS (Kyiv)



A discovery by Ukrainian scientists could prove revolutionary in combating heart disease. Back in the 1980s, in the laboratory of Prof. Nadia Hula, bioactive substances were discovered in a neuroblastoma, a brain tumor, that were later named endocannabinoids. The most interesting trait of these compounds is their ability to actively affect the renewal of tissues. As soon as the organism experiences an emergency—inflammation, stress, tumor or infarct, repair teams of endocannabinoids rush to the rescue. The release of a fundamentally new medication based on these compounds is underway at one of Ukraine's pharmaceutical companies. Meanwhile, the efforts of many years put in by Dr. Hula and her team were acknowledged with the 2010 State Prize of Ukraine in science and technology.

"In science, there is nothing more practical and useful than good fundamental work."

VOLODYMYR KUSHPET
musician, kobza and hurdy-gurdy (wheel lyre)
teacher, author of theoretical papers on
traditional musical culture in Ukraine
(Stritivka, Kaharlyk County, Kyiv Oblast)

Many older people remember Mr. Kushpet as one of the founders of the legendary folk-rock group Kobza in the 1970s. Today, Volodymyr Kushpet is a member of the All-Ukrainian Society of Kobzars and promotes traditional performance among Ukrainians around the world. He is a Merited Arts Professional of Ukraine and has been awarded the Ivan Nechuy-Levytskiy and Volodymyr Hnatiuk Art Prizes. Mr. Kushpet has also written a number of books including "Teach yourself to play old world musical instruments" and "Minstrely: Wandering singers and musicians in Ukraine in the 19th and 20th centuries." Today he teaches in Kyiv at the Stritivka Pedagogical High School of the Art of the Kobza, a college that trains singer-bandurists, kobzars and teachers of musical disciplines. In 2010, Volodymyr Kushpet finished a paper called "The School of Traditional Performance."

"We know a lot more about European and American culture than about our own. I work in ancient music, yet this is not a step back but moving forward. When we know our past, then we can understand where we should go further."



LARYSA MASENKO
sociolinguist, professor,
head of the Ukrainian Language Department
at the National University of Kyiv-Mohyla
Academy (Kyiv)



Larysa Masenko is a talented academic and teacher, known both in Ukraine and abroad. Her main area of study is sociolinguistics, a science that studies the language situation in a country and proposes language policy. She is the author of seminal papers, such as "Language and policy," "Language and Society," "(U)movna (U)kraina,"¹ and others. Ms. Masenko is active in

public debates on the language issue and language policy, maintaining a firm pro-Ukrainian position and arguing that bilingualism is a wrong and dangerous path. On January 14, 2010, she was awarded with the Vasyl Stus Prize.

"Bilingual countries nearly always face the danger that they will break up. Trying to maintain two languages within a single country inevitably leads to conflicts between the two languages, their cultures and identities. Large-scale bilingualism is generally a temporary phase, ending in either the victory of one language or in the break-up of the country."

¹ A play on words meaning "A linguistic land" and "Conditional Ukraine."

OLHA SAMBORSKA
journalist and human right activist (Berlin)

Olha Samborska was born in Mykolayiv Oblast to a family of Boykos who had been deported from the Ukrainian-Polish border region in 1951. Nowadays, Ukrainians who have problems abroad often turn to this woman for assistance. Ms. Samborska tries not only to tell her fellow Ukrainians about their rights and how to protect themselves in a timely manner but also does investigative journalism into the affairs of Ukrainians who have run into trouble outside their home country. She has been monitoring the situation abroad for a long time, writing about the lives of Ukrainians in Germany, and has a number of internet projects: a human rights blog, a portal called "Khata skrayu"² and a journal for Ukrainians abroad called "Imigrada." Ms. Samborska has also put together a site for the heirs of deported Boykos called "Domivka," meaning "our home nest." She has also organized a number of conferences and seminars on mental health, ethnic interactions and xenophobia. Last, but not least, she produced the German film, "In the shadow of illegal labor migration."



"We are worried about our country's poor image in Europe. I'm working on the formation of a Ukrainian identity among immigrants and the awareness of people in Ukraine and Europe about the state of their societies through various projects, cultural events, discussions and media campaigns."

² From an isolationist Ukrainian expression: "Moya khata skrayu, ya nichoho ne znayu" or "My house is on the outskirts, I don't know about anything."

OLHA SIRA
Deputy Editor, Chornomorski Novyny [Black Sea News]
(Odesa)

The residents of Odesa Oblast know the name Olha Sira very well. Many a time, her sharp, analytical articles have roused lively debate in the pages of her paper and had an impact on the community. She talks about the choice of values and the benefits of European-style life in a common security region. A member of the Ukrainian-Polish Press Club "Without Prejudice," Olha is a one-time regional media expert on the National Commission to Entrench Freedom of Speech and the Development of the Press. Today she is putting all her efforts into saving the only Ukrainian-language paper in the region, which is being published largely on the enthusiasm of its staff. All the money that it earns goes into printing and distributing the paper itself.

"[The burning of ecologist Serhiy Hutsaliuk's car] is a challenge to all the Odesa community, but especially for us journalists. If we remain silent yet again, if we agree that someone has the right to act in this way, then we will never live in a civilized and peaceful city, where everyone can freely and without fear express their own views. If we all together ensure justice and a fair investigation of what was done, those who have become used to operating in this way will understand that they will have to answer for their deeds."



VALENTYN SYLVESTROV
composer, winner of Shevchenko National Prize,
National Artist of Ukraine (Kyiv)



This Ukrainian composer first became renowned in 1967, when he became only the third composer on then-soviet territory to be awarded a prestigious Koussevitzky Commission, after Dmitri Shostakovich and fellow-Ukrainian Sergei Prokofiev, and won a Gaudeamus Prize in the Netherlands in 1970. But since his scores were being sent to competitions by-passing officialdom, reprisal was not long in coming. Valentyn Sylvestrov was banished from the Union of Soviet Composers, his works were rarely played, and for a long time he was subjected to psychological pressure, harassment and silencing. Today, he is the most renowned Ukrainian composer in the world and his works have joined the treasury of 20th century music, along with other composers of his generation like Alfred Schnittke, Avro Part, Giya Kancheli, Sofia Gubaidulina, and Edison Denisov. An ascetic, solitary man always in search of harmony and answers to eternal questions, with every composition, Valentyn Sylvestrov nevertheless strives to be heard and understood.

"The scale of gifted Ukrainian musical talent is the equal of the Germans and the French, but there it is promoted, whereas here it is not. The state is always suspicious when people are engaged in writing poetry or music rather than digging with a shovel or fighting the enemy..."

OLEH SKRYPKA
musician, singer, composer, arts promoter/
producer, leader of Vopli Vidopliassova (VV),
a rock band (Kyiv)

Oleh Skrypka's biggest project has been the annual Kraina Mriy folk festival. Thanks to his efforts, prejudice against traditional Ukrainian music, clothing and simply "Ukrainianness" has been dispelled in the country's capital. Under the aegis of "Land of Dreams," Mr. Skrypka has also launched publishing and educational activities. Nearly as popular is a new festival he launched called "Rock-Sich."³ In 1996, thanks to Skrypka's songs, even Moscow was piqued by the Ukrainian language, Ukrainian rock and authentic Ukrainian things. The talented musician has shown remarkable ability as an arts producer: his "Ethnic Evenings" have become a gathering place to promote Ukrainian culture abroad: Paris, the Alps, Oslo, and Moscow.

"I'm not waiting for my illusory Kraina Mriy to turn into a real country. Obviously, the name has worked because it appealed to people and matched their own dreams. Its unconscious meaning has come through. In fact, though, it's people that make it meaningful, give it energy, bring to it their emotions, wishes and fantasies."



³ The Sich was the headquarters of Ukrainian kozaks in Zaporizhzhia until Catherine the Great ordered General Potemkin to destroy it in May 1775.



MYROSLAV SLABOSHPYTSKIY
filmmaker, screenwriter, writer (Kyiv)

Myroslav Slaboshpytskiy has, all on his own, participated in the Berlin Film Festival for the last two years. In 2009, he represented Ukraine with a short film called "Diagnosis," on the problem of HIV/AIDS and drug addiction. In 2010, the director went to Germany with his film "Deafness," which focuses on the deaf and mute. He has written screenplays for a number of made-for-TV movies, as well as a slew of prize-winning works that have been printed in various publications. He participated in the film series, "Mudaky. Arabesky" [Jerks. Arabesques]. Mr. Slaboshpytskiy represents the younger generation of Ukrainian filmmakers who are using digital technology to reduce the cost of filmmaking and to get around without state support.

"When I lived under the soviets, I really wanted to see movies about what was real, and not some imaginary reality. I'm not interested in formal history, because it's always written by the winners. I want to film what goes on outside the window. I think this is the right way—what else is there to talk about?"

MYKHAILO SHPOLANSKIY
 priest (Mykolayiv)


Born in Leningrad, Mykhailo Shpolanskiy fell in love with Ukraine as though born here. An engineer by profession, he ran into problems with the system while working at the Mykolayiv Shipyard and was persecuted by the ideological arm of the KGB. The priesthood came to him without outside influence and he was given a neglected parish in the village of Bohdanivka, Ochakiv County. Together, he and his wife Alla put the parish on its feet. In the meantime, he began to organize a foster home: in addition to their own already adult children, Father Mykhailo's house became home to eight more children. For each child, he looked for a good person to become their godfather, while his wife Alla became godmother to them all. For many years now, he has spent summers with the children on the Kinburn Spit and they spend part of the season picking up and carting off the garbage left behind by vacationers in his UAZ jeep. Father Mykhailo is also one of the organizers of the "Kinburn Life" movement, which promotes the protection and proper functioning of the Biloberezhzia Sviatoslava National Park.

"Foster homes are a relatively new form of rearing orphans in Ukraine, a kind of in-between step between the orphanage and actual adoption. On one hand, the children in our family are in the same situation as our own. On the other hand, this is a sub-unit of the administration with strictly regulated functions and public funding. For a long time this dualism hampered the entire system, but since 2006 it's been working much better."

LEONID USHKALOV
 historian of Ukrainian literature, PhD in languages,
 professor at Skovoroda National Pedagogical
 University (Kharkiv)

Leonid Ushkalov has dedicated all his efforts to studying the history of Ukrainian language and literature and to return to life forgotten works and facts about Ukrainian church and literary figures of the Baroque period. Prof. Ushkalov is one of the most reputed students and promoters of the heritage of philosopher Hryhoriy Skovoroda in the world, respected by academics in many countries. At the end of 2010, he personally published a complete academic collection of the works of Skovoroda with the requisite scholarly underpinnings, a project he had dedicated more than a decade to. Prof. Ushkalov has nurtured students who now call themselves members of the Ushkalov school, not only following his academic and methodological approaches in studying the heritage of Ukrainian culture, but also upholding the Kantian precept of the scholar without compromise: be honest, respect your colleagues and never, under any

circumstances, "use your elbows" in research.



"Having a full edition places Skovoroda in the context of Ukrainian and European culture from the Antiquities until today. It makes it possible to think about the world of ideas and the images of our great cultural philosopher. It's important to think about culture in a cultured manner, the way that academic tradition requires."

MYKOLA SUKACH
 artistic director of the Philharmonia Academic
 Symphony Orchestra, conductor, Merited Arts
 Professional of Ukraine, founder of the annual
 "Siverski Musical Evenings" Festival (Chernihiv)

Mykola Sukach was able to do the impossible: to establish a symphony orchestra in a provincial town from the ground up, moreover one that today has toured successfully in Spain, Portugal, Belarus, Croatia and Russia. Every year, world-renowned stars come to Chernihiv's Siverski Musical Evenings, sometimes without even stopping in the capital. The line-up has included



pianists Vadym Rudenko, Mykola Luhanskiy, Borys Berezovskiy, Mykola Suk and Oleh Polanskiy, cellist Oleksandr Kniazev, violinists Sayaka Shodji and Erik Schumann... In 2010, musicians from Germany, Great Britain and Russia performed with the Philharmonia orchestra at the festival. Mykola Sukach can also be credited with the lion's share of effort in returning the works of talented Romantic Ukrainian composer Serhiy Bortkevych. Mr. Sukach has been invited more than once to conduct the orchestra in Kyiv and offered a contract in the US when he was a visiting conductor, but so far he has turned all these offers down.

"I don't like talking about patriotism or nostalgia. That's personal. But I really love my city, my Chernihiv, and I only want to live here. Of course, the symphony orchestras of California, Las Vegas or Germany, with whom I have had the honor to work, are a dream-come-true. It's the kind of perfected instrument a conductor can only dream about. But the feeling of having built something from nothing with your own hands, in your own town, is such an rush, that it doesn't compare to any high from success in foreign countries, or the satisfaction with the fees."

STANISLAV SHUMLIANSKIY
director, Molode Radio [Young Radio] (Kyiv)

Stanislav Shumlianskiy is the founder of the first and only radio station in Kyiv that offers 100% Ukrainian music to its listeners. Molode Radio began broadcasting on the lower VHF frequencies in April 2005, but by 2006 it was forced to switch to the internet and since then operates at molode.com.ua. In contrast to most online radio stations, which limit themselves to musical content, Molode is unique in offering a strong news component, through community podcasting at c-pod.molode.com.ua. Starting in 2009, Mr. Shumlianskiy began offering workshops in podcasting for young journalists and bloggers.

"Community podcasting is a way of communicating directly with your audience, without being a journalist, and a chance to hear about things that don't get talked about on television."


AUGUST VIRLYCH
executive secretary, Kherson Oblast "Rehabilitated by History" Commission (Kherson)


Born in Kuban, the territory adjacent to Eastern Ukraine, August Virlych found himself in a Nazi concentration camp because his family tried to save Jews during the war. And when he returned to the USSR, his "suspicious" (i.e., Hungarian) surname gained him a tour in a Soviet camp. At the beginning of the 1990s, together with journalist Eduard Dubovyk, he began the "Rehabilitated by History" series, collections of historical articles about repressed individuals from Kherson Oblast. These were written on the basis of the archives of the former KGB and eye-witness testimony. Altogether, four series have come out so far. The last one was dedicated to the persecution of clergy in the oblast. In 2005, an informational volume of nearly 1,000 pages was published called "Rehabilitated by History," which collected the work of those many years. The commission chaired by August Virlych also initiated the unveiling of a monument to victims of the totalitarian regime in Kherson.

"The soviet government was a puppet of the communists. The Nuremberg trials condemned fascism and now we need to condemn the Communist Party along the same lines. Our books are testimony enough: communism is worse than fascism because fascism killed everybody, whereas communists killed the best."

INTERESNI KAZKI
graffiti artists Volodymyr Manzhos and Oleksiy Bordusov (Kyiv)

Volodymyr Manzhos, who works under the name WaOne, and Oleksiy Bordusov, who calls himself Aec, spent the entire year tirelessly painting concrete enclosures, walls and the bridges at interchanges in Kyiv, with polished figures of people, fish and mysterious creatures. They even dolled up the Terminal Aquapark in Brovary. Their works are easy to recognize because of their unusual style: surrealism with an ethnic Ukrainian palette. To prepare for the EURO 2012 championships, the Kyiv graffiti group Interesni Kazki has become involved in the biannual marathon festival called Muralissimo! whose goal is to change the look of grey industrial zones and the dead walls of the capital.

"The art of the 21st century will be murals based on national and ethnic motifs."


LINGUISTICALLY LOYAL TEACHERS
Alla Generalova, Nadia Panchenko, Iryna Ivakhno, Valentyna Padalko (Kyiv)


The "Don't be Indifferent" movement this year decided to recognize the most consistent teachers in terms of their use of language in Kyiv. The organization's volunteers ran a survey among senior high-school students in Kyiv schools to find out which teachers inculcated in them the most knowledge of the Ukrainian language and culture. The winners in this poll were: Alla Generalova, who teaches Ukrainian language and literature at Public School №49, which offers intensive French; Nadia Panchenko, who teaches history at Public School №80, which offers intensive English; Iryna Ivakhno, who teaches and supervises musical arts at Public School №253; and Valentyna Padalko (in photo), who teaches Ukrainian language and literature at the Financial Lyceum. Each of these teachers has found her own way to interest pupils and transmit as much knowledge as possible. For instance, Ms. Generalova organizes exhibits with her pupils and takes them to museums. Iryna Ivakhno provides a good deal of extra materials and uses interactive technology, even putting together and showing her own films for her classes. What unites these teachers is that, in addition to their subjects, they instill in their pupils a love to their native language, culture and land.

