

JANUSZ BUGAJSKI ON A NEW U.S. STRATEGY  
TOWARD NEO-IMPERIAL RUSSIA

BRITISH AMBASSADOR SIMON SMITH:  
PROGRESSIVE ASSOCIATION WITH THE EU WILL  
HELP UKRAINE UNLOCK ITS POTENTIAL

UKRAINIAN POLICE OFFICERS FALL HOSTAGE  
TO RAMPANT CORRUPTION  
IN THE LAW ENFORCEMENT SYSTEM

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# The Ukrainian Week

№ 15 (57) AUGUST 2013

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**UKRAINE'S ECONOMIC DEPENDENCE ON RUSSIA  
IS EXAGGERATED IN AN EFFORT TO DISRUPT  
THE SIGNING OF THE ASSOCIATION AGREEMENT  
WITH THE EU. MEANWHILE, MEMBERSHIP  
IN THE CUSTOMS UNION WOULD MEAN AN  
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**Head of editorial board** Roman Tsupryk

**Editors** Anna Korbut, Natalia Romanec, Shaun Williams

**E-mail** office@tyzhden.ua

**Tel.** (044) 351-13-87

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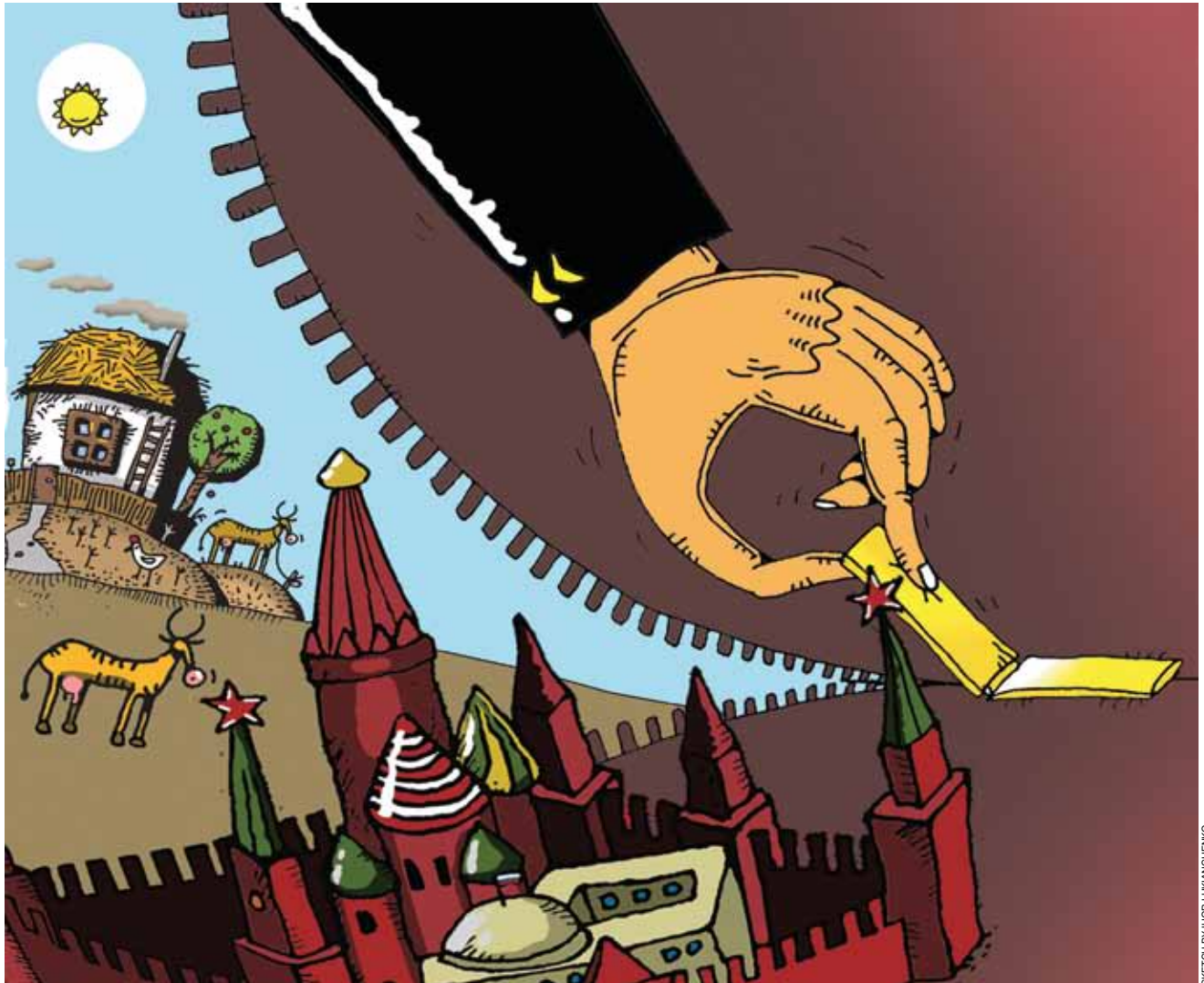
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**ТИЖДЕНЬ**

# The Kremlin's Bluff

Ukraine's economic dependence on the Customs Union is exaggerated in an effort to disrupt the Association Agreement



SKETCH BY HORI LUKANCHENKO

**Author:**  
**Oleksandr**  
**Kramar**

**A**s previously projected by *The Ukrainian Week*, Russia is playing hardball to keep Ukraine out of the Association Agreement and FTA with the EU (see **Caught in a Zeitnot in Is.14(56) or at [ukrainianweek.com](http://ukrainianweek.com)**). Talks on this issue between presidents Yanukovych and Putin and premiers Azarov and Medvedev have so far proven fruitless, while the official declarations of both countries that “there can be no trade wars be-

tween Ukraine and the Russian Federation in principle” merely cause confusion. However, they fail to hide the discrepancies between the pacifying statements and the worrisome reality. For instance, Vice Premier Yuriy Boyko, who chairs the Ukrainian working group allegedly set up to solve the troubles on the Ukrainian-Russian border, said on August 17 that most issues with Ukrainian goods stuck on the Russian border in cargo trains will soon be solved.

However, more and more Ukrainian entrepreneurs are suspending exports altogether to avoid their goods being held up by customs officials for unlimited periods.

Meanwhile, the trade war is a hot topic in both the Russian-sponsored and a number of Ukrainian media, painting apocalyptic scenarios for Ukraine if Russia continues to block Ukrainian goods. By doing so, they are playing into the hands of its spin doc-

tors whose aim is to persuade Ukrainians that the Russian and Customs Union (CU) markets are more important to Ukraine than European ones, and that Ukraine's economy will not survive their loss. The most proactive promoters of this message include Sergey Glazyev, Advisor to Russia's President for regional economic integration, and the father of Putin's goddaughter, Viktor Medvedchuk. The latter has stated that "Ukraine has to understand that sooner or later, the Customs Union will implement protective measures if Ukraine opts for the Association Agreement rather than the Customs Union." According to Glazyev, "this test was of a one-time nature... but we are preparing to tighten customs procedures if Ukraine should suddenly take the suicidal step of signing the EU Association Agreement."

European officials do not hide their concern over Russia's actions. The European Commission represented by Commissioner for Trade John Clancy called on "both sides to settle their differences within the WTO" and expressed the expectation that the EU's trade concerns with both Russia and the Ukraine" are to be solved swiftly and in the "spirit" of WTO commitments. Moreover, some in the EU claim that it is not about the conflict between Russia and Ukraine, but about Moscow challenging the EU, as it is pushing Ukraine not to sign the Association Agreement. On August 28, the Committee on Foreign Affairs will hold a special extraordinary meeting. According to its Chairman, Elmar Brok, it is going to assess the political impact of Russia's latest threats, should Ukraine sign the abovementioned document. A joint statement by a group of parties in the Euronest (EU and Eastern Partnership) Parliamentary Assembly, chaired by Jacek Saryusz-Wolski, claimed that the EU, as an interested party in the conflict, should act to protect Ukraine from Russia's actions since they are hostile to both Ukraine and the EU.

Hannes Swoboda, President of the Progressive Alliance of Socialists and Democrats group, joined his colleagues by saying that "Ukraine should have full independence to decide its foreign policy...it must have the right – without any external

pressure – to enhance its relationship with the EU. And the EU must support Ukraine's ambition for closer ties."

### FEAR HAS BIG EYES

Attempts to intimidate Ukraine with trade warfare stem from a stereotype, whereby Russia is Ukraine's most important economic partner and staying out of the CU will undermine Ukraine's economy. This stereotype was established in the 1990s when Ukraine's economic dependence on Russia, inherited from the USSR, was indeed significant. Now, its extent is greatly inflated.