Alla Generalova: "Happiness is being able to transmit your knowledge to someone."

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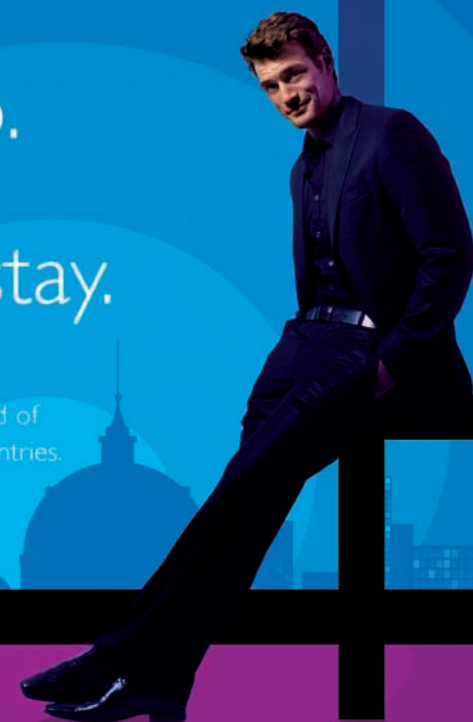
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ANTI HEROES 2010

For the second year, *Ukrainian Week* publishes its list of “the year’s worthies,” who have shown the country exactly what they’re worth

The Constitutional Court of Ukraine

For its creative jurisprudence

Yuriy Baulin, Vasyl Brynets, Serhiy Vdovichenko, Serhiy Vynokurov, Anatoliy Holovin, Mykhailo Gultai, Mykhailo Zaporozhets, Volodymyr Kampo, Mykhailo Kolos, Dmytro Lylak, Maria Markush, Viacheslav Ovcharenko, Oleh Serhey-chuk, Petro Stetsiuk, Andriy Stryzhak, Natalia Shaptala

The Constitution and Ukrainian law say that the main role of the Constitutional Court is simply to interpret laws and the Constitution. But as of Sept. 29, 2010, the Constitutional Court has clearly taken on a new role that, given the new system of government, seems more important: to confirm or cancel whatever someone wants to see confirmed or cancelled in other branches of government — without any concern for the consequences. That day, the Court cancelled the Constitution that had been in effect for nearly five years for “procedural violations” in the legislature. But the Court failed to explain just how this would affect all government decisions based on the now “illegal” Basic Law. The EU’s Venice Commission was extremely taken aback by Ukraine’s courtroom trick, by which the judiciary canceled the version of the Constitution that was in force.



Viktor Yanukovich

For driving a treadless bulldozer

Having taken in hand all conceivable and inconceivable powers, Mr. Yanukovich’s main achievements nevertheless have amounted to persecuting his opponents and giving his blessing to the sharing out of choice bits of the country’s assets to family, friends and northern neighbors. The suspicion grows every day that Viktor Yanukovich will one day guess why the political machine he built isn’t going anywhere, but it’s impossible to warn him about this: the Yanukovich bulldozer has a totally soundproof cabin...

Viktor Yushchenko

For being a one-of-a-kind pensioner

Having lost his bid for re-election with a pitiful 5% of the vote, the ex-President has not only set himself up better than any of his fellow losers, but better even than many a winner. In contrast to the former, investigators are not especially interested in him or those near to him. In contrast to the latter, Mr. Yushchenko no longer has to concern himself with state affairs but can simply communicate with “his people” whenever he feels like it and only on topics of interest to him. Add the nice country home he built himself and it’s not such a bad deal, really, considering his failed administration and miserable showing.



PHOTOS: OLEKSANDR CHEKMENOV, ANDRIY LOMAKIN, UNIAN, UKRINFORM

The Political Punters

For being unable to distinguish the possible from the impossible



Not all, but too many theorists (Andriy Yermolayev, Vitaliy Kulyk, Mykhailo Pohrebinskiy, and others) loftily predicted that, if he won the Presidency, Viktor Yanukovich would, most likely, magically, turn out to be a “new,” “more civilized,” and even “European” leader, compared to what we saw in 2003-2004 and 2006-2007. Needless to say, Mr. Yanukovich has not changed—to no one’s great surprise, given that he still sincerely believes that he won fair and square in 2004. It seems that these political pundits—with the exception of those who were simply earning their daily dollar—simply forgot that politics is the “art of the possible.” That is, some things are impossible, no matter what.



Petro Symonenko

For being a swinging comprador

Ever since Ukraine’s Communist leader dumped his first wife for a much younger journalist amid considerable scandal, wicked tongues have accused him of an “immorality” unseemly for the leader of the proletariat. But even communists have the right to a private life, and why shouldn’t they have sumptuous properties that would normally be more appropriate to one of the bosses of an “anti-people regime.” Needless to say, Mr. Symonenko does, indeed, have such a property, about which information began to surface on the internet last spring. By November, one of the top national channels did a big story on it. Many observers saw this as the Yanukovich Administration’s way of suggesting that the CPU, a supposed ally of the tycoonish Party of the Regions, needs to toe the line a bit more. How Mr. Symonenko took this is not known, but statements that the CPU doesn’t see eye-to-eye with the current Administration have become fewer and fewer, while the head of the Crimean CPU Committee, the outspoken Leonid Grach who has bitterly opposed the unnatural union of Red ideas and greenbacks, has apparently had his Party card rescinded.

Mykola Azarov

For being so ‘umble

Ukraine’s Premier so far hasn’t proved himself the ideal leader of a Government, but he has shown himself the ideal leader of a Yanukovich Government. Despite enormous experience working in high office, Mr. Azarov has not accumulated any political capital. On the contrary, he has been the focus of all the ire of his political bosses, from Kuchma to Yanukovich. Despite constant talk of supposed reforms, he is unlikely to go down in history as Ukraine’s Balcerowicz. It looks like Mr. Azarov considers his ratings about as important as his contribution to future generations. All that matters is to keep the boss(es) happy.





Dmytro Tabachnyk

For having a bulletproof conscience

Challenged for trying to create a divide in Ukrainian society using the most blatantly crude remarks (e.g., “unwashed Halychians”) the then-still nominee for the post of Minister of Education and Science promised journalists that, once he was minister, he would stop making headline-burning remarks “regarding my personal positions,” and would speak only as a civil servant. Needless to say, the infamous historian never did stop making outrageous remarks. Nor did his bosses see any disconnect between his position and the government’s: as of December, Mr. Tabachnyk has expanded his portfolio, thanks to the latest shuffle by Mr. Yanukovich, and is now also responsible for youth and sports. There are only two possible explanations: either the anti-Ukrainian position of Mr. Tabachnyk is shared by the top officials in the current Administration, or the Ministry has some serious people covering his back—people whom even the current “strongman” President doesn’t want to cross.

David Zhvania

For being endlessly pragmatic

The VR Deputy, who was openly said to be financing Narodna Samooborona under ex-Interior Minister Yuriy Lutsenko, was one of the first to cross the aisle after the Presidential election and join the Yanukovich Administration’s newly-formed majority in the Verkhovna Rada. Soon, such deputies were nicknamed tushky or carcasses after a line from an old soviet joke about the parrot that was desperate to leave the USSR, “I don’t care if I’m a carcass or stuffed.” So David Zhvania became one of the first tushky, later to be legitimized by the Constitutional Court, in direct contradiction to its own previous ruling that VR deputies can only form a majority on the basis of factions, not individual deputies.



Oles Dovhiy

For dispelling the myth of the new generation

Ever since their country gained independence, Ukrainians have firmly believed that a younger generation would eventually appear among business and political leaders, people who had been raised in a free country and would be able to build a completely new and bright life. A typical representative of the “young team” of the Marionette of Kyiv, Leonid Chernovetskiy, the 30-year-old secretary of Kyiv City Council has been dispelling this myth in his own curious way. The enormous private wealth written up in the press and hundreds of scandalous Council decisions selling off city land, that Mr. Dovhiy signed off on, brilliantly illustrate just what kind of new life the “young team” is building—and for whom.

Volodymyr Lytvyn

For not knowing the difference between a runner and a gunner

Last year, only the hopelessly lazy failed to laugh at the Speaker’s little performance: when he announced his decision to run for President, he wiped his eyes tearfully with his “mother’s runner.” Today, the Verkhovna Rada is being run from a very different place, but, in public, Mr. Lytvyn puts on a show of manly decisiveness. Last year, when the tribune was being blockaded by the then-opposition Party of the Regions, all he did was vainly urge them to disperse. After the recent beating-up of now-opposition BYT deputies by now-ruling PR deputies, he gave what for—to those who had been beaten. “Because they were blocking the tribune”.





Anatoliy Mohyliov

For trying to clean out the country

The country's top policeman is of the belief that, in order to ensure the exercise of constitutionally guaranteed human rights and freedoms, all rallies and demonstrations need to be prohibited, especially by the opposition: "No protest action can violate the normal life of other people. If I come into your bedroom with a drum and begin pounding because birds are landing on my balcony, is that normal? So the police will take measures to protect the rights of all people." When asked how it is that the new NBU governor has no ID number, Mr. Mohyliov just shrugged: "It's irrelevant".

Ghennadiy Kernes

For being so unpopular

Mr. Kernes apparently won the mayoral race in Kharkiv, in the end—although exit polls gave the vote to his rival from Batkivshchyna, an opposition party, Arsen Avakov. In fact, a big contingent of Kharkiv voters did not recognize Ghennadiy Kernes and set up a Maidan against ballot-rigging in the city election. The inauguration of the newly-elected Mayor took place to the tune of "Ballad of the Gun Moll"¹ and a funeral march. Thus demonstrators in Kharkiv welcomed "their" mayor.

¹"Murka" is a soviet prison song about a woman gangster whom even the men feared. But when they started being picked up one by one, they knew someone had squealed. When they realized it was Murka, they killed her.



Hanna Herman

For being lost in translation

Among Ms. Herman's many public statements explaining her boss's linguistic lapses and the far-from-democratic actions of the new Administration, her June press release stands out. In it, she addresses the use of force by the police. As the Deputy Chief-of-Staff put it, the police simply misunderstood the meaning of the word "order:" "Order is not when the police pressure the opposition; order is when the police pressure criminals. Order is not when the police kill people in custody; order is when you aren't afraid to go out on the street. Order is when so many people don't die on the country's roads." In the fall, when the international community expressed dissatisfaction with the way the local election campaign was being run, Ms. Herman was happy to apprise them of the unique nature of Ukrainian democracy: "The definition of democracy is not something fixed in stone... Democracy has its own features in every country, including Ukraine." Therefore, she said, the President would continue to "establish prospects that the rights and freedoms of Ukrainian citizens will be extended."

Serhiy Tihipko

For being in the wrong place at the wrong time—again

Having won a sensational 13%+ in his run for the Presidency, Mr. Tihipko converted his fortune into a post that, alas, did not convert into a political future for him. The luckless Mr. Tihipko had the honor of explaining the real and imaginary benefits of the scandalous Tax Code, which had been drawn up by completely different influences in the Cabinet. His explanations were such an evident hit that, with his new portfolio, he gets to explain all the unpopular changes to the pension system and social benefits, too. Looks like the promising Vice Premier has been well and truly buried, long before the next VR and Presidential races.





Vadym Kolesnichenko

For demonstrating patriotism

This one of PR's talking heads happily spits a "preventive dollop" on everything that could possibly be tied to developing Ukrainian culture, language and identity, arguing that this shows his dedication to the idea of a "brotherhood of nations." For example, Mr. Kolesnichenko condemned the lyrics of a song by Ivan Franko, "Ne pora,"² which VR opposition deputies sang on the 20th anniversary of Ukraine's Declaration of Independence, as "incitement to ethnic hatred." In that case, how should we evaluate Mr. Kolesnichenko's involvement in organizing a controversial exhibit called "Volyn Massacres"³ or his attempts to promote fascism at the Haidamaky.ua festival of patriotic songs?⁴ Exactly what is patriotism for Mr. Kolesnichenko himself and the movement he leads, "Russkoyzsychnaya Ukraina"⁵? The 300 St. George's ribbons that he distributed on May 9 in the Verkhovna Rada, he called "a symbol of the unity of these countries" in honor of the memory of the "great victory of the soviet people." Are we to understand that Mr. Kolesnichenko is hankering after a non-existent country—or that he is the promoter of a single Russian state? Fortunately, for now, the words and deeds of this particular PR man are only encouraging a new wave of real Ukrainian patriots. So, keep it up, you Russian-speaking komsomolets!

² "Not the time, not the time to serve the Muscovite and the Pole."

³ An exhibit of photographs regarding massacres in the middle of WWII in Volyn, mostly against the local Polish and Czech populations.

⁴ On Sept. 29, a group of some 20 young men stormed the festival with bats and began to beat people.

⁵ Russian-speaking Ukraine.

Walid Harfouche

For not being shy about censorship and lulling the masses

"I believe that the First National television channel should automatically be pro-government...It should always report on the work of the government and present only positive information for viewers," Mr. Harfouche told one interviewer. The ease with which the Vice President of the National Television Company capitulated took many by surprise. The Stop Censorship NGO named the channel a "recordbreaker" for the number of violations of professional standards and noted that Mr. Harfouche's professional qualifications in television media were questionable at best, given that, prior to being appointed VP of NTCU, the Lebanese businessman was primarily known for organizing beauty contests and publishing a gossip rag called Paparazzi. His efforts have so far led to the content on the First National moving more in the direction of show-business and low-grade entertainment.



Ostop Stupka

For being so dedicated to his career

Stupka Junior played the role of a UPA commander in an anti-Ukrainian quasi-historical Russian film called "We from the Future-2", which portrayed OUN-UPA soldiers as bandits and murderers of peaceful Ukrainian civilians. Why he, a Ukrainian, agreed to fight on the side of Russia in the information war, Ostop Stupka explained thus: "Hey, I need to work, you know. I'm an actor. I have to work. These ideological issues, who did what to whom..."

Vladyslav Kaskiv

For also being so flexible

Founder of the Pora Party and one of the youthful leaders of the Orange Revolution, Vladyslav Kaskiv was appointed by President Yanukovich to be responsible for national investment projects in August. Looks like Mr. Kaskiv learned to be adept at adapting to difficult life situations to his own advantage in his youth. In 1993, at 20, he was the Vice President of the Central Union of Ukrainian Students; in 2000, he was an independent advisor to the Minister of Economy under President Kuchma; in 2005, thanks to the Revolution, he finally found his niche in Big Politics.





Kostiantyn Hryshchenko

For being multi-vectored

The way that Ukraine's Foreign Minister is trying so hard to be friends with both Russia and the West, could be seen, among others, in the way that Ukraine "participated" in the Nobel Peace Prize Ceremony. Initially, following the example of Russia, Ukraine decided not to delegate its Ambassador to Norway. Mr. Hryshchenko explained that this was not a political move, but that the Ambassador was due in Kyiv at that time for a coordination meeting of heads of diplomatic missions. Then, suddenly, after EU officials reacted negatively to Ukraine's snub of the Nobel, the Ministry had a re-think: the Oslo Embassy's First Secretary went to the ceremony in the end.

Viktor Pshonka

For showing legal ingenuity

Godfather to the President's son, Viktor Pshonka rolled up his sleeves and began tackling the nation's total corruption the minute he was appointed Prosecutor General. By a curious coincidence, his black list of corrupted officials against whom criminal charges have been laid largely contained the names of opposition leaders. Moreover, the Prosecutor's Office is showing considerable ingenuity in the process: after opposition deputies were beaten up in the VR, cases were opened (possibly against these same deputies) for "disrupting the work of a national deputy;" ex-Interior Minister Yuriy Lutsenko was held for one reason and left under guard for another; etcetera. Mr. Pshonka himself offered the press this eloquent phrase: "The main thing is that we've laid charges and opened criminal investigations."

Perhaps this really is an end in itself for the current Prosecutor.



Valeriy Khoroshkovskiy

For having his hand in Moscow's pockets



Appointed acting head of the SBU, Ukraine's security service, by President Yushchenko, under President Yanukovich the Rada approved Mr. Khoroshkovskiy as full-fledged security tsar. Yet the man has never worked even for a second in any security capacity. During 2010, Mr. Khoroshkovskiy distinguished himself by arresting documents on KGB activities under the USSR—he even had the historian with these documents taken in for questioning [see UW Digest #9]—and for scandals over television frequencies that were taken from Channel 5 and TBi and given to the Inter channel, which is part of his media empire. Whatever the case may be, the head of the country's security agency is actively working to prevent voters from getting objective information about their history and about current events. This benefits Ukraine's northern neighbor, which is winning the information war even without his efforts. The Kremlin's hand in Mr. Khoroshkovskiy's actions is even obvious to supporters of the party in power. "The only one I see as 100% pro-Russian and forever dedicated to them is Khoroshkovskiy," says former Deputy Taras Chornovil. "This is the one person who is likely to be getting orders from Moscow."



PHOTO: UNIAN

When State and Church unite

The Russian Orthodox church is in the forefront of Russia's battle for Ukrainian hearts and minds

Author:
Oleksandr
Kramar

No matter what a person thinks about religion and churches, modern European societies are based on religious tolerance. Without it, people could not live comfortably next to each other in a multi-faith society. In Ukraine, relations between the current Administration

and the church these days give some cause for concern.

On Jan. 6, Christmas Eve by the Julian calendar, the leaders of the two largest Eastern Churches in Ukraine, Kyiv Ukrainian Orthodox Church and Ukrainian Greek Catholic Church, issued a series of statements that amounted to a

warning to the government against systematic interference with the country's churches in favor of the Ukrainian Orthodox Church of the Moscow Patriarchate. On Dec. 30, 2010, Filaret, Patriarch of Kyiv and All Rus, announced that a "wide-spread plan to split and destroy the Kyiv Patriarchate, has been de-

signed in Moscow by the Russian Patriarch, Kirill, and his people, for implementation in Ukraine.”

On Jan. 5, Filaret and Cardinal Liubomyr Huzar, the leader of Ukrainian Greek Catholic Church, spoke against plans to change the status of Sofia Kyivska, better known as St. Sofia, the holiest Christian shrine in Ukraine, saying this was the first step to handing the church to the Russian Orthodox Church (ROC). On January 5 and 6, L'viv and Ternopil City Councils sent a letter to the President asking Mr. Yanukovich to prevent the Government from giving preferential treatment to the Moscow Patriarchate.

FIRST WE TAKE THE TREASURES

Yet these concerns are very much founded. At the end of 2010, reports floated in the press that the President's Humanitarian Council had discussed transferring St. Sofia to the Kyiv Pechersk Lavra, which is already *de facto* under the ROC. The President's spokesperson Hanna Herman responded that this was all “speculation, distorted information and intentionally or unintentionally misleading.” Meanwhile, the Moscow Church Synod confirmed what Filaret and Huzar feared: it has set up a special commission to “celebrate the 1000th anniversary of St. Sofia Cathedral.” Shortly afterwards, the press secretary of the ROC leader, Archpriest Georgiy Kovalenko announced that the Moscow Patriarch was going to request government approval to celebrate Holy Mass at St. Sofia's.

This story had been going on for more than half a year. Back in June, the leader of the ROC in Ukraine, Vladimir, had already talked to the Government about serving Mass at St. Sofia. Patriarch Filaret announced that the Kyiv Patriarchate supported the idea, but on condition that all Orthodox confessions take turns in doing so. According to Filaret, there was “no visible reaction” to this proposal on Bankova.¹ Since then, the response has become much more evident.

The Government's support for one particular church grew much stronger in the second half of 2010. According to media reports



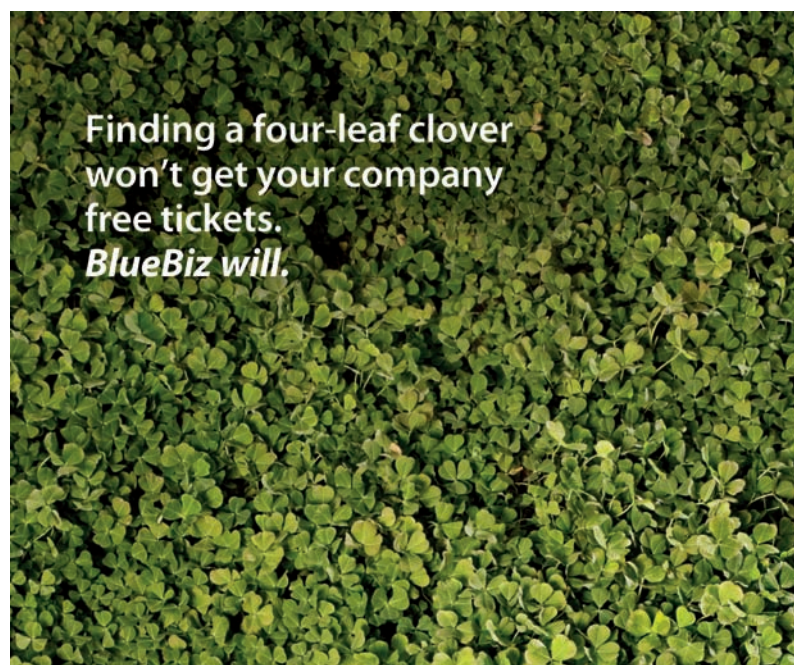
NO CHOICE. The huge new Cathedral of Transfiguration at Teremky in suburban Kyiv was initially built for the Ukrainian Autocephalous Orthodox Church. When its sponsor, businessman Ihor Lysov, joined Party of the Regions, the parishioners were quickly given a choice: either go over to the Moscow Patriarchate—or lose the church. The church itself was given to the ROC

and *Ukrainian Week*, the Moscow Patriarchate is waiting for the green light to *de jure* take over the Kyiv Pechersk Lavra, the second biggest shrine, and to take over the Khersones Reserve, the institute built near the remains of an ancient Greek colony known far beyond Ukraine, and the territory of the equally renowned Desiatynna Church, and to build the highest church in Europe on Moskovska Ploshcha in Kyiv. This and other, lesser churches under the

Moscow Patriarchate are moreover being subsidized significantly by the State.

THEN WE ATTACK THE PILGRIMS

Last year, the other Eastern Christian churches began complaining about pressure from their Russian counterpart. On July 30, Patriarch Filaret asked the President and the Minister of Internal Affairs to look into an incident in which faithful from the Kyiv Patriarchate were prevented from participating in a procession to celebrate the anniversary of the christening of Kyivan Rus (988). It all started when buses began to widely refuse to carry pilgrims due to “pressure from unknown individuals.” In private conversations, the drivers said that the police threatened to withdraw their carrier licenses and otherwise hinder their work. So, buses from Chernivtsi and Ternopil Oblasts, Kharkiv and Odesa either never



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¹ Vul. Bankova is where the Presidential Administration is located.

left or never reached Kyiv, while buses in Vinnytsia, Dnipropetrovsk, L'viv, Rivne, Sumy, and other oblasts were prevented from leaving. Meanwhile, local officials paid for pilgrims from Moscow Patriarchate churches to travel to places in Odesa and Dnipropetrovsk where ROC Patriarch Kirill was serving Mass.

On Sept. 2-9, the Synod of Ukrainian Greek Catholic Bishops called on Mr. Yanukovich to not allow the incitement of religious feuds, inter-faith intolerance and discrimination against the constitutional right to freedom of conscience. On Sept. 13, Cardinal Huzar, the head of the Greek Catholic Church in Ukraine, asked the President, on behalf of Ukrainian Greek Catholic Church Synod, to intervene in the conflict between the Greek Catholic Church and the ROC Metropolitan of Odesa and Ismail, Agafangel. The Metropolitan was actively blocking the construction of a Greek Catholic church in Odesa. His argument was that "most people in Odesa are the followers of the Ukrainian Orthodox Church." Presidential Spokesperson Hanna Herman addressed the matter thus: "This is a matter of inter-faith relations and should be solved by the churches and confessions themselves. They know better how many followers they have in a certain region."

NEXT WE PRESS THE CLERGY

On Oct. 21, Simferopol City Council refused the Crimean Diocese of the Kyiv Patriarchate permission to prepare request to change the zoning of its land for the construction of a cathedral. Mayor Ghennadiy Babenko told reporters, "Religion is a delicate matter and our councilors followed their religious preferences when voting."

On Nov. 7, there was an attempt by a group of renegade monks to seize the Greek Catholic Church of the Transfiguration in Chortkiv, L'viv Oblast. The four were from the nearby Pidhirtsi Monastery and were assisted by about 50 young men who had come in from L'viv. These monks were excommunicated from the Ukrainian Greek Catholic Church after secretly being consecrated bishops in 2008. The attack failed but, according

In November, Premier Mykola Azarov twice ordered grain export quotas for a Russian company at the request of Metropolitan Vladimir

FROM TAXPAYERS' POCKETS. In Kherson Oblast, the Government plans to give the ROC UAH 1.54 million in public funds to finish building St. Andrew's Cathedral in Nova Kakhovka in 2011

to Myron Bendyk, President of the Ukrainian Greek Catholic Seminary in Drohobych, this was evidence of plans to create a schism in the Ukrainian Greek Catholic Church from the inside and get the breakaway groups to join the Russian Church later.

Officials from the Ukrainian Orthodox Church of the Kyiv Patriarchate have stated on several occasions that their priests and bishops are being pressured to switch to the Moscow Patriarchate. Patriarch Filaret said in the same letter of Dec. 30 that Metropolitan Ilarion, who had been sent to Ukraine to prepare for Patriarch Kirill's visit in Spring 2010, "was looking for people he could take away from the Kyiv Patriarchate. Ilarion himself confessed that he had tried to talk the late Metropolitan of L'viv Andriy into betraying his church but had failed." Patriarch Filaret claims that, at this point, in some of his dioceses, 70% of the priests have undergone "interviews" where they were "offered" an opportunity to switch to the Moscow Church. Moreover, the Patriarch says, "Local officials were directly involved in all these activities and the coordination and timing of these efforts suggests that they have support from the offices in Kyiv."



FINALLY, WE GRAB THE CHURCHES

Last year, a wave of "raiders" attacks hit churches of the Kyiv Patriarchate. In October, three UOC parishes in Makariv, Yasnohorodka and Makovyshche, all in Makariv County, secretly registered changes to their statutes within just two weeks. On Dec. 26, a clash was provoked in the village of Ruzhky, Tarashcha County. Police surrounded the church to supposedly "protect" it from its own parishioners but were forced to back off when most of the people voted for the church to remain under the Kyiv Patriarchate.

With tension between confessions growing weekly, President Yanukovich, supposedly the guarantor of the constitutional rights of all Ukrainians, regardless of their religion, has been demonstratively ignoring not only the "schismatic" Kyiv Patriarch Filaret, but the leaders of all other long-standing confessions in the ecclesiastic world for over a year now. The All-Ukrainian Council of Churches and Religious Organizations, established in 1996 and including over 95% of religious communities in Ukraine, stated at its meeting on Nov. 4 that the only answer it ever had from the Presidential Administration to written requests for a meeting with Mr. Yanukovich was, "The Administration is working on this issue." At the next meeting on Dec. 16, Council members expressed concern about the elimination of the State Committee for Nationalities and Religions and the spreading of its portfolio among other central executive bodies: "This decision is a move that will undermine social tolerance and the Church-State dialog." Bankova's curious response to the Council's appeal was to call a session of the Humanitarian Council where the controversial initiative to change control over St. Sofia was discussed.

The idea that the Moscow Patriarch is the commander, ideologist and inspiration of not just the Russian Orthodox Church, but just about the entire Orthodox Church² around the world is being hammered into the minds of Ukrainians through the press. During Patriarch Kirill's summer visit, news of the Patriarch's progress was a must in every newscast. The First National Channel aired

live at least five Masses by Kirill, although it ignores anything going on in other churches. Such a policy at state-owned media should be viewed in the context of Patriarch Kirill's frequent references to the break-up of the "Fatherland" as a "tragedy."

Whose interests, Ukraine's or the Moscow Patriarch's was President Yanukovich defending when he awarded the Metropolitan of Odesa and Ismail, Agafangel, a major promoter of the idea of a "Russian world" and a leader of the ukrainophobic wing of the ROC in Ukraine, the 5th level Order of Prince Yaroslav Mudryi... on the Independence Day. Prior to this, the press service of the Odesa Eparchy published a request to the President to eliminate with the schismatics in Ukraine through the "Bulgarian" scenario, that is, by force. The inappropriateness of this suggestion made even the press service of Metropolitan Vladimir distance himself. But that didn't stop Mr. Yanukovich from making the award anyway.

NOW WE CAN MOVE IN!

The expansion of the Moscow Patriarchate poses a threat both to other confessions and to the peaceful co-existence of all Christian churches in Ukraine. Over 2008-2010, the policies of the Russian Orthodox Church took a conservative turn. Today, internal ROC documents on human rights, economic policy and state building are promoting the ideology of "Orthodoxy, Autocracy, Nationality."³ Patriarch Kirill's doctrine of a "Russian world" logically involves the expansion of this self-referential vision across all the countries it encompasses.

In Ukraine, one notoriously ukrainophobic PR Deputy, Vadym Kolesnichenko, has become the mouthpiece of this idea. He has registered a draft Declaration on Human Dignity, Freedom and Rights in the Verkhovna Rada whose wording is identical to the doctrine of the Russian Orthodox Church and can be summed up in one sentence: "Human rights cannot be higher than the values of the spiritual world." By stating openly that the recognition of human rights as the highest and universal basis for a society is "unacceptable and dangerous," this PR Deputy is suggesting that the ideology of the Russian Orthodox Church be the basic principle underlying Ukrainian society. In short, basic human rights, whose value Mr. Kolesnichenko questions, and the country's entire legislative base up to and including the Constitution, should be rewritten.

Politically aware Ukrainians cannot ignore the growing influence of the Moscow Patriarchate in their country with the active support of their Government. This has already moved from a mere struggle over jurisdiction to a struggle for identity. The church led by Patriarch Kirill is eager to promote the "God-giveness" of the current Government, following Russian traditions, and to support the attack on civil rights with ready-made slogans. Ukrainians who understand this need to work at all possible levels to resist by insisting on the separation of Church and State and removing "outsiders" who are damaging inter-faith relations in Ukraine, so that religion does not become a factor triggering interregional and civil conflict. ■

² The Orthodox Church worldwide is by and large a collegial, country-based church, unlike, say, the Catholic Church, with its one pope, making the refusal to recognize a national Orthodox Church in Ukraine an inexplicable exception to the rule. The Moscow Patriarchate is admittedly behind this.


³ A concept developed by the reactionary Russian statesman Sergei Uvarov in the early 19th century, who wanted to limit access to education among the non-noble classes.



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The Desiatynna snatch

Who exactly made the decision to spoil this unique historic site, where once stood the first Christian stone church in Ukraine?

In recent months, the media began to report that Kyiv Municipal Architect Serhiy Tselovalnyk would be selecting a construction plan for the new Desiatynna Church being developed by three government agencies. Debate around the foundations of this thousand-year old church has raged for years, but the resolution has come swiftly, suddenly—and largely secretly.

At one point, Reverend Gideon of the illegally built chapel on Kyivska Hora bragged that the state was allocating money to put concrete pylons into the ancient remains, claiming that the decision had been made “upstairs.” Then archeologists and bloggers raised a stink about a possible reconstruction. Then *Izvestia*, a paper, writes that the Presidential Decree has already ok’d the revival of Desiatynna and a tender is in

the works. But no Decree appeared on the official site and even the President’s all-knowing Spokesperson Hanna Herman could say nothing meaningful about the matter. Nor could the Ministry of Culture, the agency responsible for the Desiatynna site.