Concerns are fueled by overblown estimates of Ukraine's potential losses, while the risks for Russia if Ukraine resolves to respond are overlooked. For instance, estimates of the possible

they are not. The Russian and CU markets are far smaller, compared to the European one, which includes Turkey as a big importer of Ukrainian goods (**see Inflated ego**). Moreover, Russia's share in Ukrainian exports was already plummeting before the trade warfare while that of the EU was increasing. Over Jan-May 2013, Russia's share in Ukrainian exports shrank from 26.6% to 23.7% compared to the same period in January 2012, while that of the EU grew from 24.5% to 26.8%. Also, Ukraine's exports are more diversified. According to the State Statistics Committee, EurAsEC (the Customs Union of Russia, Belarus and Kazakhstan) and the EU accounted for under 1/3 of Ukrainian exports each in Jan-May 2013, while more than 1/3 is exported elsewhere. The share of such third markets largely includes Asia and Africa and is growing inexorably.

Despite significant risks for some Ukrainian producers, restrictions of exports to Russia, if Ukraine signs the Association Agreement, will not have a disastrous effect on Ukraine's economy. In Jan-May 2013, Ukrainian steelworks exported just 13% of their output to Russia, chemical plants – 14.7%, and confectioneries – 22%. Ukrainian mechanical engineering sector is much more dependent on the Russian market. In Jan-May 2013, it exported 42.6% or USD 2.3bn of its total output worth USD 5.4bn to Russia. However, Russian producers are also heavily reliant on Ukrainian suppliers and have no substitutes for certain goods from Ukraine. Moreover, much of the industry's products, even if made at facilities inherited from the USSR, are competitive in developed markets. The sector's output accounts for 57.7% of Ukraine's total exports to Estonia, 47.3% to Norway, 45% to Australia, 45.2% to Hungary, 35.4% to Latvia, 34% to Germany, 30.1% to the UK, 20% to Switzerland, 19% to Lithuania, 17.1% to the US and 17% to Finland, plus 21.7% to Iran, 8.2% to India and since the beginning of the year, 15.5% to China.

To partially solve its troubles with exports to Russia, Ukraine can re-orient towards other markets it already has and search for new ones. It should also focus on meeting domestic needs by coop-

## THE KREMLIN IS CONFIDENT THAT UKRAINE WILL NOT RESPOND TO ITS ACTIONS AS KYIV HAS SO FAR BEEN SEEKING CONCESSIONS IN EVERY NEW ATTACK FROM RUSSIA

decline of Ukraine's GDP as a result of lower exports to Russia are exaggerated. They overlook the fact that the added value of most goods exported from Ukraine is often lower than the "intermediate consumption" of raw materials, components and fuels imported from abroad – also from Russia itself. Vivid examples of this include chocolate products with cocoa as the main imported ingredient, or mechanical engineering which has very close ties to Russian component suppliers. Steel or chemicals (especially the latter) are largely produced with commodities, including ore, gas, oil and coal, imported from Russia or elsewhere. If Ukraine lost USD 2-2.5bn of its GDP by the end of this year under the worst-case scenario as estimated by the Federation of Employers of Ukraine, imports would also fall by at least USD 1bn. This would leave an actual GDP decline at USD 1-1.5bn or less than 1% of Ukraine's current GDP.

Another myth is that Russia or the CU is the biggest market for Ukrainian entrepreneurs, which



erating with companies from developed countries. This, rather than the ongoing resuscitation of enterprises that are excessively focused on the Russian market, can help the development of mechanical engineering in Ukraine and offset losses on the Russian market. The Ukrainian mechanical engineering industry currently exports around USD 6-7bn worth of goods to Russia per year (USD 6.9bn in 2012 and far less this year, given the figures for the first six months of 2013). In 2012, Ukraine imported USD 22.4bn worth of mechanical engineering products. If it met at least half of its demand with domestically produced goods, with the localization of 40-50% of production, the output of the local mechanical engineering would grow by at least another USD 4-5bn. Plus, it would have a chance to develop cooperation with hi-tech economies, including European ones, whose governments do not to speculate on trade and economic relations for political purposes.

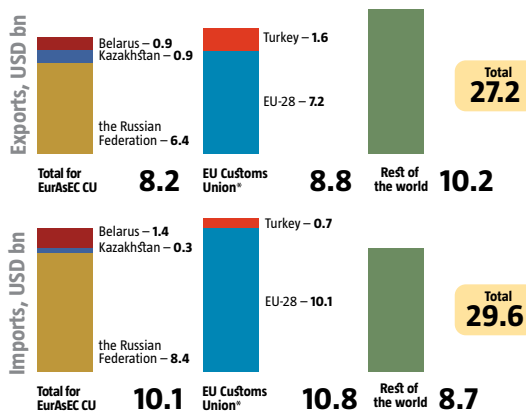
### POTENTIAL FOR A RESPONSE

The initiators of trade warfare against Ukraine are confident that it will not respond in equal measure. They are used to Ukraine's willingness to make concessions and in every new attack, accept Russia's rules of the game. However, Ukraine could change this – and it has sufficient grounds to do so, making Russia more cautious. The first attempts have already been made. Ukraine has banned the import and transit of grain from the Siberian, North Caucasus and Southern Federal Districts. The official reason is foot-and-mouth disease in these districts. The Energy Minister, Eduard Stavytskyi, declared Naftogaz's plans to further reduce the procurement of Russian gas and double the amount it buys from Europe from 2.5bn cu. m. in 2013 to 5bn cu. m. in 2014. Ukraine's potential for discouraging Russia from abusing trade warfare comes from the high bilateral trade deficit. Over the first five months of 2013, Russia exported almost 25% more goods to Ukraine than Ukraine exported to Russia. Over 60% of Russian export to Ukraine is

### Inflated ego

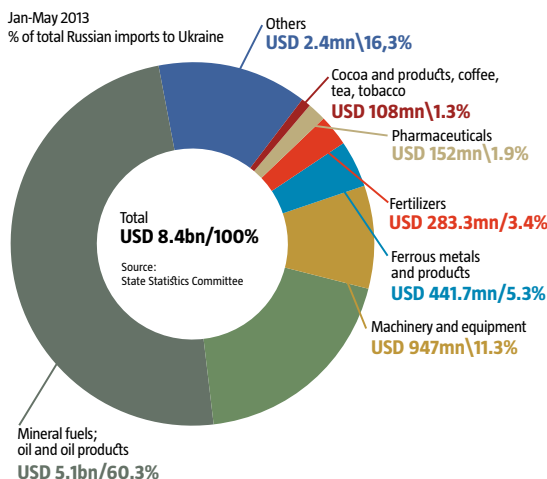
In view of their share in Ukrainian exports, markets of the EurAsEC CU, headed by Russia, are not a top priority for Ukraine

The geography of Ukraine's foreign trade in goods Jan-May 2013

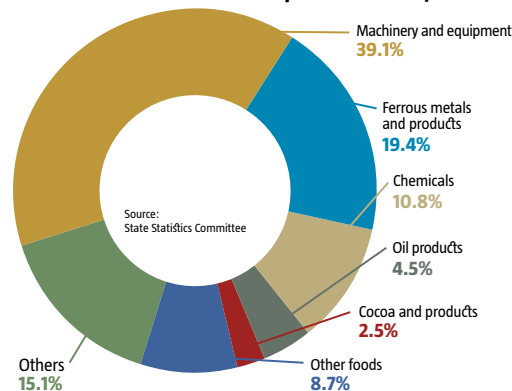


### More than gas alone

The structure of Russian imports to Ukraine makes it vulnerable to countermeasures against Russia's attempts to launch trade warfare



### The structure of Ukrainian exports to Russia, 2012



mineral fuels. The remaining 40% includes many goods which Ukraine could easily replace with domestic production, including

ferrous metal products, fertilizers, chemicals and pharmaceuticals, as well as food, especially cocoa, coffee, tea and tobacco (see **More than gas alone**). Machinery and related equipment join this lot as well.

Meanwhile, Russian exports of mineral fuels to Ukraine are vulnerable as well, especially oil, oil products, and coal. This is something Ukraine could easily replace with fuels imported from other countries. Several Western oil companies, such as Shell, BP, Chevron, ExxonMobil, SOCAR or Arab companies, could replace Russian companies on the Ukrainian market with imported oil and oil products in the short run, or build modern oil refineries here in the mid-term provided that they have sufficient investment protection and incentives. As a result, Russia would lose a big chunk of its oil market. If squeezed even more on the gas market, Russia's expansionist policy would be undermined. Russian coal could be replaced with that produced domestically. When all is said and done, Ukraine has been gradually diversifying its gas imports of late. If it imports 5bn cu. m. from Europe in 2014, Russia will lose over USD 2bn in exports compared to 2012. Once the offshore LNG terminal with its 5bn cu. m. capacity is launched, Russia will lose another USD 2bn in gas exports to Ukraine.