Officially, Cabinet documents stated that the site was to be turned into a museum. But *Izvestia*’s journalist claimed to have heard Deputy Culture Minister Tymofei Kokhan state that at the end of 2011, work would begin on the foundations to rebuild the Desiatynna, supposedly based on blueprints of the 19th century church that stood there before the soviets destroyed it in 1928 [see Digest #11, November 2010]. But the Ministry assured Ukrainian Week that the journalist had “misunderstood” Mr. Kokhan, that he had, in fact, said nothing.

Next, VR Deputy Mykola Tomenko sent an official inquiry to the Premier’s Office and the Office of the Kyiv Municipal Administrator requesting clarification of the rumors that a new building would be erected on the sacred foundations. A group of deputies even got together and went to the site to understand what was going on and what to do next: was someone rebuilding, conserving, setting up a museum, or driving piles?

Ukrainian Week sent a request to the Kyiv City State Administration for a comment from Mr. Tselovalnyk, head of the Main Department for Municipal Construction, Architecture and Urban Environmental Design. An official answer came back on Dec. 27, 2010:

“The idea of reconstructing Desiatynna came up 10 years ago...but was never implemented since we don’t know what Desiatynna looked like originally and which version we should use to restore it: the wooden church burned in the 18th century, the

stone one destroyed by Tartars, or the one from the 1930s [sic]...

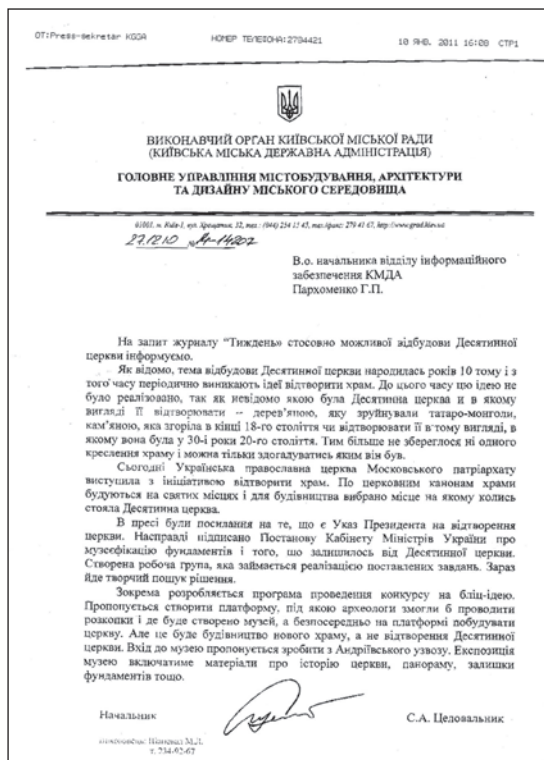
“As of today, the Ukrainian Orthodox Church of the Moscow Patriarchate has stepped forward with an initiative to recreate the Desiatynna Church. According to Church canon, churches must be built on sacred places and so the site for this new church is the site where the Desiatynna Church once stood.

“The press talks about a Presidential Decree to reconstruct the church. In fact, the Cabinet signed a Resolution to turn the Desiatynna foundation and remains into a museum. A working group has been set up to work on all this. We’re now looking for a creative solution.

“The working group is drafting a program for a flash idea contest. The proposal is to set up a platform under which archeologists will continue to excavate and set up a museum, while a church will be built on top of this. However, this will be a new church, not a reconstruction of Desiatynna, with its entrance from Andriyivskiy Uzviz. The museum will display information on the church’s history, panoramas, the remains of the foundation and so on.”

This certainly explains the confidence of priests that “the decision was made upstairs,” where the UAH 13,400,000 allocated by the Cabinet Sept. 8, 2010 for “archeological research and museification” went to, and whose interests Government of Ukraine is serving.

The question remains, who exactly made the decision to spoil this unique historic site, where once stood the first Christian stone church in Ukraine, a symbol of the era of princes and power, of Volodymyr the Great—who set aside a tithe or one tenth of his wealth for its building, hence the name “Desiatynna”? History tells us that this church was the last bastion against the hordes from the east. Only then they were Mongol Tatars. ■



Baptism 2.0

The “commonality” of spiritual territory of Orthodox Christianity, over which Moscow was considered dominant, was in fact a form of religious exclusionism

The “brotherhood of faith” is a standard phrasing when discussing the historical path Ukraine carved into its future over the last three and a half centuries. This notion is deeply entrenched in soviet academic historical writing, in schoolbooks, in cinematography and even, strangely enough, in toasts. It is a brotherhood in which European Slavs are unconsciously divided into “us,” meaning Orthodox Christians, and “them, the foreigners,” meaning the non-Orthodox and, according to this line of logic, really not quite Slavs.

If the reader doesn't believe this—ask anybody you know from Russia or Belarus, just for the heck of it. They are the ones who have hung onto these relics of historical propaganda in their consciousness the longest. Their answers will generally be identical: something about Rus' being the “cradle,” surrounded by evil neighbors who pushed them into joining efforts to protect, of course, the common Orthodox faith. Those with a broader outlook might also murmur something sympathetic about Orthodox Serbs, “also ours,” who were once oppressed by the Turks and now by NATO.

The origin of the myth about the unity of an Orthodox culture that grew out of the ruins of Kyivan Rus suspiciously coincides with Russia's self-promotion as the only loyal and consistent defender of this community and its very core. The question is whether there is any historical basis for all this?

In his article *Shadows and Light* [see Digest #12], Maksym Yaremenko showed how illusionary this commonality is in the perspective of the 16th through 18th centuries. Still, there is one particular episode that is worth a deeper discussion. Historians of that period had a very good understanding of the distance – liturgical, ritual and even purely psychological – between Muscovy Orthodoxy and the Orthodox population of the Polish-Lithuanian Commonwealth. Ukrainians and Belarusians who managed to find work in Moscow – and they were many, ranging from clergy to mercenaries and prisoners of war – were seen as somehow “poisoned” by “Latinism” and in need of being re-baptized. These “other” Orthodox were supposed to either be take the sacrament of baptism a second time, or undergo confirmation, or perform penance in the church. Living in the bosom of a “foreign” Orthodoxy was considered a sin and put the genuineness of the person's faith in question. Indeed, the first legal underpinnings for this at both the state and church levels can be traced to the reign of the first Romanovs: Tsar Mikhail Fyodorovich and his father, Patriarch Filaret.

Russia's hostility towards the *cherkas* and *byelorustsi*, the names Russians used for Kozaks and Belarusians in the 17th century, might be considered an exception had the Kremlin and Moscow clerics not treated the same other fellow believers who were also Slavs, such as Serbs, Bulgarians and Macedonians, not to mention Greeks and Romanians. The path to service in the church, diplomatic circles or the military was paved through “purification,” which offered better career possibilities, material rewards and what is known today as naturalization. Yet Moscow's clergy seemed unperturbed by the fact that the procedure of re-baptism was canonically suspect or by the fact that, when Catholic and Protestant on captives were forced to adopt Orthodoxy, according to the laws of the day, they were automatically removed from the lists for any exchange of prisoners and no longer subject to free release after the war, which meant losing any chance of returning to their homelands.

So, the “commonality” of spiritual territory of Orthodox Christianity, over which Moscow was considered dominant, was in fact a form of religious exclusionism. The obverse of this phenomenon was not so much spiritual strength and supremacy—true faith is always exceptionally tolerant and unaggressive—, but a deep-seated insecurity about its own identity, a fear of anything that was new and different from what was familiar, and an inability to understand and cope with the enormous variety of “others.”

Times changed. Exclusion has given way to proselytizing, while Orthodoxy entrenched itself in imperial Russian ideology next to autocracy and nationalism.

The stakes for preserving the Orthodox community skyrocketed: from handing out money to Eastern patriarchs who were despised behind their backs to diplomatic missions at Orthodox shrines and military incursions in all corners of the planet where somebody was deemed to be offending the Orthodox—the Balkans, the Middle East and so on.

This cost has not disturbed Russia, then, nor now, while an “Orthodox world” has become a permanent component in the standard set of modern-day ideologemes. Those who invented them are well aware that spiritual unity and solidarity work better than anything else in cementing a society. The trouble is, this construction has nothing to do with spiritual aims and is primarily political in nature. And, as in the past, whoever wants to become “one of theirs” in that house has to leave their identity outside the door and adopt the only acceptable version of faith, along with political loyalty. Then they shall be blessed and protected—whether they like it or not. ■



Author:
Oleksiy
Sokyrko

**TRUE FAITH IS ALWAYS
EXCEPTIONALLY
TOLERANT AND
UNAGGRESSIVE**

TYRANTS in the MATERIAL WORLD

Having control over raw materials is allowing pro-PR tycoons to gobble up steelworks and chemical plants

Author:
Ivan Neliubchenko

RINAT AKHMETOV



GAINS:

- Illich Steelworks, Mariupol
- 30.9% of Kyivenergo
- 24.9% of Zakhidenergo
- 12.5% of Krymenergo
- Kyiv TsUM, the central department store
- Raised stake in Donetskhormash to 50.05%
- Merged PUMB and Donhorbank
- 34 Kanal, a Dnipropetrovsk TV channel
- Kerammekhanizatsia and Capital Service, both exploration companies
- Pharmatsia Donbasu LLC, a chain of over 120 pharmacies in six oblasts
- Control over the assets of two state-owned anthracite mining holdings, Rovanyknanratsyt and Sverdlovanratsyt, through DTEK; leased the property of state-owned Dobropilliauvuhillia. This means these companies are being prepared for privatization

LOSSES:
None

PLANS FOR 2011:

SELL:

- Illichivets FC, Mariupol

BUY:

- Ukrtelecom
- State-owned stakes in Zakhidenergo, Tsentroenergo, Dniproenergo, Donbasenergo
- A number of coal mining companies
- A number of industrial and infrastructure objects in Kyiv
- UIA, Ukrainian International Airlines

DMYTRO FIRTASH



GAINS:

- 90% of Strol Chemicals, Horlivka
- Control of Irshanskiy and Vilnohorskiy Mining and Enrichment Plants
- 12.1bn cu m of natural gas returned by the State under orders from a Swedish court
- His men run the Zaporizhzhia Titan Magnesium Plant and Sumykhimprom
- Operating control over Ukrtransgas and Ukrgasvudobutok
- Retained control over gas distribution networks in 20 oblast and municipal gas utilities
- Won back his rights for Emfes, a Hungarian energy company, through the courts

LOSSES:
None

PLANS FOR 2011:

SELL:

- Buy the Odesa Port Plant

BUY:

- Buy a series of industrial and infrastructure objects in Kyiv
- Buy Azot in Cherkasy
- Extend control over gas, titanium and chemical markets

IHOR KOLOMOISKIY



GAINS:

- Increased stake at Dniproavia to 100%
- Increased stake at JKK Oil & Gas to 25%
- Protected his business empire from Donetsk boys
- Exchanged energy assets with Surkis brothers

LOSSES:

- Failed to join Ferrexpo Board

PLANS FOR 2011:

- Lease DniproAzot complex to Ukrnafta. This will allow Ukrnafta, which he controls, sell some extracted gas to the leasing company, not consumers.
- Retain control over Ukrnatnafta
- Use the Odesa-Brody pipeline for his Halychyna and Naftokhimik Prykarpattia oil refineries

BUY:

- State-owned stakes of Zakhidenergo, Tsentrenergo, Dniproenergo and Donbasenergo
- Ukraine International Airlines (MAU)
- Odesa Port Plant (OPZ)

In 2011, Ukrainian media started buzzing about another influential businessman, PR Deputy Yuriy Ivaniushchenko, aka Yenakiyivskiy, according to open sources. He is supposedly in control of the coal empire equally to Rinat Akhmetov and has other major assets including the famed 7th Kilometer Market in Odesa.

Last year, Ukraine saw a massive re-structuring of the markets in which its financial industrial groups (FIGs) operate. Some of the country's oligarchs lost nearly all their political clout, along with their economic positions, while others grew stronger. This shuffle was not just the result of a change in Administrations. Many other factors came into play, such as the financial industrial crisis, the shortage of raw materials and their inevitably growing price — for some companies.

HEAVY METAL

The steel industry witnessed real ore wars and it was victory time for Rinat Akhmetov, the owner of Metinvest. In 2010, the whole world suffered from a shortage of iron ore. China further fuelled the crisis.

"It needs 50-55 tonnes of iron ore every month," says Yevhen Dubohryz, an analyst with BG Capital. "China have been growing at a lively pace since the crisis and is investing in infrastructure. In addition, it wants to be less dependent on three biggest iron ore producers, BHP Billiton, Vale and

Rio Tinto, which together control nearly 70% of the iron ore market in the world. This oligopoly has resulted in a steep rise in ore prices for steelworks. As a result, ore mining companies earn the most in the overall mining and steel industry."

In contrast to the international market, just one company dominates Ukraine's iron ore market, not three: Metinvest. It gained its monopolist status back in 2007 after swallowing up the Ingulets Ore Enrichment Plant, owned by Vadym Novinskiy's Smart Group. Novinskiy traded his company for a 25% stake in Metinvest. This has left Ukraine's richest tycoon with the Central, Northern and Ingulets plants, which constitute the lion's share of the domestic ore enrichment industry.

Rinat Akhmetov immediately set up a very convenient scheme for shipping ore to steelworks owned by others: while ore was getting cheaper around the whole world, Metinvest was enjoying a steady income because it was selling ore at fixed prices set once a year. In 2010, the rules of the game changed again as ore prices skyrocketed all over the world. »

VIKTOR PINCHUK



GAINS:
N/A

LOSSES:

- Failed to launch his Geo Alliance Company on Western stock exchanges

PLANS FOR 2011:
N/A

OLEKSANDR YAROSLAVSKIY



GAINS:

- His company, DCH, opened a terminal at Kharkiv airport
- Sold Merefianska Glass Company to Turkish businessmen

LOSSES:

- Sold 18.6% of UkrSibbank to PNB Paribas and is no longer a shareholder

PLANS FOR 2011:

- Build a five-star hotel in Kharkiv

SELL:

- CherkasyAzot to Dmytro Firtash

ANDRIY AND SERHIY KLIUYEV



GAINS:

- NSI Bud, a construction company
- Partial control over Oschadny Bank, the state savings bank

LOSSES:
None

PLANS FOR 2011:
N/A



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Suddenly Mr. Akhmetov began to adjust his prices quarterly, not yearly.

Metinvest's aggressive actions forced other Ukrainian steelworks that had no raw materials of their own to buy ore at inflated prices, including Zaporizhstal, ISD Group and, most importantly, the Illich Steelworks in Mariupol. The owner of Illich Steelworks, Volodymyr Boyko, had resisted Mr. Akhmetov for several years but gave up after a raider's attack and yet another rise in ore prices. In 2010, Metinvest finally took over the Illich plant. Just a year earlier, such an alliance between a "red director" and an oligarch seemed unthinkable. In 2010 though, it became a reality. As soon as Illich Steelworks joined the Akhmetov empire, it got a 25-year contract for ore supplies.

Similar problems with ore supplies drove Eduard Shyfrin and Alex Schneider to sell Zaporizhstal. Rinat Akhmetov almost bought it but, at the last minute, a Russian group offered a better price. Now, PR's main backer is using the court system blocking the transfer of ownership of the steelworks, one of Ukraine's largest. Meanwhile, Shyfrin and Schneider have pretty well lost the war over ore and have been squeezed out of the business.

One of the reasons why Serhiy Taruta sold a controlling stake in his ISD¹ in early 2010 to a group of Russians represented by the state-owned Vneshekonombank was also because he had no ore of his own. The other main factor was that the companies within ISD were heavily indebted and were having a hard time meeting payments due to the financial crisis. One-time business giants Serhiy Taruta and Oleh Mkrtchian now own just 49% of their own corporation. Their third partner, Vitaliy Hayduk, quit business in 2008.

PROBLEMS WITH ORE SUPPLIES DROVE EDUARD SHYFRIN AND ALEX SCHNEIDER TO SELL ZAPORIZHSTAL

The new owners of ISD and Zaporizhstal now have to adapt to Rinat Akhmetov's ore dictatorship. With ore expensive, their output will increase or decline much less quickly than plants with their own mines. According to BG Capital's Dubohryz, steel output rose around 10% in 2010. This indicator would be a much more promising, around 18-20%, if ore prices were similar to those in, say, Russia's steel industry in Ukraine.

CHEMICAL REACTION

It's not just Ukraine's steel industry that is warring over raw materials. The chemical industry, another key business for many Ukrainian FIGs, is also in turmoil. In 2010, it went through considerable restructuring as well. Constituting 60-75% of production cost, natural gas is the main component in the production of nitrogen fertilizers. This makes producers of nitrogen fertilizers completely dependent on inputs from Ukrainian chemical plants. This is even more true of producers of ammonium, where natural gas is up to 90% of production cost.

Ukraine's chemical industry mostly consumes gas imported from Russia. In 2010, Group DF gained stature in the chemical market thanks to the 12.1bn cu m of gas that Naftogaz Ukrainy had to return to Dmytro Firtash: in

February 2008, the government allegedly took 11bn cu m Rosukenergo gas, of which he was the main owner. Until then, GDF owned just one nitrogen fertilizer plant in Ukraine, RivneAzot. In 2010, Mr. Firtash bought out his powerful rival, Stirol Chemicals.

PR Deputy Mykola Yankovskiy sold the company for familiar reasons: the price of gas was growing, while demand for mineral fertilizers remained unstable, making the business unprofitable at times. When the crisis broke out in 2008-2009, Stirol found itself cutting production in half and even stopping it altogether at times. In 2010, the price of gas at the Russia-Ukraine border jumped again. But Mr. Firtash now had enough fuel to keep both Stirol and RivneAzot running for several years.

Next in Mr. Firtash's line of sight is CherkasyAzot, owned by Oleksandr Yaroslavskiy. According to Mr. Yaroslavskiy, a price has not yet been negotiated. Group DF has also announced its intention to participate in the privatization of another large ammonium plant, the Odesa Port Plant (OPZ). If it succeeds, Group DF will become the main player on Ukraine's chemical market. It will control not only three or four of the country's six ammonium plants, but also the Odesa Port Plant—essentially the export regulator for ammonium shipped to the Pivdenniy Port through the Togliatti-Horlivka-Odesa arterial pipeline.

Even without the Odesa plant, however, Mr. Firtash has become the most powerful player in the domestic chemical industry and is just a step away from having a giant concern for all titanium dioxide producers in Ukraine. Group DF owns 50%+1 share of the Krymskiy Tytan.² Meanwhile, Government officials have already made some statements to the effect that the Cabinet of Ministers plans to add the state-owned Sumykhimprom, another titanium dioxide producer, to a state-owned holding that will most likely be run by a Firtash man.

Ukraine's commodity wars are not likely to end in 2011, either. This could lead to yet more restructuring of assets in favor of the resource kings. ■



¹ Industrial Union of Donbas and once Rinat Akhmetov's main rival.

² The Government owns a controlling stake but the plant managers are apparently loyal to Mr. Akhmetov

Tender Slaughter

Akhmetov companies are pushing the state out of the coal business

Author: Yuriy Nikolov

A few days before New Year's, DTEK, the electricity giant in the Akhmetov business empire, gave its boss, the richest man in Ukraine, a lovely Christmas present: a contract for over UAH 7.5bn. DTEK's income for all of 2009 was a healthy UAH 10.6bn, from extracting 9.7mn tonnes of coal. The final figure for 2010 is still not in. But on December 27, TOV DTEK Trading set a real record, having won a tender to supply 7.46mn tonnes of coal and anthracite under contract to VAT Dniproenergo. According to State Procurement Newsletter #56 dated that same day, the deal is worth UAH 7,529,971,694.59 or nearly US \$1 billion—almost equal to the consolidated budget of the country's entire health care system. One important detail: DTEK owns about 47% of Dniproenergo shares, while the State, through ZAT UkrEnergo, owns the controlling stake. Does this deal actually work in the State's interest?

A New Year's greeting posted on Dniproenergo's site from CEO Roman Serdiukov says, in Russian, "This year was a year of gains and changes for us. Together with DTEK, our strategic partner, we have learned to work in a new way in a changing environment and are looking at the future with confidence." That's the poetry.

The practical reality is somewhat different. According to a memo posted on the site where tender bids are disclosed, only two companies bid to supply coal to Dniproenergo: DTEK Trading and VAT Energoopttorh. The

winner offered to do it for UAH 400mn or US \$50mn less. Dniproenergo supposedly saved a lot and certainly got itself a reliable supplier. The registered statutory capital of Energoopttorh, the other bidder is UAH 5,000, according to open sources, yet, supposedly, all conditions set in Ukrainian law were met in running the tender and selecting a winner. The background to all this is even more curious.

Once upon a time, a powerful state-owned enterprise called Vuhillia Ukrainy or "Coal of Ukraine," tried to compete with DTEK and Energoopttorh in a tender to supply coal to Donbasenergo, which is not yet in the "Our Companies, Partners and Associates" list on the DTEK site—unlike VAT Dniproenergo. Back in September

2010, the deal was not too expensive: DTEK offered coal for UAH 419mn or UAH 932/t, Energoopttorh's price was UAH 20mn higher, but Vuhillia Ukrainy was ready to sell its coal for UAH 335mn or UAH 744/t. The Anti-Monopoly Committee (AMC), which considers complaints from participants, recorded the bid results for Vuhillia Ukrainy.

In November, VAT Donbasenergo lawyers looked at the Vuhillia Ukrainy offer and concluded that it "did not meet the requirements regarding tender documents and the State Procurement Law." Vuhillia Ukrainy had apparently failed to provide bid security worth UAH 1mn through bank underwriting. Instead, the company provided "a letter of guarantee to be taken as a bid security in the amount of UAH 1,000,000.00 against the total debts" accrued at the time by that same Donbasenergo before Vuhillia Ukrainy. This little "detail" was used as an official excuse to shut Vuhillia Ukrainy out of the bid.

The company tried to discover the truth from the AMC, which, instead, supported Donbasenergo and rejected the complaint in early December. That Vuhillia Ukrainy is not a corporate raider is beyond any doubt. Moreover, the tender's organizer gained nothing from UAH 1mn underwritten by a bank as, by law, securities are returned to those who lose the bid. In short, the State lost UAH 84mn on this tender—enough to pay basic pensions to 100,000 Ukrainians.

After this defeat, Vuhillia Ukrainy did not bid in the tender to supply Dniproenergo. Now DTEK can use its coal monopoly against state-owned Tsentrenergo and Donbasenergo to swallow these power utilities as well. Wherein lies the State's interest? ■

DTEK earned over
UAH 7.5bn
on a single transaction



THE RETURN OF HOMO SOVIETICUS

Ukraine is beginning to look a lot like the USSR during the Brezhnev era

Sometimes the spirit of the times manifests itself not so much in major events and famous faces as in the small details of daily life. And people begin to feel a bit of déjà vu. One such detail is the perennial traffic jam at Moskovska Plushcha in the south end of Kyiv. A new multi-lane interchange was opened there grandly, pompous officials declared traffic jams a thing of the past and gained a bit of positive press—and construction resumed almost immediately afterwards. This spirit of the era of soviet stagnation is starting to blow increasingly from the upper echelons of power in Ukraine.

CONSOLIDATED POWER, INC.

Party of the Regions made full use of 2010, consolidating power not just under a single political force, but under politicians from a single region, their families, friends and affiliates. The 2004 version of the Constitution was used to bring all those enticed by the scent of power and its evident perks under one hand. Then this Constitution was replaced by its predecessor so that the hand would not depend on those who had come to it. Now, “administrative reform” is being used to get rid of the ballast and establish a system of checks and balances in the complicated conglomerate that constitutes the current ruling clique.

The government has revived a number of features last seen during the Brezhnev era, a period of stagnation in the Soviet Union: a power is concentrated in the hands of one person; offices are allocated through nepotism and personal loyalty; a nomenklatura is formed that enjoys impunity and a luxurious lifestyle. Other symptoms of *homo sovieticus* are also being resurrected: mega-projects like the 2022 Olympics in the Carpathians, a Formula-1 track near Kyiv; window-dressing, that is, reports with imaginary numbers; disregard for alternative opinions; and the persecution of dissenters.

Lately, officials have arranged some silly, yet symbolic arrests, detentions and criminal cases, as though to create the illusion that resistance is a dangerous activity. Another way to influence society, also borrowed from the soviets, is the blatant impunity of those in power. There is one final component of a soviet land is the demonstrative disregard for public opinion and a deep disrespect for journalists. This is all based on the conviction that the public will not find effective ways to change anything, while journalists can be brought in line, either through their owners or directly.

This approach locks those in power in a small circle, making the pursuit of power and its conversion into wealth an end in itself. This inevitably weakens the country, because there may not be enough energy, knowledge, resources and will to properly respond to the internal and external challenges coming in 2011.

THE UNAVOIDABLE

Several events could become turning points for the current establishment if not the entire country. This means they will determine the quality of decision-making and, in the end, the political future of this Administration.

Elections

First, the Verkhovna Rada reconvenes on the second Tuesday of February and could already amend the Constitution and not only move the VR election back to 2012 but also change all elected terms of office to five years. The amendments received the necessary 300 votes to pass first reading. Both the government and other political forces tacitly agreed to put off the election for a year in order to save money, reorganize their ranks, and so on. But a sudden attack on the opposition and attempts to apply “Russian” methods to getting even with opponents could backfire, stoking the popularity of the oppo-



Author:
Roštyslav
Pavlenko

sition just as support for the government is in a tailspin.

This means the vote on constitutional changes could fail, scheduling the next VR election for either spring or fall of this year. The statements and actions of PR and government officials suggest that this possibility is already being considered. So does a look at Kyiv, looks like it is being prepared for an election at a thundering pace: bridges, interchanges and other long-term construction projects are now being launched left and right. Who cares if the day after a celebrity launch, construction resumes and the capital falls further into debt. The main thing is to feed the right kind of images to Kyivites. Even if manipulating the election law and then the election allow the Yanukovych Administration to cobble an artificial majority in the Rada, the campaign itself will mobilize people, while unfair elections as the standard of living deteriorates will spur unhappy voters to actively protest.

If a constitutional majority is actually formed, the opposition will have to use 2011 for major preparations for the VR race. Until now, politicians interacted with their voters only when an election is looming, and this approach leads to the next failure.

Debt

The country is continuing to run up debts. This is a severe test of the economic and diplomatic skills



PHOTO: OLEKSANDR CHERKENOV

of those in power: to collect the money that can be had and reschedule payments that cannot realistically be made on time. A straightforward strategy would be to force business to buy up another batch of securities, to sell strategic enterprises to Ukrainian and/or Russian oligarchs, to levy taxes in advance, to continue to borrow money, and to refuse to refund the VAT. Under the new Tax Code, VAT refunds are to be automatic starting January 1, 2011, and this will be one of the first tests for the Administration in the new year. But steps like these can only increase internal tensions and make the country even more dependent on creditors and "investors" who are eyeing our strategic enterprises. This could provoke a new financial crisis and threaten the government itself.

"Reforms"

A number of codes are in line for passage, especially the Housing Code and the Labor Code, and the announced pension reforms need to be completed. These are a major challenge. Budget discipline and the revision of outdated labor and pension rules are not just "demanded by the IMF," they are urgently needed. But instead, a number of norms have been introduced to the relevant Bills that will guarantee bureaucrats and employers absolute power. Although experts formulated specific requirements of the codes and pension law changes,

these fell on deaf ears. Completely ignoring these demands will erode support for the government and fuel a search for alternatives, increasing the chances of new political forces in the election.

Energy

In 2011, Russia will continue to promote a slew of energy projects in the EU. Setting up a joint venture between Gazprom and Naftogaz—effectively the acquisition of the latter—is one strategic goal here. Deputy Speaker of the Russian Duma Valeriy Yazev has admitted that these goals can be reached through specific projects and "small" joint ventures, especially for extracting methane gas from Ukrainian coal mines and developing an oil and gas field on the Black Sea shelf. The first JV was set up in 2010; the Russians have already announced a second one, although the Ukrainians have yet to confirm it. This sector remains closed and opaque, making it quite feasible to set up irreversible schemes that will tie Ukraine's GTS up in Russian projects.

If this happens, this will be a heavy blow to the image and popularity of the current government and, in the worst case, to the domestic economy.

Democracy

Ukraine will not become another Belarus anytime soon. But that will not stop the current Administration from accumulating many elements of a "controlled democracy" in 2011. Western business interests of oligarchs close to Bankova could force the Administration to maintain a semblance of democracy, using soviet patterns. PR has already begun to appeal to the "dictatorship of the law" in an effort to justify criminal cases against opposition members, arrests of protesters, and the hounding of dissenters in the eyes of Western democracies on whom Ukraine depends for credits and access to EU markets. This same justification was employed by soviet law-enforcement bodies, starting with the NKVD.

The government is ignoring one thing: the formal legitimacy of investigating people does not stop it from being seen as repression if two key conditions are not met. First, the law has to apply equally to all citizens. If charges of corruption are leveled against members of the previous government, the same thing has to be done with regard to the current one. Second, a law has to be legal, that is, it must

meet the standards of law contained in related UN documents and other commitments Ukraine has made to democratize the state. While the latter can be debated, Ukraine's leaders have clearly failed in the former, as can be seen in a simple comparison of the accusations against the opposition that have led to their arrest to the ostentatious and open embezzlement of funds for which, at most, one group of officials will get a telling-off from another. One example was when Deputy Premier Kolesnikov advised Kharkiv City officials to pay for overpriced benches for Metro stations out of their own pockets rather than budget funds.

HERE'S THE SILVER LINING

The Year of the Rabbit, which begins Feb. 3, 2011, is supposed to be quiet and peaceful, just like the animal that symbolizes it. Rabbit years are considered to be conducive to peaceful resolutions of conflicts. So, 2011 could be the calm before storm. Ukraine has entered 2011 with fundamental issues unresolved: conditions for SMEs, pressure on the opposition, lawlessness in the budget process, pressure from eastern neighbors, a border conflict with Romania, problems with the Crimean Tatars, de-ukrainization, the SBU, corruption, a politicized judiciary, a deteriorating investment climate and a huge national debt.

These issues could still be resolved in a civilized manner through dialog and the involvement of experts representing all political sides and protecting the national interest against hostile external forces. "Diz-ziness with success," its practice and peculiar mentality mean that the current leadership could represent the revival of a soviet-style stagnant country with a government monopoly on the truth and resources and the crushing of dissension. Still, times have changed and this model can only undermine the country in the end. Resources are needed to maintain "order and stability," i.e., crushing initiative rather than using it, and abuse of office rather than the free competition that leads to progress. Corruption will blossom and the ruling "families" will stuff their pockets from the public purse, further provoking voter discontent.

Chances of ruling in peace and quiet will not increase, but shrink with every passing day. ■

Battle Unready

In 2011 the Government of Ukraine will expand the command economy model to the micro level – which could have catastrophic consequences

In the management of public finances, the State Budget is the key component. In 2010, the Government of Ukraine added some original elements that are intended to balance any gaps that emerge. According to official projections, the Pension Fund will have an astronomical deficit of UAH 29.6bn. But the Government and Verkhovna Rada found a simple and effective solution to this problem: they allowed the State Treasury to lend money to the Fund at a zero interest rate whenever it had a current account shortfall. That this approach is only possible in a command economy is obvious, but officials are convinced that they solved the touchiest social issue and paid out UAH 13.7mn in pensions to the country's elderly in time.