Seeking solutions to the conflict with Russia under the WTO spirit is hardly efficient, given the length of the procedure and Moscow's ability to cause more politically-motivated problems for Ukrainian exports. A more effective solution, especially after the signing of the Association Agreement with the EU, is to involve Brussels in negotiations. On the other hand, if the Association Agreement and DCFTA are signed and enacted, there will be no point in Russia continuing its trade warfare.

No matter what, the Russian market will remain extremely unreliable and one of the riskiest ones for Ukrainian suppliers. Thus, regardless of the outcome of the current trade warfare, Ukrainian companies should shed their excessive dependence on the Russian market. ■



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# Tug 'O' War

Three years after its creation, the Customs Union of Russia, Belarus and Kazakhstan has proven to be artificial and quasi-effective

**Author:**  
**Lyubomyr Shavalyuk**

**T**he Customs Union (CU) was enacted in July 2010, so member-states had a chance to experience all of its benefits by 2011 (see **Questionable efficiency**). Initially, they were indeed visible, as trade between Russia and Belarus grew that year by 42%, and between Russia and Kazakhstan – by 23%. Meanwhile, trade between Belarus and Kazakhstan shrank by 7% but that had no particular impact since in any case, it is much lower than that between Russia and other CU member-states. Instead, the effect was comparable to the growth of trade as a result of the post-crisis economic revival in 2010. However, it did not last. Economic growth slowed down shortly thereafter. Trade between Kazakhstan and both Belarus and Russia ultimately began to decline in the first six months of this year. This revealed a crucial problem: membership in the CU gave each state some short-term benefits while its general long-term effect is too paltry to justify the economic purpose of this union.

## A YOKE FOR KAZAKHSTAN

The Kazakh economy has had the fastest growth in the CU. Last year, real GDP increased by 5%. This pace continues in 2013 (see **Kazakhstan as a donor**). This mostly comes from the service industry which grew by 10.4% in 2012, while internal trade, as well as IT and communications have been a driving force of the economy.

In fact, services are not the primary source of Kazakhstan's development. Its major economic driving force is oil and gas, which generates 26% of GDP and 74% of total exports. A large chunk of revenues

from the production and export of fuel goes to the Sovereign Wealth Fund which channels it to the priority development of the economy and the service sector. This is where the Kazakh economic model differs from that in Russia, where revenues from oil and gas exports are used to maintain international influence, including financial, through investment abroad, and high domestic consumption that provides a luxurious lifestyle for the chosen few and bread and circuses to the masses.



**MEMBERSHIP IN THE CU GAVE EACH STATE SOME SHORT-TERM BENEFITS WHILE ITS GENERAL LONG-TERM EFFECT IS TOO MEAGER TO JUSTIFY THE ECONOMIC PURPOSE OF THIS UNION**

Thanks to its model, the Kazakh economy is enjoying significant growth. Even though this rate is now lower compared to the nearly 10% before the crisis because the oil and gas sector had already hit its peak (last year's output was the same as in 2011), careful and reasonable spending of oil dollars will still keep economic dynamics high for a while.

This model defines the position of Kazakhstan's economy in the CU. Since energy accounts for 75% of its total exports, Kazakhstan is not interested in the markets of other CU member-states. Russia is a fuel exporter itself and a monopolist supplier to Belarus. If Ukraine were to join the CU, Russia and Kazakhstan would in theory compete for its market. However, this does not seem plausible. In practice, there would be no competition, as Ukraine would turn into an energy monopoly of

Russia similar to Belarus. This was why Kazakhstan's exports to Russia shrank by 4% in 2012, and to Belarus – by 13%.

The structure of Kazakh imports fits into this economic model as well: oil dollars are carefully invested in innovations to make the entire economy more competitive. In 2012 and 2011, the import of machinery, equipment and vehicles accounted for 39% of the whole. Commodity-oriented and technologically backward, Russia and Belarus are not capable of meeting Kazakhstan's needs, shaped by its economic model. Unsurprisingly, Russian and Belarus exports to Kazakhstan grew by 89% over 2009-2012 compared to a 108% rise in Chinese exports. When it comes to competition, it is efficiency rather than unions that counts (see **Kazakhstan as a donor**).

Thanks to brisk economic growth and continued strong trade ties with CU member-states, Kazakhstan's imports from them grew until 2013 (it was still increasing by 13% with Russia but falling by 9% with Belarus in the first half of 2013). As a result, the trade balance with these countries has been gradually declining (see **Questionable efficiency**). Compared to the insignificant trade deficit with Belarus at USD 0.7bn in 2012, with Russia it rose from USD 6.7bn in 2010 to USD 10.4bn in 2012. In fact, once Kazakhstan became a member of the CU, it voluntarily began to support the Belarus and Russian economies. However, it is not getting any benefits in exchange.

## BELARUS' MISERIES

The Belarus economy is much more similar to that of Ukraine than Kazakhstan. It is equally industrialised, although focusing





on chemicals and petrochemicals that accounts for nearly 40% of Belarus' industry and a lion's share of its exports. This makes its economic development heavily dependent on revenues from exports. If these shrink, the negative impact on economic growth multiplies (see **A suitcase without a handle for Belarus**). Over the first six months of 2013, Belarus' GDP growth slowed down to 1.4% (the country has been in recession since Q2'2013), while industrial production plummeted by 4.2%. Even the threefold devaluation of the Belarus ruble and joining the CU in 2011 did not help.

Belarus has very close trade ties with Russia. In the first six months of 2013, it sold 42% of its exports to Russia, while Russian goods accounted for 54% of Belarus' total imports. It is arguable whether the boost in trade with Russia from 47% in 2010 to 48% in Jan-Jun 2013 was due to Belarus becoming a member of the CU. However, the countries are unlikely to generate further growth, plus it is very risky for the national security of Belarus. Trade with Kazakhstan accounts for a mere 1% of international trade. Thus, the cumulative effect of Russian, Belorussian and Kazakh integration seems pretty miserable so far, nor does it look very promising in the long run.

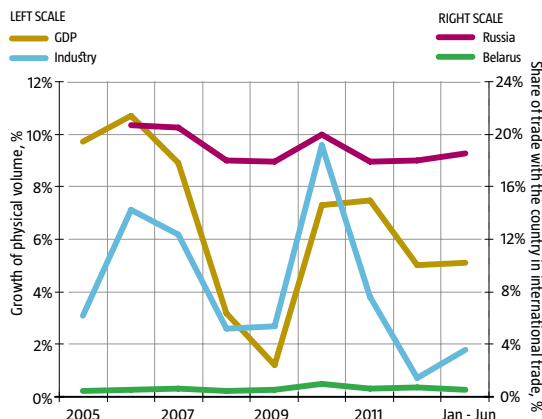
Given the growth of the trade balance in Russia's favour since Belarus joined the CU, its membership has a negative impact on Belarusian citizens. Belarus seems to have realized this: as soon as its macroeconomic indicators began to worsen, it applied protectionist tools to improve its trade balance. This affected its CU trade partners, as imports from Russia and Kazakhstan fell by 24% and 29% respectively over Jan-Jun 2013 compared to a decline in total imports of only 11%. In fact, this Minsk-style protectionism is the first signal of how CU member-states will act when times get tough. Any crisis will push CU integration and all of its far-fetched benefits to the sidelines. No CU member-state will support its partner. This makes it profoundly different from cooperation within the EU and the eurozone.

## RUSSIA: NEW TOOLS FOR COLONIALISM

In 2012, the Russian economy proved 10 times bigger than that of Kazakhstan and 32 times that of Belarus. Poor economic benefit from this integration is the first indicator that Russia pur-

### Kazakhstan as a donor

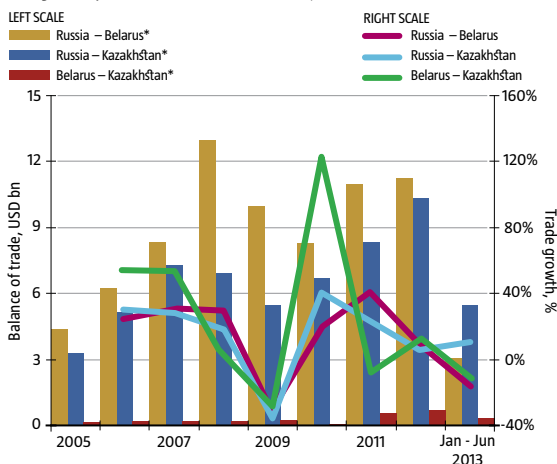
More effective than Russia's, Kazakhstan's economic model supports its own economy and those of Russia and Belarus through mutual trade. Meanwhile, Belarusian and Russian goods are becoming less competitive on the Kazakh market, so Kazakhstan's dependence on the CU is declining



Sources: Statistics agencies of Russia, Kazakhstan and Belarus

### Questionable efficiency

International trade within the CU is slowing down, with its turnover falling in some cases. Meanwhile, the trade balance only brings benefits to Russia, albeit meager compared to the scale of its economy



\* For the first country in the pair, the first shows a profit, while the second – a deficit. For example, the balance of trade between Russia and Belarus is sufficient for the first, but negative for the second

Sources: Eurasian Economic Commission, Statistics agencies of Russia, Kazakhstan and Belarus

sued different goals when it set up the CU. A comparison of cumulative Russian exports to Belarus and Kazakhstan (USD 45bn in 2012) with its total export of energy commodities (USD 369bn or 70% of total exports) reveals that the CU is not likely to become a driving force for the Russian economy anytime soon or ever.