Author:
Vitaliy Melnychuk,
Vice President,
KINTO Asset Management Company

SWITCHING TO MANUAL MODE

An entire series of items in the 2010 State Budget allowed the Government to hand-manage and adjust amounts without the approval of the Verkhovna Rada. The Government could also use unscheduled internal and external borrowings to cover urgent expenditures and projects. This kind of power is the dream of every Premier and Finance Minister in every country—though it is only possible in a command economy. It is an approach that lets the Government meet the main budget liabilities under any circumstances, regardless of how much revenue flows into state coffers. Moreover, the IMF may lend Ukraine US \$15.2bn as part of its cooperation with the Government.

This model for managing external borrowings will be used in 2011, too. How effective spending will be is another question. The fact is that this mechanism alone not just balances out public finances automatically, but establishes the conditions for keeping the hryvnia stable. The NBU brags about having enough currency reserves to avoid hryvnia devaluation. Meanwhile, no one seems to notice that, in recent months, the amount of foreign currency coming to Ukraine from exported goods and services has been lower than the amount spent on imports. In short, exchange risks are there, although they don't seem to be.

In fact, there are many examples of this kind of crude balancing act with the country's finances, such as the tax adminis-

Budget Realities

Author: Vilem Veremko

Before the New Year, the Verkhovna Rada passed the Cabinet's version of the 2011 State Budget on emergency basis. This document not only reflects the new Tax Code but also not-yet passed new norms in pension legislation, including a higher retirement age. Passing the State Budget quickly guarantees the Government US \$1.5bn from the IMF to cover the deficit—and Premier Mykola Azarov was ready to dance with joy.

Revenues are expected to reach UAH 281.46bn in 2011, which is UAH 28.71bn more than in 2010, while expenditures are going to be UAH 321.93bn or UAH 16.24bn more. As in 2010, the Government has secured itself the right to borrow and disburse additional credits without planning or approval. Thus, the risk that Budget commitments will not be met is minimal. A typical feature of the 2011 State Budget is increased funding for all enforcement agencies: the Interior Ministry gets almost UAH 2bn more, or up to UAH 13.6bn, while the Prosecutor's Office now gets UAH 2.2bn, not UAH 1.2bn as before.

Article 8

Sets the limit of sovereign debt at UAH 375.643bn as of December 31, 2011.

The State continues to live in debt, which could grow an additional UAH 60bn in 2011. But even this can be considered nominal, since other provisions in the law allow the Government to draw on external and internal borrowings above this limit. The Cabinet of Ministers will also be able to increase or decrease the amount of loans at its discretion without the consent of the Verkhovna Rada.

Article 9

Allows the Government to underwrite UAH 15bn in loans in 2011.

The Government is supposed to underwrite loans to the National Agency for Preparing and Holding Euro 2012, to the State Road Service, to Energoatom to build the 3rd and the 4th blocks of Khmelnytsky Atomic Energy Station (AES), to build a bridge across the Dnipro at Zaporizhzhia, and so on. Returning to the practice of providing state guarantees at the Cabinet level is likely to facilitate corruption.

tration's efforts to pump money out of the real sector, so that the State can later pump in into other sectors. This kind of shape-shifting looks like a brilliant macroeconomic concept for a crisis situation, since it allows the Government to meet all the conditions set out by the IMF, which suits the Fund just fine.

So, it looks like the Government is ready for the economic challenges of 2011. Public finances are under tight control and Budget commitments have all been met. The question is: does this model match the situation on the domestic market and how does it affect the financial and real sectors or households? As they say, everything's stable at a cemetery, too...

WHAT'S WRONG WITH THIS PICTURE?

Trying to apply command approaches to real economic processes is a huge mistake, and one that could lead to enormous social problems. Not in 2011, though. Until Euro 2012 is over, everything will be "hunky-dory," since neither Ukrainians, nor Europeans, nor the international community—football is a sacred thing!—want to see the situation deteriorate, which would raise questions about the choice of country as a co-host for the final games. But what will come next?

Ukraine will have to pay off its debts—its current external debt already exceeds US \$104.5bn—and this is where serious trouble is likely to surface.

The dynamic of Ukraine's GDP is unusually dependent on external markets no less than on the ability of the Government to keep the hryvnia stable. One way out of the situation would be to come up with measures to expand the country's very narrow domestic market. Nothing like this is evident so far—rather the opposite seems to be happening, suggesting that the Government wants to expand the com-

markets in 2011, their kind of regulation will not help.

To stimulate the economy and develop infrastructure, the State needs resources, but not by shaking down the real sector—expanding the powers of tax inspectors enormously and allowing them to drop in on businesses anytime they want. Nor will it help to draw the payrolls of companies that already pay taxes and contributions on a general basis out of the shadows. Paradoxical as it may seem, but it was the grey economy that helped the country survive 2008-2010 without too much pain. Any pressure on this buffer in an unreformed transition economy is a mistake that could lead to social tension.

In 2011, the Government should focus on looking for internal reserves in entirely different areas: not rush to cancel profit tax for those large corporations that move their dividends offshore, to the tune of at least UAH 10bn every year. Clean up the totally corrupt public procurement system. This is a huge resource and getting it under control would allow the Government to support more than one industry. Most likely, the Government will ignore such advice, as usual. As the saying goes, they won't believe in wonder until they hear thunder. ■

STATE NEEDS RESOURCES, BUT NOT BY SHAKING DOWN THE REAL SECTOR—EXPANDING THE POWERS OF TAX INSPECTORS

mand model to the micro level. It's understandable why, of course: the mentality of those in the executive does not allow otherwise. The story with the Tax Code demonstrated that the Government does not really understand the need to establish conditions for the domestic market to develop properly as the key to real stability. If any calamities strike global

Article 28

Requires the Mandatory State Unemployment Insurance Fund to allocate at least UAH 360mn to create jobs for residents in coal mining regions.

This has been continued in the 2011 State Budget from the 2010 Budget largely unchanged. No statistics have been provided as to how effectively these funds are being used.

Article 31

Allows the Cabinet to issue domestic government bonds that can then be exchanged for additional shares emitted by NAK Naftogaz Ukrainy.

Since NAK Naftogaz Ukrainy has no financial plan for 2011 yet, it is unclear what volume of bonds is going to be purchased for Budget funds. The fact that this item is in the Budget means that the Naftogaz is not ready to meet its liabilities without outside support.

Article 32

Allows the Cabinet of Ministers to issue domestic government bonds worth UAH 5bn in order to lend to the Agricultural Fund.

Typically, these bonds have not taken included in the sovereign debt limit, although they in fact increase the deficit. Issuing bonds, their possible conversion into hryvnia, and lending to the Agricultural Fund all leave space for financial abuse.

Article 33

Allows the State to purchase bank shares, provide financial assistance to banks and privatize them, based on a decision and procedure established by the Cabinet. The sources of funding include: Government bonds or funds from other government borrowings.

This item sets up the conditions for the reorganization of the banking market expected once minimum statutory capital requirement is increased from UAH 75mn to UAH 500mn.

VII. CLOSING PROVISIONS

Requires the Cabinet to propose raising social standards, based on the State Budget performance review for Q1'11.

The Government's talk of raising social standards will most likely remain just that. State revenues are unlikely to grow in Q1, whether due to tax, pension or administrative reforms.



The Schengen Racket

Ukrainian workers in the Czech Republic suffer from corrupt systems set up by other Ukrainians

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Photos:
REUTERS,
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Kopchak

For the average Ukrainian migrant worker in the Czech Republic, the lack of administrative transparency in getting and extending visas is the main obstacle to getting a job in this EU country. They face problems no matter where they want to work, whether the Academy of Sciences or at a supermarket that's looking for sweepers. They are forced to wait in huge queues for hours, not knowing whether the Embassy will accept their documents and give them a visa.

Ukrainian citizens have little chance of getting a Czech work permit on their own. They need to file documents at Czech consulates in Ukraine and prove that there is a specific vacancy and that no qualified Czech person wants this

very job in this very region. The light at the end of the bureaucratic tunnel is much closer for those who turn to a broker, a business started by Ukrainians who established the necessary channels, know how to fill in documents properly, and supposedly know which doors to knock at and what to take in with them.

FIGHTING CORRUPTION CZECH-STYLE

According to Transparency International, the Czech Republic is 53 for corruption and over the past year, the country lost one position. The Government that came to office at the end of Summer 2010 declared fighting corruption one of its priorities. Yet nothing changed. No new anti-corruption laws were passed,

no major crooks were exposed. Before the Christmas, the Government coalition quarreled so badly that it was a step away from breaking up and did not do so only because President Václav Klaus intervened.

What the two sides agreed to is anybody's guess, but the root of the squabble was a corruption scandal at the Environment Ministry, where people loyal to Minister Pavel Drobil apparently were engaged in graft. An honest official reported this to the press and the police. The scandal flared up when the official explained that he had first turned to Premier Petr Nečas the minute he suspected the corruption, but Mr. Nečas had passed the case back to Pavel Drobil, the head of the corrupt Ministry. Mr. Drobil promptly chewed out the



JUSTICE NOT FOR ALL.
"Eliminate corruption in Prague"
says a banner on a street in the
capital. But Czech officials prefer
to turn a blind eye to abuses of
migrant workers

whistle-blower—and shortly afterward fired him.

The resolution of the scandal surprised many, but not Olena Belei, a Ukrainian from Svaliava in Zakarpattia Oblast. The young engineer worked legally as a bartender in Brno until fall 2009. When her visa was on the verge of expiry Zdeniek Dulinek, a policeman from the Migrant Affairs Police Department, offered to help her. “You’ll have to pay to get your visa extended, understand?” a plainclothes officer asks the young Ukrainian on a video shot by a hidden camera from Czech television. A second tape, where Officer Dulinek takes CZK 15,000—€600—from Ms. Belei for a promise to extend her visa for 30 days, was taken by an Internal Affairs team.

“We have never had a migrant worker cooperate with us this way,” Martina Lidlova, an Interior Ministry Inspection spokesperson said after the crooked cop was arrested on the spot. “This Ukrainian woman was an exception. She was not afraid.” Ms. Lidlova hopes that with the help of more people like Ms. Belei, the police will have evidence to arrest more such corrupt policemen.

PAYBACK CZECH-STYLE

But the case turned against Olena Belei. She was kicked out of the country and a court barred her from entering the Czech Republic for the next three years. Through an internal decision, the Czech police then extended this to six years. At the request of Jan Kopřiva, Ms. Belei’s lawyer, President Klaus reviewed the case and placed a hold on the court ruling. But this did not affect the separate decision of the Migrant Affairs Police Department, so now Ms. Belei still cannot enter the Czech Republic for six years.

Czech Television was able to get an exceptional single-entry visa for a few days to allow Ms. Belei to participate in the trial as a witness against the policeman. There were two court hearings: the first one deemed the officer guilty and handed down a two-year jail sentence, but on Dec. 7, 2010, an appeals court ruled that the crooked cop had been punished enough when he lost his job and that a suspended sentence and a fine of €1,200 would be sufficient.

In the Dulinek case, had the Ukrainian woman quietly paid her

bribe, she would have extended her visa and continued to live and work in Brno to this day. She would not have been barred from the Czech Republic, a Schengen country, which is likely to cause her problems with even a tourist visa to the EU now. In fact, cases like this one typically end up with only a suspended sentence. Only once did a wrongdoer in the Czech Republic get two years in jail.

“CLIENTS” AND THEIR CLIENTS

Ukraine’s Ambassador to the Czech Republic, Ivan Hrytsak, says that there are 2,500 employment agencies in the country and 1,800 of them work with Ukrainians.

“There are pros and cons to such middleman,” says Taras Kostyuk of the Prague Association of Ukrainians, which provides legal advice and assistance to migrant workers. “Two thirds of Ukrainians find jobs here through private companies. It makes more sense for a supermarket or a large construction company to work with a ‘Ukrainian’ broker and get a package deal or a crew of strong backs than to deal with individual workers.” Brokers earn their commissions by paying workers much less than what the employer is charged. The difference can be as much as 100% or more. In return, the worker gets a salary, medical insurance and assistance in opening or extending work visas—in the best cases.

Migrant workers from Ukraine call such brokers “clients.” Some say the word comes from Zakarpattia slang where a “client” is someone who provides “clients out” to others. Those who don’t want to spend hours or even days waiting in queues without any guaranteed result are forced to go to such “clients.” These wheeler-dealers sell not only jobs but other goodies as well: for €20, you can buy a queue numbers that gives access to officials during working hours—right in front of the police station. These operators can even sell you a bank statement that says you have enough money on your account to survive in the Czech Republic if you lose your job.

The “client” is neither open nor transparent. Normally, the Czech police could care less about employment agencies. Until someone goes too far: a group of Ukrainian crooks abused dozens of migrant



HAD THE UKRAINIAN WOMAN QUIETLY PAID HER BRIBE, SHE WOULD HAVE EXTENDED HER VISA AND CONTINUED TO LIVE AND WORK IN BRNO TO THIS DAY

Operators promised \$3 an hour but paid \$8 to \$20 a week for double shifts. Now they are in jail for 5-7 years

Queue numbers were sold for

€20

right in front of the Prague police station in Prague, giving applicants access to officials during working hours.

426,749

foreigners live in the Czech Republic, 128,636 of them Ukrainians

The number of migrants could grow to

500,000

in the Czech Republic—the official number of unemployed Czechs today

Transparency International ranks the Czech Republic

53

for corruption, between Saudi Arabia and Kuwait

workers from Romania, Bulgaria and Ukraine over March 2008–February 2009, promising US \$3 per hour but actually paying more like US \$8 to \$20 per week for working two shifts every day. They were sentenced to 5-7 years in jail.

Maria from Western Ukraine, who has been working in the Czech Republic since 1990, says you can no longer come from Ukraine and get a job without “assistance.” “Ev-

everything goes through the ‘clients,’” she says, adding that she suspects some of these brokers have their people not only in the Czech police, but also at the beginning of the chain—in the consulates and embassies. Her suspicions are not groundless.

THE PERSISTENCE OF BAD PENNIES

In January 2010, Czech Ambassador to Ukraine Yaroslav Basta requested early retirement for health reasons. In fact, he had been linked to a scandal around a call center in L’viv. Since 2008, anyone who wanted to get in queue for a Czech visa had to go to a private call center and pay US \$15 for this service. Rumors had it that the Ambassador was “protecting” this little business. Mr. Basta denied everything but nevertheless resigned and the case ended up in court in the Czech Republic. On June 18, 2010, the court heard the class-action suit of 161 Ukrainian citizens and ruled that the Ministry of Foreign Affairs repay the plaintiffs because the Czech Republic had failed to properly organize the queuing system and charged them illegally. The Ambassador’s post in Kyiv has remained vacant since March 2010.

Even if “client” agencies are shut down, the problem of migrant abuse will not go away and shysters will simply find new schemes. Martin Rozumek, Director of the Organization to Help Refugees, says there are now new ways to hire foreigners. They can become part of a Czech limited

company or a small-time artisan-entrepreneur. Vietnamese and Chinese migrants are in the forefront here, owning grocery stores and restaurants all over Prague. "They're very inventive and will always come up with something new to continue what they're doing," Mr. Rozumek says. "Everything starts in the country of origin for migrants. If they can't get a visa on their own, they go to questionable entities that then 'sell' them further on."

But it's not just Ukrainians and Vietnamese who don't have any illusions about how the migrant police operate in the Czech Republic. Brazilian Fabiano Golgo writes in his blog that Czech officials, bureaucrats and corrupt cops who handle foreigners are thicker than their Brazilian counterparts and describes how, after hours of waiting in lines to get his visa extended, he could clearly see who had free access to all those offices. But what really slayed him was the demand to bring a more recent document—instead of the one issued just two months earlier in Brazil!

FOREIGNERS NOT WELCOME

When he was Labor and Social Affairs Minister in the previous Government, the current Czech Premier, Petr Nečas, announced that the country needed workers, despite the fact that hundreds of thousands of Czechs were jobless. Back then, he used demographic projections as his key argument: the number of able-bodied individuals aged 25-64 would shrink by 750,000 over the next 20 years.

But as Head of Government, Mr. Nečas, his Government and the pro-Government coalition in the legislature seem to be doing whatever they can do to make life harder for those migrants already working in the Republic and to convince those who are only dreaming of coming that it's not worth it. Quickly and without proper debate or reflecting the wishes of the Senate, the upper house, the Chamber of Deputies passed the Cabinet's amendments to the law on foreigners. One is about medical insurance. Earlier, migrants were required to prove that they had basic medical coverage to get a two-year work visa extended. Now, they will need comprehensive insurance. The law does not say what the constitutes "comprehensive" medical insurance



NOT WANTED ON BOARD? The Czech Government is creating more obstacles for Ukrainian migrant workers

means but it is likely to be costly. According to Pavlo Chyzyhynskiy, spokesperson for ProAlt NGO, two-year insurance is likely to cost close to €2,900, not a few hundred euros, so a family with two children will have to pay over €8,000.

Most Czechs don't have that kind of money, let alone migrant workers. Another problem is that people don't get their money back if their status changes or they don't use their visa to the end. The official explanation is that comprehensive insurance will guarantee that a foreigner doesn't accrue debts in Czech hospitals. But why does the law make immigrants pay

Deputy and one-time Interior Minister, let it be known that the opposition unofficially supported the Government's initiative. "People who come to the Czech Republic have long been complaining that we should treat them better than we do," says Mr. Pecina. "But this is a never-ending problem. If we offer much better conditions, so many will come here that our country won't be able handle it."

According to official statistics, the number of foreigners grew 63% over 2005-2009, from 266,303 to 435,035—in a country of only 10 million. Soon, there could be over 500,000 migrants, equal to the current number of unemployed Czechs. At the end of May 2010, however, some left the country bringing the number down to 426,749, of whom 128,636 hold Ukrainian passports. Although the economic crisis is winding down, many Ukrainians no longer find the Czech Republic especially attractive. Their earnings are not rising, while red tape has grown. Earning enough money here for an apartment or starting capital for a little business back home is looking more and more improbable. These days, you are more likely to see Kazakhs working on a Czech construction site who may not speak any Czech but are happy to work for much less money than Ukrainian migrants. ■

THESE DAYS, YOU ARE MORE LIKELY TO SEE KAZAKHS WORKING ON A CZECH CONSTRUCTION SITE WHO MAY NOT SPEAK ANY CZECH BUT ARE HAPPY TO WORK FOR MUCH LESS MONEY

more than Czechs themselves do? Nor does this new insurance require that insurers provide full treatment to migrant workers: if a person has a pre-existing condition, the insurer will just shrug.

The left-wing opposition rejected these amendments, but Martin Pecina, a Social Democrat

Balm for the Hungarian soul

Euro MP Béla Kovács has his eye on the thousands of ethnic Hungarians living in Zakarpattia

In the Zakarpattia bordertown of Berehove, which has a sizeable community of Hungarian Ukrainians, European MP Bela Kovacs opened an office on Dec. 5, 2010. Mr. Kovacs also represents the Hungarian party called Jobbik. The main purpose of this office, according to its press release, will be assistance in cultural, educational and economic matters and assistance to Ukrainian citizens. Still, Bela Kovacs makes no bones about his office's other function: providing advice and assistance to Zakarpattia Hungarians who are applying for Hungarian citizenship.

"Jobbik" or "For a better Hungary," considered an ultra right-wing nationalist party, came in third in the last election, gaining 47 MPs in the Hungarian parliament, three of whom have gone on to the European Parliament. The international press accuses the party of anti-Semitism and of being against Roma, as well as actively promoting the idea of building a "Greater Hungary," that is, a union of the Hungarian territories lost in World War I.

UW: Your plans are only to assist Hungarians in Zakarpattia?

— Even as we opened our office, I pointed out that it was for all people, regardless of whether they are Hungarian, Ukrainian, Russians or Ruthenians [Hungary supports the idea of a Ruthenian or Rusin movement. Ed.] Anybody who wants can turn to us on whatever issue. Of course, my options are fairly limited. Even before the office opened, people accused us of establishing a party branch of Jobbik. But I assure you, that's not the case. Our office wants to sign a contract to provide consultative and informational services on a simplified way to gain Hungarian citizenship. We want to advise people how to correctly and quickly put together the necessary list of documents, which should ease the work of Hungarian consular offices.

Interviewed by:
Oleksandr Voroshylov, Berehove



BIO

Béla Kovács
Hungarian politician, member of the movement "For a Better Hungary," known as Jobbik, since 2005. Born in 1960 in Budapest. Graduated from the Moscow Institute of International Relations and worked in international associations of commercial law in Russia and Japan. Since 2010, he is an independent European MP.

UW: But by making it easy to get Hungarian citizenship, you could be encouraging them to leave Ukraine altogether. How do you think this will affect relations between our two countries?

— This issue does not concern me at all. On the contrary. Why? Hungarians still cannot forget Dec. 4, 2005, a dramatic day when the Hungarian people failed to vote in favor of granting Hungarian citizenship to Hungarians who live beyond our borders. This will now give those people a chance to act on their desire to become citizens of Hungary. They can now freely express their desire to become citizens of Hungary, a kind of...how would you put it?

UW: Balm for the soul?

— Yes. I should remember this phrase. Will this affect relations between our countries negatively? I think not. The Ukrainian government understands the situation. And I don't expect any obstacles to be put in the way of this process in the future. I have studied the Constitution of Ukraine a bit and it says that people who live on the territory of Ukraine should be citizens of Ukraine. Period. Nothing else.

UW: Yes, but Ukrainian law does not recognized dual citizenship.

— The law does not prohibit this [Ukrainian law does not allow dual citizenship. Ed.]. It may not be worth looking at the example of other countries. As far as I'm concerned, the Ukrainian Government shouldn't find any of this odd. They know how many millions of Russian citizens live in Ukraine, especially in the East, from Kyiv to Hlukhiv [Mr. Kovacs appears to be confusing ethnicity and citizenship. Ed.]. So, I don't think this is a big deal, as this Government is not interested in conflicts with Hungary or the European Union. On the contrary. I remember when Viktor Yanukovich came to Brussels and I have only positive impressions.

UW: Zakarpattia Hungarians are worried that they might lose privileges that they enjoy as citizens of Ukraine. What guarantee is there that this won't happen if they take up a second citizenship?

— Of course, we cannot provide any guarantees from the Hungarian side. They can only come from the Ukrainian Government. But so far nobody has been asking for them or offering them. People are a bit worried about being persecuted, though. Recent history has left this feeling among people that we can completely understand. But whoever is afraid, time will heal. A lot of people will simply keep an eye on what's happening, on how the process goes, and whether their neighbors actually get Hungarian and EU citizenship. If they see that there are no problems attached and no negative consequences, they will also take this step.

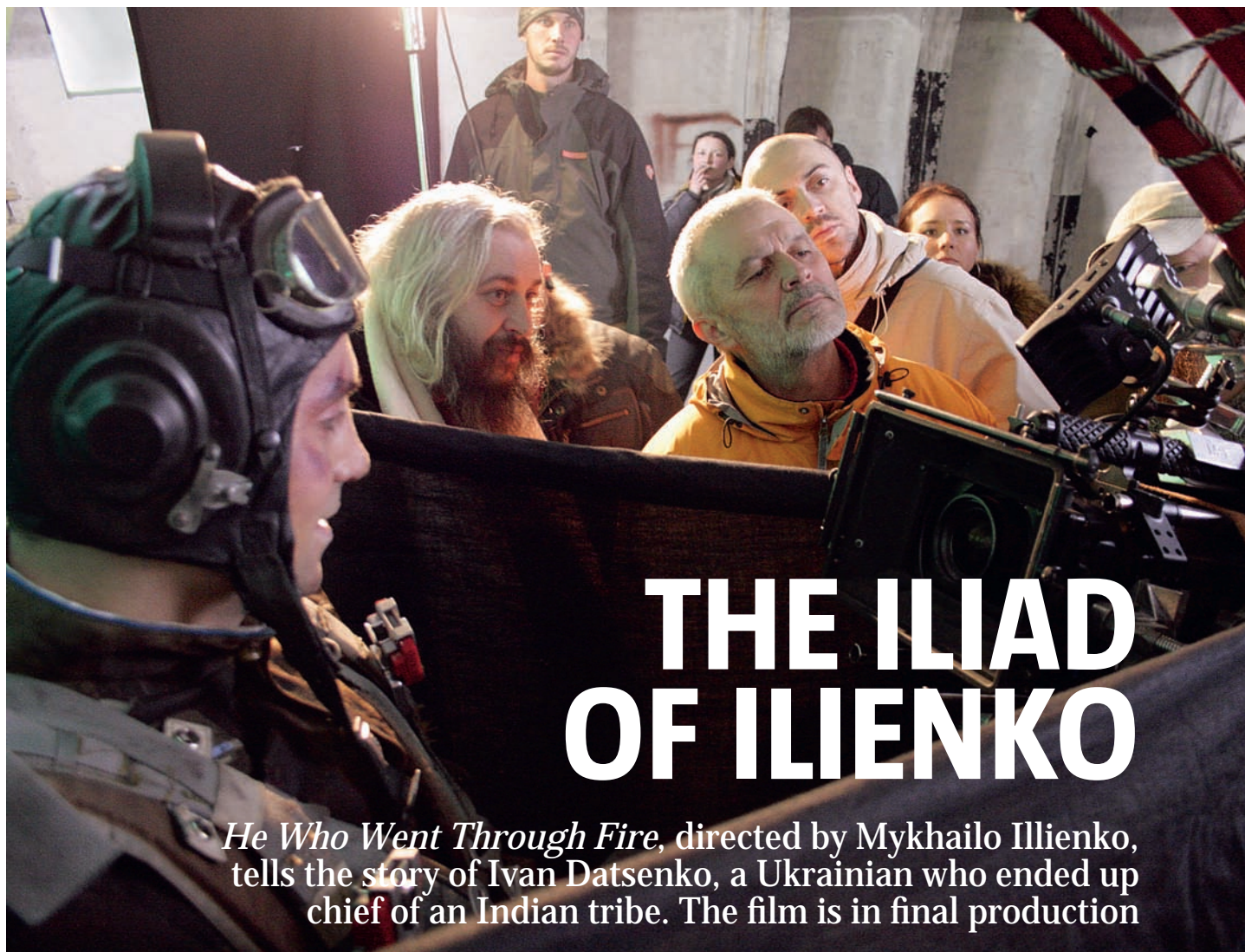
One more important point: Hungarian law on the fast-tracked process for citizenship was passed without any time limits on its effect. That is, if a person finally decides to go for it, they can turn to us even a few years down the line.

UW: How many residents of Zakarpattia have already become Hungarian citizens?

— I don't remember exactly. About five to seven thousand. We just had holidays and the consular section has just started working again. As far as I know, every half-hour an appointment is being made for the latest applicant. These are the first swallows, and they bring spring with them...

UW: Who has the right to use this simplified system? Only those with Hungarian roots?

— Of course. I don't think that there will be many citizens of Ukraine who want to be citizens of Hungary for some reason... except maybe those who don't want to have problems getting visas... ■



THE ILIAD OF ILIENKO

He Who Went Through Fire, directed by Mykhailo Illienko, tells the story of Ivan Datsenko, a Ukrainian who ended up chief of an Indian tribe. The film is in final production

Interviewer:
Yaroslav
Pidhora-
Hviadzovskiy

Filmmaker Mykhailo Illienko has been working on his latest movie for four years. The story of Ivan Datsenko is the perfect cinematographic tale: a man captured by the Germans in WWII is supposed to die in a Russian concentration camp but, against all odds, crosses all front lines to end up in Canada and become an Indian chief who preserves his Ukrainian culture. When renowned soviet dancer Makhmud Esambayev saw Ivan in 1967, he spoke perfect Ukrainian and sang “Rozpriahaite, khloptsi, koni...,” “Unharness the horses, boys,” a Ukrainian song.

UW: Reports say that this is a tragicomedy.

— No. From the very start, we saw it as a romantic ballad with a twist, where a fantasized event in one scene suddenly becomes real

in the next—just like my film “Fuzhou.” You could say I was asked to shoot another Fuzhou, with a similar fable and subject. And if I get a third proposal like it, I’ll do it. I love the story of a person who overcomes space and time, who overcomes the insurmountable. The only difference is that Fuzhou has a fictional character, while this one is based on a documentary running like a dotted line through the entire movie.

UW: Where did you find information about such a mysterious, little-known character?

— I’ve found many investigative reports online. Some confirm his story, others deny it. That’s why we put a caption at the end of the film saying, “The story is based on the life of a real person.” We are not recreating Datsenko’s life, not least because we don’t

know the whole story. This story exists at the level of a village pupil, a student at a military college and a pilot who fought in the war, became the Hero of the Soviet Union, and was shot down. We know that the Germans captured him after his plane crashed and our soviet Hero, like all other prisoners of war, became a soviet antihero. So, Datsenko was sent to other camps, to soviet ones. He escaped. And there trail ends, so we changed his name.

Our character is Ivan Dodoka. We can’t use the name of a real person without knowing all details of his life. A branded man, Datsenko had a very simple relationship with society: as a soviet prisoner, a traitor and a runaway, he was on the run. Many years later, he meets a soviet delegation in Canada as chief of an Indian tribe. Nobody knows how he got



there. This is our own version, the one I find the most convincing. And it satisfies the crucial impulse without which I wouldn't have started the film.

My objective was to create a hero, a Ukrainian hero. I would say that, today, in the Ukrainian film industry and culture, a Ukrainian hero is taboo. This has to change because people are hungry for their own heroes, their own legends. Take the real Vasilii Chapyev, what was he like? Nobody cares about that after the film by the Vasilyev brothers. And who was Rambo? He never existed at all. And what was Sukhov from "The White of the Dessert" like? He never existed, either, but all of them could get a passport today because they are real, much more real than many people who actually exist. When he saw the soviet delegation, Datsenko remembered what it was like, running from the NKVD, so when someone asked "How did you get here?" he said that he had been born "here," in Canada, to a Ukrainian immigrant, and met a daughter of an Indian chief later. He married her and inherited the chief's status. The tribe gave him the name, "He Who Went Through Fire." Why would a migrant's son have a name like this? What fire did he go through? Despite some assumptions we've had to make, the version in our film is clearly true. In the synopsis to my movie I wrote that a soldier abandoned by his kingdom has a right to choose another king—and this is the story of a soldier who became king himself.

UW: Why do some people not believe Datsenko's story?

— An American I know told me about his research on Datsenko. He explained that people in the US and Canada don't like to talk about Indians. They realize they are responsible for the genocide of an indigenous population. Most of the First Peoples were killed and the rest were hooked on whiskey and herded into reservations. So, no one wants to talk about the heroism of Indians. This friend of mine also thought Datsenko was an inconvenient chief for the Government because he was once a soviet squadron leader.

UW: Which aspects of the film would you highlight?

— Language. Datsenko was born in a Ukrainian village. Russian dominated in the soviet army. In the script, he marries a Tatar nurse during the war, so now he learns the Tatar language. In German camps, which were themselves like the Tower of Babel, he learns a little German, Polish and English. Later he runs away and God knows what other countries life took him too, but certainly many. Language is clearly his tool for building bridges. Today, language is used to divide, although it has a completely different purpose: helping people understand each other.

UW: What kind of budget did you need to shoot in different countries and use multi-lingual actors?

— The budget was average, just the problems were bigger! There was an 18-month break and we had to stop filming several times. We had to pull together everything we had to shoot in Canada, Europe and the Soviet Union. Our movie is a joint project with the Insight Media studio, producer Volodymyr Filippov and the Ministry of Culture.

UW: A big name actor like Brad Pitt would bring money for the film in a flash. Did you consider that?

— I had some ideas. And while I like our actors a lot, we have just three or four really popular ones and none of them is especially well known. Ukraine doesn't have any system for promoting them to become household names. We have no film industry of our own, no heroes, no myths—and no celebrities. Moreover, I needed a 22-23 year-old. So, I had to look for good but unknown artists. Of course, I was also looking for someone who is a Ukrainian native speaker.