Russia's economic model would be similar to that of Kazakhstan if it spent its oil dollars to create new jobs within the country. Instead, it splurges on politics and social populism. As a result, its economy, where, similarly to Kazakhstan, fuel production is stagnating, performs much worse than the Kazakh economy and is just a step away from recession (see **Russia's neo-colonialism**). If it employs Belarus' techniques to overcome an economic crisis, the meager effect of CU integration that is already barely noticeable, may grow into a serious problem for CU economies. The increase of Russian imports from Kazakhstan and Belarus has already plummeted from 22% and 46% in 2011 to 3% and 6% in Jan-Jun 2013 respectively, and this is hardly the bottom line.

Meanwhile, Russia is arguably the only beneficiary of CU integration (the political benefits are obvious). Its trade with Belarus and Kazakhstan has grown. So has the share of its international trade with these countries, rising from 7.1% in 2010 to 7.9% in 2012 (see **Russia's neo-colonialism**). The trade surplus increased from USD 8.3bn and USD 6.7bn in 2010 to USD 11.3bn and USD 10.4bn in 2012 respectively (see **Questionable efficiency**).

This is not much, given the scale of Russia's economy but the main thing is how Russia spends this money. Developed economies that have an international trade surplus with weaker economies normally return a large chunk of it through investment, since poorer economies offer better potential and higher returns on investment. This is seen in the flow of goods and financing among EU member-states. By contrast, Russia's investment in Kazakhstan has never exceeded USD 1bn per year. According to the National Bank of Kazakhstan, the inflow of foreign investment from Russia peaked at USD 1bn in 2011 but fell by 25% in 2012. FDI stock from Russia was USD 1.8bn at the end of Q1'2013. It invests more in Belarus but the National Bank of Belarus reports that its FDI stock there was USD 9bn, i.e. below the annual balance of trade between the two countries. Russia's efforts to increase its trade surplus with its CU partners without giving

anything back indicate the real purpose of the union.

Another curious aspect of the CU is the impact of the global goods flow on trade within it. Both Belarus and Kazakhstan are WTO observers, while Russia has been a full member since 2012. In the future, the growth of Russia's goods flow to other CU member-states may come from the re-exports of non-Russian goods, thanks to the price differentiation that makes it convenient for Russia to resell goods to Kazakhstan and Belarus. This once again proves that neither Minsk nor Astana benefit from the CU.

## LESSONS FOR UKRAINE

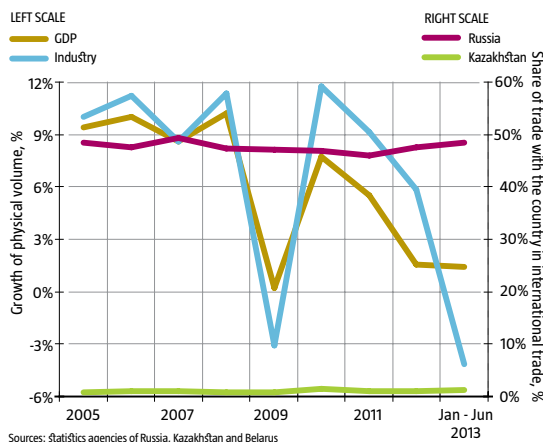
The above analysis leads to a number of conclusions. Firstly, the positive impact of the CU was short-lived and is barely noticeable today. Secondly, no CU member-state will enjoy significant economic benefit from membership in the long-term, since the core of their economic models are not linked to the CU. Kazakhstan is likely to become a permanent donor while Belarus does not need the CU to deepen trade with Russia – the latter is swallowing it up anyway. The economic effect of this integration is too insignificant for Russia to be seriously interested in it. Thirdly, the CU is an egocentric entity rather than a partnership. As soon as any of its member-states face economic troubles, none of its CU partners will support it. The first years of its existence have already proved this.

The CU is quite a strange integration project. The expected decline of the Russian economy will reveal its dark sides to the full extent. It will fall apart, since there may not be any point in free trade with Russia for Belarus and Kazakhstan once crisis trends grow to a certain level in Russia. In 2011, Uzbek President Islam Karimov stated that his country will not join the CU because it "could go beyond economic interests and gain a political colour and essence." So far, the project only seems to have been of a political essence.

Voluntary membership in the CU appears to be economic suicide for Ukraine. The arguments of its advocates do not stand criticism. They say that Ukraine's interna-

## A suitcase without a handle for Belarus

Belarus depends heavily on trade with Russia. This poses a threat to its national security if its integration continues. Meanwhile, the escalating crisis signals in the Belarus economy cause protectionism through restricted imports from its closest partners



Sources: statistics agencies of Russia, Kazakhstan and Belarus

tional trade will grow annually by USD 9bn if it joins the CU. Even if we assume that this is not a random figure, it is only 16% of Ukraine's trade with CU member-states in 2012 and a mere 5.8% of Ukraine's total international trade. Given the trade records of CU member-states, this may be the case in the first year or two after joining but the growth will not last.

Also, CU proponents state that the cumulative effect of Ukraine's integration into it will be a GDP growth of 15-18% within just a few years. If credible, this number shows that Ukraine's integration into the CU will make it only four to six times poorer than developed countries, rather than the five to seven times poorer it is now. In addition, the economic model of Russia as the core country in the

union will push it and its satellites farther behind the world's leading economies that will continue to develop.

The final, supposedly most persuasive argument that CU advocates use is the revival of a synergy from the collaboration of hi-tech industries – something they assume will bring long-term benefits. However, Russia's economy is hardly innovative. Plus, it has been replacing hi-tech imports from Ukraine with substitutes produced at its own plants. This is the case in many sectors where Russia has replicated production technologies, such as railway transport, energy mechanical engineering, pipes and so on. With industries where Ukrainian technologies are unique (some airplanes, aircraft engines, turbines and more), Russia-based facilities that were part of the production chain in the USSR have largely gone to rack and ruin. A Ukrainian aircraft engineer once joked that you have to call some plants in

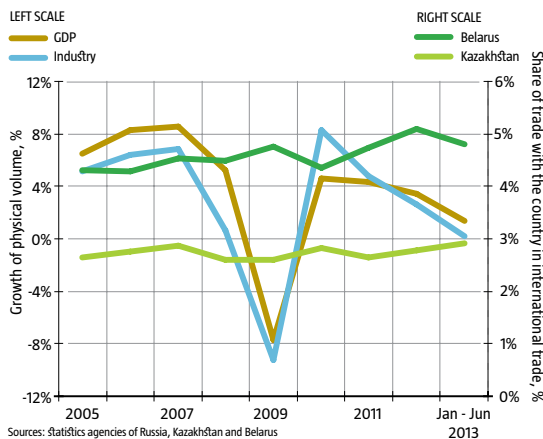
**THE ONLY POSSIBLE IMPACT OF UKRAINE'S MEMBERSHIP IN THE CU IS A PALTRY ONE-TIME BENEFIT. ETERNAL BACKWARDNESS IS THE PRICE TO PAY**

Russia before lunch, because all of the people in charge there are drunk or out of the office in the afternoon – there is no smoke without fire. Thus, Ukraine may find the real effect of this synergy much less attractive and it will require much more time than portrayed.

The only possible impact of Ukraine's membership in the CU is a paltry one-time benefit. Eternal backwardness is the price to pay. Economically, such integration will not only close most developed markets for Ukraine, but block access to investment, innovative technologies, development and support in times of crisis. Without all this, sustainable economic development will be unrealistic for Ukraine. Its economic model will grow more and more similar to that of Russia or Belarus, which are far less effective than even the Kazakh economy, let alone developed economies. ■

## Russia's neo-colonialism

Russia is unilaterally benefiting from CU integration. However, the benefits are insufficient to stop the slowdown of its economy, caused by its inefficient economic model. As a result, a possible recession in Russia could strip all member-states of any benefits that the CU may have to offer



Sources: statistics agencies of Russia, Kazakhstan and Belarus



# A Road Map For Economic De-Sovietization

A profound reboot of Ukraine's socio-economic system is the only way to transform it from an uncompetitive Soviet fragment to a modern dynamic economy

**T**wenty-two years after the collapse of the Soviet Union, Ukraine's economy remains a fragment of the "single national economy". Any attempts to manually adjust it to meet the needs of the global market have increasingly pushed it farther behind. Now, Ukraine is dragging far behind other FSU states that were in comparable or even worse positions at the beginning of the 1990s. Ukraine's current per capita GDP is 21% below its 1990 rate despite a 13% decline of the population since then, while states that have implemented minimal reforms have improved immensely since the 1990s. Ukraine's economic predicament has led to the rapid impoverishment of the majority of its population and left millions unemployed (over 7 million including hidden unemployment, according to *The Ukrainian Week's* estimates). Many Ukrainians – at least 1.5 million – are forced to seek jobs abroad, making labour a major Ukrainian export commodity and a means for the government to patch holes in the budget. In 2012, Ukrainians working abroad transferred USD 3.7bn home. Obviously, Ukraine's economy will never grow at a high and sustainable pace with the socio-economic model inherited from the USSR in place. The country needs a profound reboot to unlock its potential. Ukraine has to shed its status as a raw material colony and switch to a sustainable economy based on natural and geographic advantages and high value-added industries.

## BURDENSOME LEGACY

Inefficient structuring is hampering the economy's autonomy. Firstly, it is over-integrated with other post-Soviet economies, especially that of Russia (in the engineering and military industry in particular). In 2012, 39% of Ukraine's total foreign trade turnover was with the CIS, over 3/4 of this with Russia. This is the effect of

**Author:**  
**Lyubomyr Shavalyuk**

a Soviet-era policy whereby facilities of one production chain were dispersed in different republics to prevent their separation. Secondly, the structure of physical capital in Ukraine is completely determined by the Soviet economy. Its capital assets are energy and labour inefficient. According to the World Bank, Ukraine consumes 3 to 4 times more energy per dollar of GDP than most developed countries. The USSR had vast resources and fuel production capa-

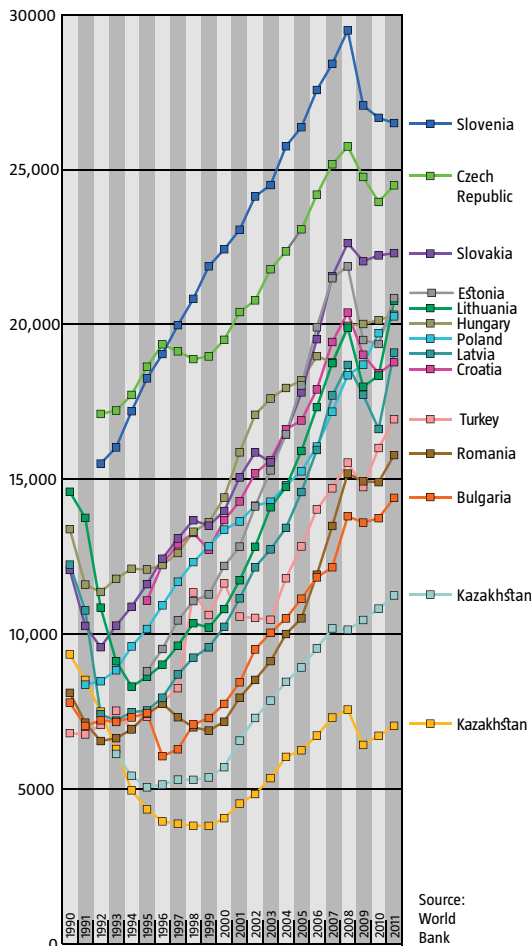
bilities and there was no emphasis on energy efficiency, hence the energy-consuming PP&E. With full employment as the Soviet government's top priority, its plants were designed to provide this rather than efficiency. The impact of this policy is still visible in huge fuel imports and overblown staffs that are willing to work for peanuts. Thirdly, a high concentration of production facilities created numerous monotowns. Today, these remain the only source of survival for many thousands of Ukrainians who have nowhere else to go when output plummets at their factory or lay-offs take place as a result of technological upgrade or bankruptcy. One recent example was the series of massive protests in Lysychansk, a monotown in Luhansk Oblast where a slew of the town's major factories closed down one after another (**see The Looming Revolt in Lysychansk at [ukrainianweek.com](http://ukrainianweek.com)**).

Another systemic problem that Ukraine inherited from the Soviet era is the government's excessive role in the economy, which even constitutes a monopoly in many sectors. It generates 35% of the country's GDP in production and 45% in aggregate demand, i.e. 50-60% of GDP turnover through demand or supply. Coupled with inefficient state-owned enterprises, this creates extensive opportunities for corruption. The government sector is the largest source of enrichment (through budget funds, power and state monopolies), so it attracts "entrepreneurs" who focus on building shadow scams. Another element of this problem is the population's financial dependence on the state. With nearly 14 million pensioners and 7 million public sector employees, plus their families, over half of all Ukrainians rely on the government financially to some extent. This ruins their motivation. Most people who end up employed in the public sector lose competitiveness in a labour market. Also, there is a problem of mental state-dependence inherited from the USSR. The Bolshevik regime used paternalism and stifled private initiative to destroy the remnants of the private-ownership mindset that had been typical for most Ukrainians in contrast to the community-oriented Russia. The effect of this policy is clearly visible today as many Ukrainians still expect the government to solve their problems – even daily

## FARTHER BEHIND

22 years with no reforms and unchanged economic model have pushed Ukraine far behind even other FSU states that were in comparable or worse positions at the beginning of the 1990s

GDP (PPP) per capita; 2011 constant prices in US \$



ones – while refusing to seek solutions or improve their lives on their own. All this fuels political populism, opportunism, deep disenchantment and overall political uncertainty.

This explains why market institutions are appallingly weak. The 2012-2013 Global Competitiveness Report provides a vivid example: Ukraine ranks 73<sup>rd</sup> overall, and 132<sup>nd</sup> in the Institutions category. It lacks effective performance in two key market institutions: private property and freedom of entrepreneurship. The inefficient judiciary, made so by corrupt judges who also depend on those in power, cannot protect private property. The dependence of businesses on numerous government authorities that make up the core of the current system (i.e. the tax administration, law enforcers, sanitary control, licensing authorities, etc.) distorts freedom of entrepreneurship. In fact, it is the weakness of these two market institutions in Ukraine that makes doing business a challenge (and numerous rates prove this – see **Different economic models – different accomplishments**). While business obtains lower profitability, it accumulates more and more risk factors, including the potential for total loss of business through raider attacks. This is one of the key reasons behind the overwhelming deficit of investment and the slowdown of investment growth (in 2012, Ukraine saw UAH 257bn in gross investment, nominally 4.7% below the 2011 rate). A slew of other market institutions remain underdeveloped. These include anti-monopoly policy (ironically controlled by the very oligarchs whose monopolies should be affected), labour legislation, entrepreneurship assistance. This leads to deep distortions in doing business because a handful of oligarch monopolies effortlessly rake in huge profits while those who opt for entrepreneurial skills and innovations struggle to stay afloat.

Ukraine also inherited a distorted system of motivation from the USSR in which business initiatives are stifled rather than encouraged. With rules that frequently change for non-oligarch businesses, a high risk of losing one's business under pressure from government-linked competitors, and burdensome bribes, entrepreneurship is made unprofitable and private initiative redundant. Meanwhile, op-

portunities for rapid enrichment in the government distract potential entrepreneurs, encouraging them to struggle for power by grabbing available public assets and monopolising markets. The government blames its problems with pension and social benefit payments on entrepreneurs (not oligarchs!), thus artificially shaping their negative image in the eyes of society. For instance, the 2010 Tax Maidan protest faced negative reactions from public sector employees after pro-government mass media outlets criticized it.

The system is also killing initiative amongst salaried employees, most of whom are discouraged from improving their performance. The key reason for this is the low level of compensation in an oligarch-controlled economy where unemployment is soaring. The resulting excessive competition for jobs allows oligarch businesses to keep salaries sustainably low. Non-oligarch businesses can't afford to offer their employees better salaries because higher labour cost will make them unprofitable. The government can only afford to raise salaries a mere UAH 50-100 per year. This policy forces people to focus on extra sources of income rather than their main job. Hence, Ukraine has one of the lowest workforce productivity rates in the world. Very often, especially in the public sector, quality and productivity do not matter at all. The top priority is to collect money at the bottom and transfer it to the top, so professional productivity is out of question. Another side of the problem is that sometimes, the administration views initiative as potentially threatening to its own longevity, so it stifles or punishes it. This distorted system of motivation is the worst element of Ukraine's Soviet heritage because it may take generations to correct on a national scale. The lack of motivation results in meagre workforce productivity, professional degradation in more corrupt sectors (judiciary, law enforcement, health care, education and the like), and a reluctance to pursue higher education within a system where one can simply pay a bribe to get a job. Among other things, this affects the minds of the younger generation – hence the increasing number of applicants to tax academies or law departments that open the doors to corruption-friendly jobs.