UW: But you said Ukrainian is heard only at the beginning, in Datsenko's childhood.

— No, that's not true. I would say more that there was a language exchange going on. Ivan Dodoka borrows words and lends words that are native to him. He coins them. We started filming in 2008 in Kyiv and Rzhyschiv. The war was shot near Kamianets-Podilskiy. Half of the movie — Dodoka's birth, the army and escape from GULAG — is in Ukraine, followed by the Ca-

nadian period. We shot some of the Canadian episodes near Kamianets as well. Then the process stopped until the next summer. I was jobless for nine months and the crew of the Kupava invited me for a round-the-world expedition. Actually, nine months was not enough for this, but I got to Antarctica. I took the cameras, the character's uniform jacket and sailed on the Kupava through Gibraltar to Antarctica, where I shot the key Canadian scenes. But we didn't make it there during the summer period. So the crew—Yuriy Bondar, Andriy Zubenko and Valeriy Deymontovych—helped me out. Together we thought of where to go and moved to Buenos Aires. I did only one shoot in the Andes, but it was totally worth going to the end of the world for it!

UW: Where did you find the props?

— There are no soviet airplanes in Ukraine that can fly today. They are either in Germany or in the US, as far as I know. But we have fantastic computer graphic designers. There was a big problem with uniforms and costumes as well. Technically, we can do anything we want, as long as there is money. But real props are a problem.

UW: Where are you at now?

— We finished shooting at the end of the last year. We may have to do two more days of filming. Over the three years, we filmed 7-8 hours of digital video with a Red One camera. So, we have as many takes as we need. We expect the movie to be 100 minutes long and we've already cut 2/3 of the working print. Once we finish cutting, hopefully at the end of spring, we want to put the video on tape. Now, the most important task is to work on timing, space and plot inconsistencies: no matter how far away the hero is, he is always in Ukraine in his mind. So, the film has several threads winding at the same time.

UW: What do you want from this film?

— I want the audience to believe in our story, although they know that it's only one version. It's a story of a person who was not broken or stopped and instead chose this fantastic path. For me, this is a real hero. ■

Noble Walls

One third of the hundred castles preserved in Ukraine can be found in Ternopil

Author:
Maryna Hnatenko

Wandering along the corridors of once luxurious palaces and stern fortresses, going down to dungeons and learning Ukrainian history live is no problem in Ternopil Oblast. But don't expect to visit all castles in one trip, because this region boasts 34 castles, of the 100 that remain in Ukraine. They all look different but they share a similar fate. Their stories all began in the era of fortified defensive towns. Most are ruins today, waiting desperately for someone to take care of them. The strongholds that survived enemy attacks have since been destroyed by time and negligence.

ZBARAZH: KOZAK GLORY

On our way from the Zbarazh bus station to the castle, we pass 17th century wooden sculptures. After another few hundred meters, here we are. The walls look brand-new. I remember joining a Polish excursion group here four years ago—the castle is featured in *With Fire and Sword* by Polish writer Henryk Sienkiewicz and in Jerzy Hoffman's blockbuster film of the same name—and feeling embarrassed about the state of the castle. Today, it is a serious tourist spot.

A clean well-kept park, a moat and a gate... That's the place to go for history classes! Who can possibly forget the famous battle, standing on the spot where Stanislaw Morozenko died in 1649 as Bohdan Khmelnytsky led his army against Jarema Wisniowiecki?

The episodes of Kozak life displayed in wooden sculptures by Volodymyr Lupychuk fit the castle very well, ideally matching the works of artists from the renowned Johann Pinsel School and the elaborate 18th century Angel supposedly made by the

ZBARAZH. This photogenic fortress starred in Jerzy Hoffman's blockbuster, *With Fire and Sword*. Today, Zbarazh is a tourist spot

maestro himself in the next room. The country's spirit lives in every piece here.

Another room hosts the most complete collection of medieval weapons in Ukraine, including both original and exact copies of swords, battle axes, cannons, muskets, and suits of armor. The hall and the rooms display busts of Kozak leaders, portraits of Zbarazh princes, Kozak commanders and Polish heroes.

Contemporary marketing approaches have not passed by here, either. A medieval torture chamber was recently opened in the dungeons. Glamorous girls do photo shoots here. Everybody is looking for something...

Inside, the castle looks great, but the dungeons that stretch for dozens of kilometers need some restoration to last till spring. The Government has promised to pay UAH 6mn for this. And by Fall »





BEREZHANY. The Eastern Babel was once one of the most outstanding Renaissance era defensive fortifications in Europe

MYKULYNTSI. This castle survived Turkish sieges but surrendered to a textile factory in the 19th century



KREMENETS. The castle survived Batu Khan. Only Maksym Kryvonis managed to seize it with his Kozaks

PHOTOS: MARYNA HNATENKO, UKRINFORM



2011, when Zbarazh turns 800, the Cabinet of Ministers promised to fix not only the sites, but the town water supply system, too.

BEREZHANY: AN EASTERN BABEL

The Eastern Babel, a Renaissance castle in Berezhany and a one-time residence of the Siniawskis, a noble family, has not done so well. The owners took care of fortification, building walls that are 2-6 meters high, and of natural protection from an 800-meter wide swamp and two arms of the Zolota Lypa River. Needless to say, there is also elaborate architecture and a fancy interior. The castle was known for the luxury balls attended by Hetman Ivan Mazepa himself.

"Our fortress wasn't so lucky," says Volodymyr Paratsiy, Director of the Research Unit at the State History and Architecture Reserve in Berezhany. "Bohdan Khmelnytskyi never fought here, so the cas-

tle has been of little interest until now, even though it survived dozens of sieges and only surrendered twice: to the Kozaks in 1648 and to the Swedes in 1655."

The part of the castle that has been cleaned up hosts a small display of bricks with Potocki crests and marble fragments of decorations from the headstones of the Siniawski family found in the dungeons. The second floor is a museum of 19-20th century furniture. People from the area have brought furniture from all over to recreate the life of the then-middle class: a chest, a cupboard, a triangular wooden clock, a bed, a nightstand, and doors...

The castle started to fall apart two centuries ago. After the last owner, Jakub Potocki, died in 1934, the war and time hammered the final nail into its coffin. Since 2004, the castle has been part of a history and architecture reserve. One floor built with red bricks and the steel roof of the western wing

THE REBIRTH. Soon, visitors to Berezhany castle will see an allegoric marble sculpture reconstructed from fragments, in cooperation with Polish architects

are eyesores. But these are temporary. As long as there is no money to restore the castle, at least this little bit of repair work is better for the lower section and the display than a space open to the elements.

"For almost 30 years when the castle stood abandoned, vagrants stayed here to warm up because it's like a cave; the temperature hardly ever changes here," Mr. Paratsiy says. "We had to clear a forest here, put in a roof and fixed cracks in the wall of the new palace."

In the courtyard stands a model of the castle, scaled 1:170 and showing what it once looked like. If the allocated funds arrive in time, it should look like this again in another 25 years. Two chapels of the castle cathedral form the Siniawski family vault. For the past 5 years, scaffolding has been needed to support them.

With not much to show now, the entrance fee is only UAH 3. Today, putting things in order is the main priority. But the Government is in no rush to help the cas-



BEREZHANY: THE GREY EMINENCE

Two floors of the late 17th century New Palace crown the side of the current entrance gate to the Berezhany castle. The photocopies of portraits remind visitors of the nobles who once owned the palace. Their life was the history of several countries. With every shift in power, the family flourished and its offspring were not just friends with tsars and kings, but had crown ambitions themselves, such as the rascally Adam-Nicholas Siniawski. At one time, he hid the rebellious Hungarian Prince Ferenc Rákóczi and socialized with his persecutors. He welcomed both Piotr I and Ivan Mazepa as guests and corresponded with the King of Poland, whom he wanted to replace. Everyone thought Adam was irreplaceable and he was lucky enough to die in his bed.

TOURIST ROUTES

Ternopil oblast has countless castles. Just choose your route. If you go in the direction of Chernivtsi, you will find castles at Mykulyntsi, Terebovlia and Budaniv. Another way to go is Buchach, Pidzamochok and Yazlovetskiy castle. The last was preserved through the efforts of nuns from a nearby nunnery. In addition to the fortress, Buchach has an interesting town hall and a Basilian monastery. And don't forget Ternopil castle, Skalat, Toky, Sydoriv, and Skala-Podilska! Whatever direction you choose (**see map**), you'll find plenty of fortresses.

The best-preserved castles are in Ternopil, Berezhany, Zbarazh, Skalat, Kryvche, Zolotiy Potik, and Yahilnytsia. The best palaces are in Vyshnivka, Yazlivets and Bilokrynytsia.



tle out. It is hoping to draw foreign grants for that purpose. Last year, a festival with knights and fire shows was arranged to promote the castle and it could well become a regular event.

KREMENETS: SURVIVING BATU

As our bus heads towards Bona Hill where the Kremenets castle stands, a passenger says: "Write about our roads – they are one big mess! Our mayor is in his third term, so now he will definitely do—nothing!" The bus explodes with laughter. But at the top, the road is straight and even has road signs.

Tourists stay here till night. They say shashlyk tastes very good at Bona and the air is fantastic in the Kremenets hills. A short walk takes us to a wall around the corner. There is not much to see here – several walls, a half-buried well that looks like a bomb crater, and the remains of the entrance tower. It's more interesting to lis-

ten to the guide while you stand on the wall ruins above the abyss overlooking Kremenets. The small town also has medieval architecture that looks European from up here. The onion domes of the Pochayiv Monastery shine near the horizon on a sunny day.

It's hard to call these ruins a castle these days. Kozaks destroyed it in 1848—Polish kings had owned Kremenets since 1569—and no one has restored it since. Yet once upon a time, it was the most glorious castle in Volynhia, surviving even Batu Khan. Bona gleams with the blood of attackers. The nearly 100-meter high steep walls on the hill prevented anyone from seizing the castle. But in the mid-13th century, Prince Vasylko ordered the wooden fortifications dismantled. Later, the fortress was reconstructed in stone by Prince Liubartas, who is mentioned as a master, not a conqueror.

During the Polish-Lithuanian Commonwealth, the Italian-born Polish Queen Bona Sforza d'Aragona owned the castle. Kremenets tells many legends about her lovers and her cruelty. Still, the castle lived a peaceful life until Kozaks, led by Maksym Kryvonis and local rebels against the nobles, took it over after exhausting battles that lasted six weeks.

Our guide, the ticket-taker at Kremenets-Pochayiv State History and Archive Reserve, Mykola Vynnytskiy, says that history must be felt, otherwise it's boring. The fortress, Mr. Vynnytskiy continues, has many mysteries. In the 16th century, weapons were stored here, though kings and army commanders who might need guards did not live at the castle. To this day, nobody knows what was here before, a treasury or something else. ■

ВYSHNIVKA: ANOTHER VERSAILLES

Another palace worth seeing is in Vyshnivka. It gained fame thanks to the founder of the Sich at the Little Khorotsia who had the same name as the palace: Dmytro "Baida" Vyshnevetskiy. An old park surrounds the palace and the windows offer amazing views. The ruins of the wall are all that is left from the fortress, but the palace is in fairly good condition. It has a museum and offers guided tours. Plans are to set up a picture gallery for Ternopil-born Ivan Marchuk here. When Honoré de Balzac visited the palace in 1848, he called it "a little Versailles."

ВYSHNIVKA: CRAZY CHESS

In 1848, Taras Shevchenko visited Vyshnivka with an archeographic expedition. Here he heard a story about the "crazy chess" of Jarema Wisniowiecki. The nobles played it on a giant chess board with the serfs they owned as chess pieces. Viewers sat on a platform. The winners would then take the "lost" pieces with them and those poor people were likely to not see their families ever again.

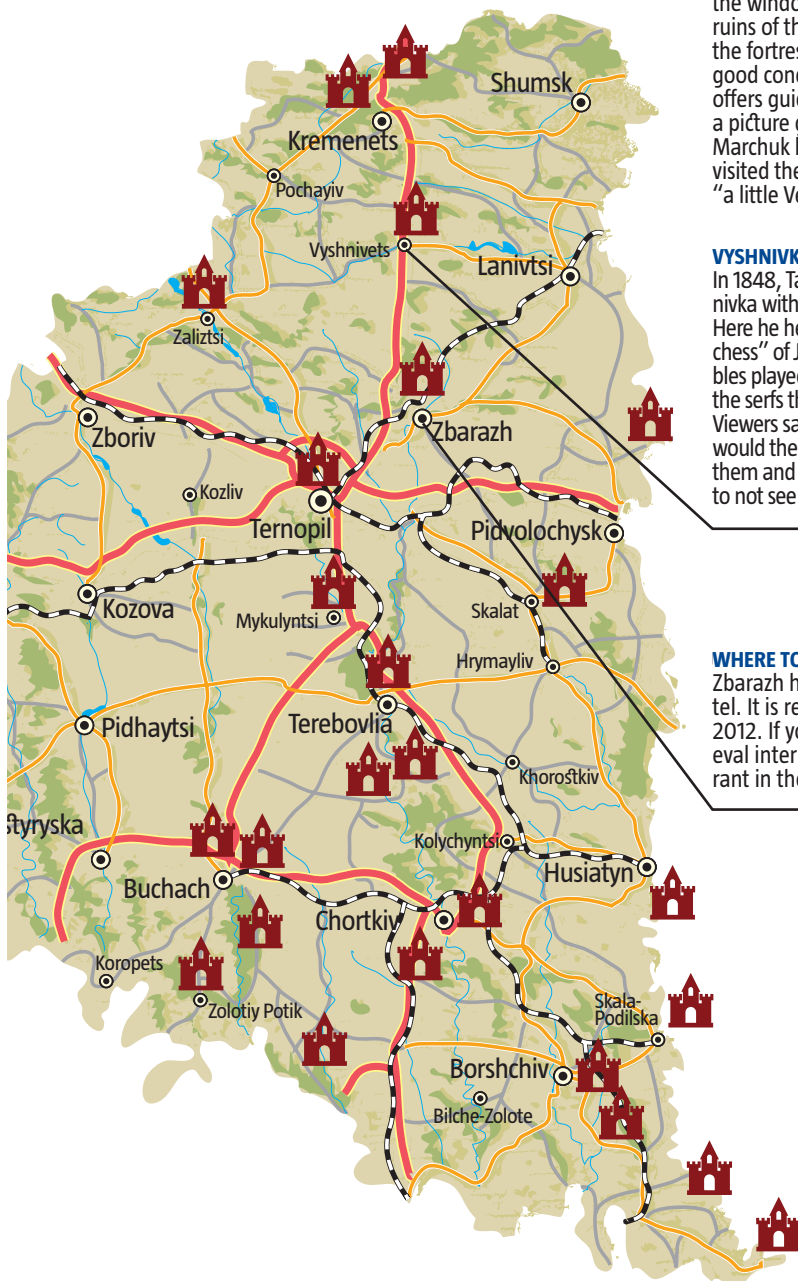
WHERE TO STAY AND TO EAT

Zbarazh has a three-star Hetman Hotel. It is ready to host guests for Euro 2012. If you want to dine in a medieval interior, go to the Legend Restaurant in the Zbarazh castle dungeons.

CASTLES ARE COOL

Two of the 10 State History and Architecture Reserves operating in Ukraine are in Ternopil Oblast: the Kremenets-Pochayiv and Berezhanskiy Reserves. Another historical and architectural reserve called Ternopil Castles in Zbarazh, was established in 2005 and has saved several castles.

Andriy Matsipura, General Director of Ternopil Castles, told Ukrainian Week that Zbarazh castle earns UAH 600-700,000 from visitors, excursions and leasing its halls every year, followed by the Wisniowiecki castle at UAH 150-200,000, and Yazlivetskiy and Terebovlianskiy castles at UAH 10-15,000. All the money is spent on blueprints and preservation, as all of the castles are dangerously derelict. Over the past two years, the Government has not spent a penny to repair or restore them.



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