Two decades without reforms led to new negative effects that are

often much more dangerous. Ukraine has ended up with an oligarch-slave economic model. Ukraine's capitalist bigwigs are not the key issue. The issue is that they do not develop their businesses and do not create jobs. Instead, they redistribute what is already available and pump profits out of Ukraine. Offshore "foreign investment" by Ukrainian oligarchs is most often used to buy pre-existing assets at discounted prices through corrupt officials, including those at the very top. Meanwhile, they barely invest in the intense development or modernisation of functioning businesses. The latest news of what is now widely advertised by the oligarch-controlled mass media as the "national business" is the purchase of UkrTelecom, a national telecommunications monopoly, by Ukraine's richest steel tycoon Rinat Akhmetov at the blatantly rock-bottom price of EUR 1bn. Shortly after, the government signed a memorandum with steel oligarchs to support their "loss-making" industry and modernisa-



## THE BOLSHEVIK REGIME STRUGGLED TO DESTROY THE REMNANTS OF THE PRIVATE-OWNERSHIP MINDSET THAT HAD BEEN TYPICAL FOR MOST UKRAINIANS

tion of their plants at the expense of the rest of the economy and taxpayers. Privileges will most likely be used to further launder money to offshore zones and subsequently buy the remaining state assets for peanuts.

### WHAT CAN BE DONE?

In order to get on a path to sustainable development, Ukraine has to shed its devastating Soviet heritage. Key priorities include the protection of private ownership, freedom for the business environment, effective anti-monopoly policies, incentives for SMEs, and the facilitation of a high share of investment in GDP. An important prerequisite is the government's careful strategic choice of industries to support – those that have the potential to become drivers of the economy, create jobs quickly, and boost GDP by switching from export-oriented production facilities to the domestic market as well as winning advantageous niches in



global workforce distribution. This should be driven by efforts to maximise the added value of Ukraine's products and minimize dependence on imported raw materials and fuels from uncertain sources such as "Eurasian" post-Soviet states.

To increase GDP (PPP) per capita from the current USD 7,000 to at least USD 20,000 (as Ukrainian neighbours have), capital goods that generate 2/3 of this new level of GDP should be built from scratch and outside industries with excessive capacities like steelworks, chemistry and the like. The roadmap to drawing investment is well known and has been tested all over the world. In addition to the rule of law and protection of private property, the government should minimise, formalise and depersonalise contacts between businesses and government officials. Fewer contacts through inspections, declarations, certificates and licenses mean fewer loopholes for corruption. Officials should have shorter deadlines for consideration of any requests or applications from entrepreneurs. They should facilitate business development and get adequate compensation for this rather than taking bribes for granting the right to do business. The government should open the country to international business and facilitate entrepreneurial initiative within the country by training and consulting business owners, reimbursing part of the in-

**Key priorities include freedom for the business environment and effective anti-monopoly policies**

terest on loans, designing a programme to make loans considerably cheaper, and so on.

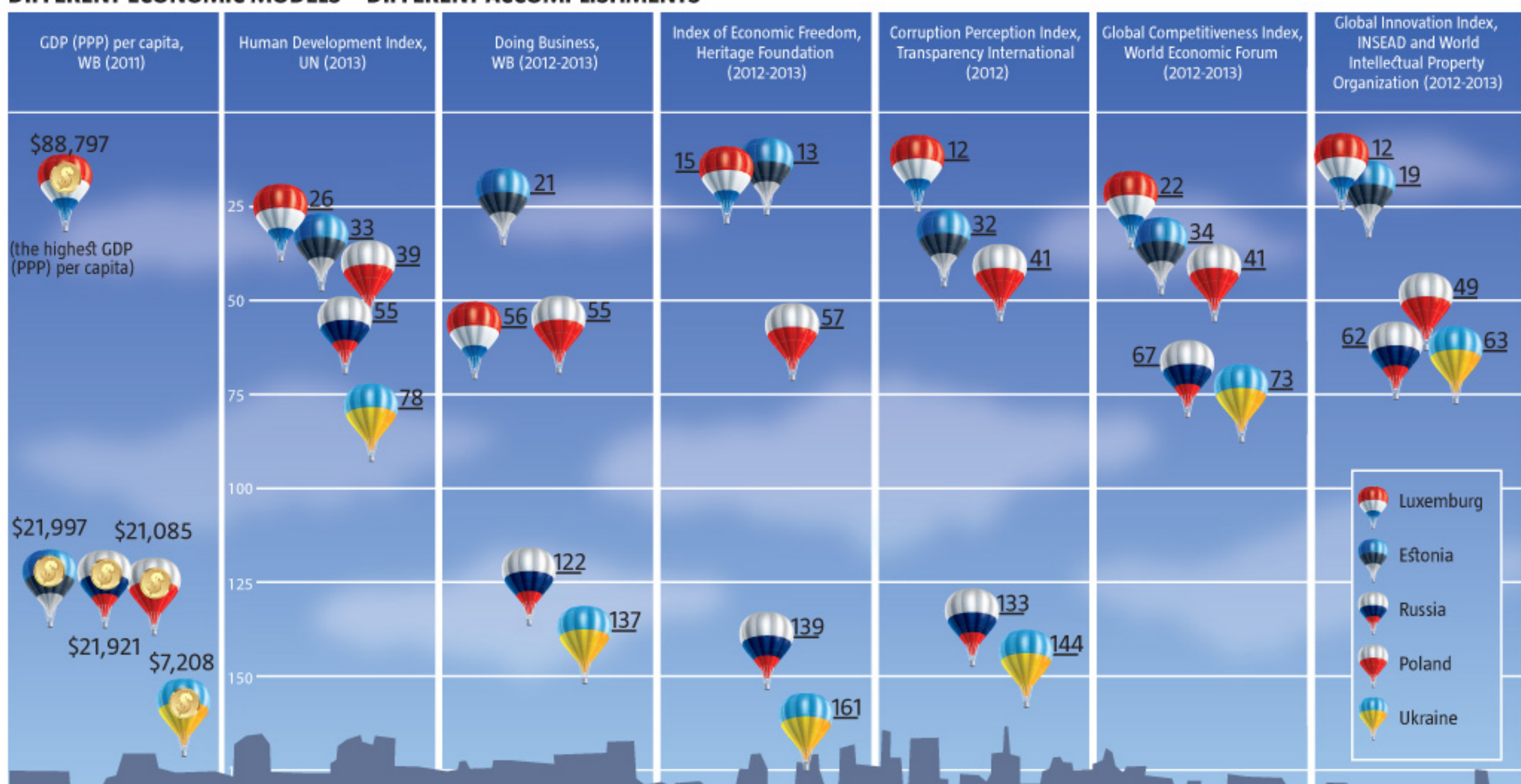
Extensive privatisation is also a priority. If the public sector is the domain of inefficiency and corruption, its reach should be limited. Thus, privatisation should be completed to bring the share of enterprises associated with the state in the GDP down to 10-15%. The number of officials should be reduced while requirements and reward for them increased. Meanwhile, the scope of functions performed through the budget should be narrowed to that of a market economy. Subsequently, the government should focus on economic priorities determined by the country's situation and stage of development. It should maintain a macroeconomic balance that is in line with the global situation and set liberal and equal rules for business. Those in power should ease and level out fiscal pressure on businesses by cutting tax rates, tax advances and non-reimbursed VAT, making inspections shorter and less frequent, etc. They should eliminate shadow exports of capital through tough tax control over transfer pricing and other offshore schemes. However, these measures should primarily target oligarch businesses, while the current government-sponsored draft law on this suggests excluding steel and mining plants from its scope.

Another important objective is to set economic barriers for costly

productions and incentives for new efficient enterprises. The government could compensate a portion of expenses for every business that improves its efficiency and creates new jobs while preventing abuse. It should embark on strategic planning and understand which industries should be developed given their potential. It should also bring public investment down to a minimum: the long evolution of capitalism proves that private investors are by far the most effective.

Shattering the oligarch model will be the biggest challenge. Oligarchs hold powerful leverages in the economy, government and society. If they are removed manually, new ones will soon replace them. Thus, the government must counterbalance them. The fastest way is to draw Western investors by selling the remains of state-owned assets to them and helping them to open new enterprises, including in oligarch-dominated domains. This would use the market itself to eliminate such monopolies. Meanwhile, oligarch influence on SMEs and foreign business should be eliminated. Oligarchs should be deprived of opportunities to stifle competitive business by exploiting government authorities and monopolies—whether their own or those of the state. Big capital should exist but its owners should focus on developing and upgrading their businesses first and foremost. ■

#### DIFFERENT ECONOMIC MODELS – DIFFERENT ACCOMPLISHMENTS





# From Private Property to Feudalism

State monopoly, limited competition and the excessive exploitation of resources was always the basis for the economic model that the Kremlin tried to force upon Ukraine

**Author:**  
**Oleksiy Sokyрко**

**T**he long evolution of economic models in Russia was nothing more than the reincarnation of the very system that was based on the domination of the state, monopolies, limited competition and stifled private initiative, which posed a potential threat to the government, extensive agriculture, non-economic incentives, lack of respect for private property rights and the unlimited exploitation of the workforce and natural resources. The implementation of this model in Ukraine ruined its European economic institutions and triggered gradual socio-economic degradation, causing Ukraine to remain far behind civilized countries.

## IMPERIAL MERCANTILISM

Before the start of the 18<sup>th</sup> century, the Russian economic model had little contact with external influences. This changed with Peter the Great's Westernisation reforms that were expected to lead the country to the big European political arena. Economist and historian, Alexander Gerschenkron, made a valid point, stating that the Grand Duchy of Muscovy, which later became the Russian Empire, wanted to bring in innovative technologies and organisation practices from the West to free its economic potential, while using its traditional methods, most of them based on the domination of the state, centralised administration and distribution of assets, the marginalization of private initiative etc.

For Ukraine whose lands were drawn into Russia's orbit piece by piece throughout the 17-18<sup>th</sup> centuries, this entailed the crushing and transformation of the economic and social structures established in

the late Middle Ages and built on completely different principles. The Ukrainian state and its institutions, whether under the Polish-Lithuanian rule or during the Cossack Hetmanate, had never had total influence and control over the economy, allowing it to develop freely, guided by external markets and domestic demand.

Just as in other European states, commercial life in Ukraine was centred around two key spheres. The main one was agriculture, followed by urban craftsmanship and trade. These served as the basis for property rights and economic self-organization expressed in land ownership, initially by the nobility, then the Cossacks, and craft workshops with Magdeburg self-governance which Muscovy had never practiced. Open and relatively unpopulated until the 18<sup>th</sup> century, Ukraine's steppe regions offered plenty of opportunities for commercial colonisation. This led to the development of a special social type of land owner – entrepreneurial daredevils who constantly competed with nature and nomads, relying only on themselves.

Ukraine's foreign trade developed westward to Europe through Austrian and Polish markets, and south-eastward where the Ottoman Empire and Crimea were its major trade partners. The westward trade corridor through which cattle, grain, horilka and other agricultural products was shipped to European countries dates back to the 16<sup>th</sup> century. It connected Ukrainian merchants from Volyn, Poltava and Starodubsk with Gdansk, Breslau, Stettin, Marburg, Riga and other trade centres of Early Modern Europe.

The situation changed when Russia began to pursue its political and economic interests in the early 18<sup>th</sup> century. Thanks to the victory

The Grand Duchy of Muscovy which later became the Russian Empire, wanted to bring in innovative technologies and organization practices from the West to free its economic potential, while using its economic methods, most of them based on the domination of the state, the centralised administration and distribution of assets and stifled private initiative

in the Great Northern War (1700-1721), it could redistribute political influence in Central-Eastern Europe and instill its rules of international business on its neighbours that were less shrewd. By 1714, St. Petersburg had monopolised trading in strategic goods including Ukrainian potassium, flax, goat fat, timber for shipbuilding and so on. Ukrainian merchants were ordered to transport their goods to northern ports in Riga and Arkhangelsk instead of the common routes to Krakow, Gdansk and Breslau.

Peter's mercantilism did not really have faith in private initiative, preferring state-controlled financial and industrial groups known as *kumpanstvo* (these were





initially voluntary communities to fulfill shipbuilding obligations – Ed.) organized by officials and merchants under the protectorate of the tsar's circle. Foreign traders could then buy export goods, i.e. cod, salmon, caviar, flax and skins, but only from their companies which held a monopoly on the industries producing and trading these goods. These merchants, such as Gavriilo Raguzinski, the nephew of Peter the Great's well-known diplomat Sava Raguzinski, were also granted favourable trade concessions in Ukraine.

The village community was another element of this agriculture-based economic system. It guaranteed that peasants – in partial or total serfdom – worked duly for their landlords or the state. American historian Steven Hoch described the village community primarily as a mechanism of mutual social control within rural Russian society. It was based on the leveling principle and developed a specific labour ethic whereby everyone was equal (unless they belonged to the privileged class of elders or estate managers), obedient and working as much as was necessary to meet needs. Russian community peasants were not poorer or richer than

their counterparts in Western Europe. However, their attitude to work was entirely different, dominated by stifled initiative, fear of punishment, envy and hostility towards their neighbours.

### MODERNISATION À LA RUSSE

The “great reforms” of 1856-1874 in Russia were somewhat similar to a reanimation therapy for the em-

and production, the rise of major industrial enterprises as a result of the 1860-1890s government industrialisation programme, which were the foundation for monopolistic conglomerates. The latter could now coordinate actions on an imperial scale through syndicated unions that helped them entrench monopolies and squeeze out competition from the markets. As well as its accelerated modernisation and industrialisation, Russia's top priority was to maintain the status of a world power and that of a bastion of Slavs and Orthodoxy in Europe and the East. Thus, its economic policy was largely aimed at keeping up with the West, a trend that continued under Soviet rule.

The key obstacles to industrialisation as a strategic priority in this chase included weak private entrepreneurship, the lack of extensive financial resources and no effective system to accumulate and exchange capital between industries (through banks and stock exchanges) – something the empire urgently needed. As its economy grew, the state had to develop railroads and heavy industry. This determined the state's decisive role in the process as it collected cash through the tax system and re-distributed it, searched for currency resources to import equipment and technologies, and created a favourable environment for foreign investment. Meanwhile, the entire burden of this policy was laid on peasants who made up the majority of taxpayers (up to 80% as of the beginning of the early 20<sup>th</sup> century) and provided the key resources for exports (grain, meat etc). High taxes significantly limited its capacity to purchase industrial goods, while the state's re-distribution function made the industry relatively independent of the demand of the majority of the population.

Meanwhile, this policy essentially cemented the empire's technological backwardness. The import of rails, steam engines, engines, and industrial semi-finished goods doubled, leading to a stable trade deficit. The state's dominance in the economic policy of the Russian Empire, caused by stifled private initiative, had devastating consequences and was the wrong track for development, even taking military-political goals into account. Such policy had already proved ineffective during: the Franco-British maritime rivalry in

## STATE DOMINATION IN THE ECONOMIC POLICY OF THE RUSSIAN EMPIRE CAUSED BY THE WEAKNESS OF PRIVATE INITIATIVE, LED TO GENERAL BACKWARDNESS

pire: it had to restructure its internal order and economic model to preserve its influence on the world arena. The Emancipation Reform of 1861 cancelled the dependence of peasants, who were the key producers in export-oriented segments. It freed millions of workers for industry, triggering its sustainable growth for several decades, but never became the foundation for the development of simple commodity production in rural areas. This was restrained by the peasant community institution that was in control of passport registration, tax collection, as well as the re-allotment of the compulsory work that peasants had to do for the state, arable lands and assets.

The reform introduced this institution – with an obvious policing function – as a useful tool of social control even in regions that had previously had none, including Left-Bank and Right-Bank Ukraine, southern Ukrainian provinces and the Crimea. This artificially stifled the agricultural initiatives of Ukrainian peasants, and hampered simple commodity production that accounted for barely 10% of gross output in the early 20<sup>th</sup> century. Latifundia owners immediately took advantage by monopolising the production of export-oriented sugar and alcohol by the end of the 1890s, bringing the scope of farming in entire provinces down to monosegments that had nothing to do with domestic demand.

On the cusp of the 19<sup>th</sup> and 20<sup>th</sup> centuries, the Russian Empire saw a rapid concentration of capital

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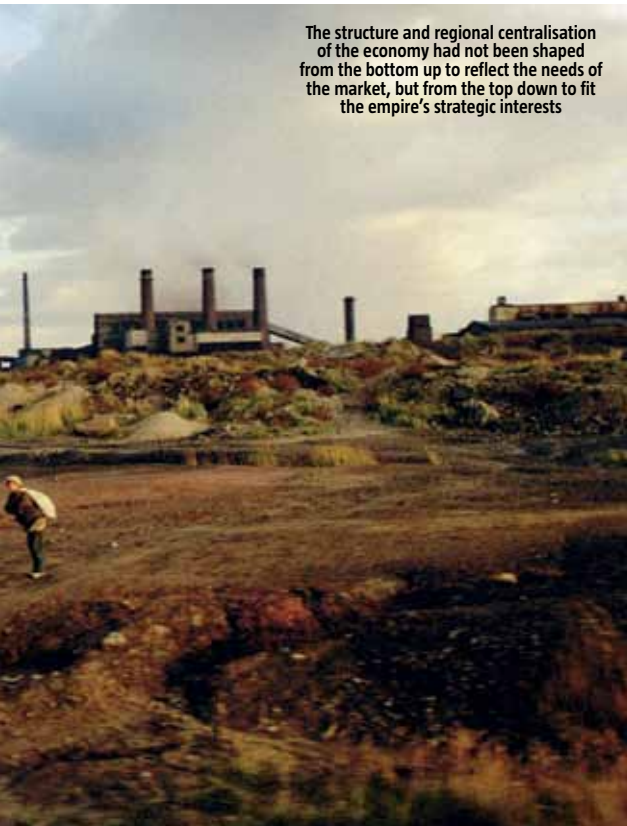


PHOTO: OLEKSANDR CHEREMENOV

the mid-19<sup>th</sup> century, when Great Britain with its mixed system of state- and privately owned shipbuilding facilities turned out to be much more effective and flexible than France with its hyper-centralised and bureaucratic state-owned shipbuilding industry.

The economic boom of the Russian Empire gave Ukraine two results, neither of which was particularly successful. Firstly, the structure and regional centralisation of the economy had not been shaped from the bottom up to reflect the needs of the market, but from the top down to fit the empire's strategic interests. Secondly, a specific category of entrepreneurs emerged, largely big ones, whose business ethics and priorities were dictated by their close ties with the political elite and the resources it could distribute, rather than the ambition to build a self-reliant and independent business.

### THE SOVIET ECONOMY: BACK TO FEUDALISM

Partly a reincarnation of the collapsed Russian Empire, the Soviet Union also inherited its industrial facilities and resources. Despite the Bolshevik regime's promises to give factories to the workers and land to the peasants, the state remained their monopolist owner. Former serfdom and taxes were replaced by appropriation – not only the confiscation of the surplus, but the entire harvest as well. As a result, there was absolutely no point in farming, leading to the 1921-1923 Famine.

At the same time, the industry was in decline, affected by post-war turmoil and unprofessional management. The effect of the New Economic Policy introduced by the Bolshevik government to save the country's economy in 1921-1928 was temporary. Once the situation was stabilised, Communist Party leaders headed by Stalin embarked on building a totalitarian model that was incompatible with any market elements or relevant social classes. Ideologically, Stalin's economic programme was largely based on the legacy of Lev Trotsky, the architect of "war communism". One of the foundations of this economic philosophy was to return to the non-economic compulsory collection of whatever resources the state needed. "Is it true that compulsory labour is always unproductive?" Trotsky said at the 3rd All-

Simple commodity production accounted for barely **10%** of gross output in the early 20<sup>th</sup> century



Russian Trade Union Assembly in April 1920. "My answer is that this is the most pathetic and vulgar prejudice of liberalism."

In the 1930s, these concepts were already implemented in new labour armies that did compulsory work. They were made up of collectivised peasants in farming and GULAG prisoners, as well as peasants fleeing to cities to escape hunger – in industry. Collectivisation made short work of both the middle class, which was redundant in the Bolshevik system, but also the "politically and ideologically hostile element" of society – the Ukrainian peasants. Peasants and workers in the Soviet Union were free by law but in reality, dependent on the state, after the government introduced the passport system and monopolised employment and salary payment over 1930-1932.



WALKING PEASANTS, CORNELIU BABA, 1943

Agriculture remained the weak spot of the imperial and Soviet economies that even Khrushchev's ambitious reforms failed to cure. In 1959-1964, the average annual output of meat and grain barely met early 20<sup>th</sup> century levels. With the continuation of the kolkhoz system, which determined pricing, relations and plans in agriculture, the Kremlin was forced to raise retail prices on resources and foodstuffs, occasionally resorting to imports.

A decisive aspect of the Soviet economy was to get control of energy resources – a strategic asset at the time that kept it relatively stable through the end of the century. However, the downside of this economic model was its extensive nature, poor productivity and overexploitation of natural resources, while internal skews and overwhelming bureaucracy seemed to be absurd paradoxes.

The socialist economy had no fully-fledged uniform domestic market even in the most sustainable Brezhnev times. The harvest seasons of the 1980s brought police borders between oblasts, counties and union republics, which prevented the produce grown or legitimately purchased from being taken out. The economic decline in 1970-1985 in both industry (from 8.4% in the late 1960s to 3.5% in 1981-1985) and agriculture (from 4.4% to 1.4%) was irreversible. Productivity shrank from 6.3% to 3% and investment plummeted from 7.5% to 1.8%.

Political reforms launched in the USSR in the late 1980s accelerated the economic collapse but did not exhaust the model's ability to reincarnate. Slightly altered, it is now re-emerging in Russia and the Yanukovich-ruled Ukraine. But do we need this? ■



# Independence Declared. Recognition to Follow?

I am ashamed to say that every time our main state holiday is approaching, I feel some discomfort – only because I am still reliving those August days of 1991 as if it was yesterday. My memory tells me things that are perhaps not so pleasant to be aware of: Ukraine's independence was a consequence of geopolitical circumstances and an expression of centrifugal tendencies in the decrepit empire rather than a manifestation of the unified will of the Ukrainian people. There were precursors: astonishing protests, demonstrations by the Verkhovna Rada of the Ukrainian SSR, the Student Revolution on Granite and the Chain of Unity. There was a handful of wholehearted patriots, educated and otherwise, old and young, who wanted independence above all, believing that this was a point after which the bright future would come automatically. There was also memory about several generations of heroes who laid down their lives for a Ukraine's much-cherished freedom... However, it would be, mildly speaking, an exaggeration to say that the slogan of independence was universal and definitive.

It was later, closer to December, that the attitude swing took place: even in the traditionally pro-Russian Crimea, 54% voted in favour of the Act of Declaration of Independence at the referendum. Donetsk and Luhansk Oblasts gave more than 83% of support votes with a remarkably high turnout, to say nothing about the nearly perfect 97-98% in Western Ukraine. However, think about the arguments that were used by supporters of independence back then: Ukraine is feeding all of the USSR, so when we get rid of Moscow's patronage, we will immediately begin to live like in America. Using this deceptive discourse, the regional elites in their pursuit of power and money fooled the people, which the latter very soon realized. Of course, the party and economic elites of the time had no intention of drastically reforming the Soviet principles of interaction and, even less so, carrying out any purges, lustrations, etc. They only removed the barriers inherent in the system and designed to constrain their appetites. Quick-moving Komsomol members, modern-time businessmen and regional gangsters soon swelled the ranks of the masters of life. Patriots dissolved amongst them, partly becoming marginalised and partly accepting the rules of the game.

Paradoxically, nearly the majority of patriots – true patriots – today are those who were either indifferent to independence back in 1991, too young to make a conscious choice or not even born yet. It is with great interest that I watch the evolution of many of my friends and acquaintances who did not consider or feel themselves Ukrainian 22 years ago: some

switched to Ukrainian, others simply learned the language and yet others remained Russian-speaking as a matter of principle. However, their reactions and everyday conduct suggest they would not be forced back into the empire under any circumstances. They were first discernible in the mass of people in Maidan Nezalezhnosti during the Orange Revolution, and they were in front of the Ukrainian Home after the “language law” was passed. But even if they do not join protest rallies, there can be no doubt about their choice, including at critical moments. Importantly, not all of them are ethnic Ukrainians, but they feel they are also political Ukrainians – this is precisely the foundation of a future nation.

Why “future”? Because independence is not only “from what” or “from whom” – it is also “for what purpose”. In fact, the state is not a way to feed our own Ministry of Public Health, police, judges and MPs. Since the dawn of our era, the state has been expected to deliver two fundamental things: roads and the Roman law. In other words, infrastructure and equal rules for everyone. Then, social practices led to additional requirements: civil liberties, respect for a person, protection of the weak, facilitation of individual development and private initiative, social mobility, preservation of culture, etc. And, of course, protection against external aggression. In all

these senses, our young independent state is either underdeveloped or absent as such. Hence my discomfort. That is to say, true independence still needs to be won, because – here I risk re-

**TRUE INDEPENDENCE STILL  
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peating a truism – independence is in people's heads, not in border checkpoints.

However, I should recognize at least one highly relevant and evident added bonus – being separated from the empire as such and from its modern-time modification. After all, all things are known by comparison, as the saying goes. Independence from the state of former Cheka officers, from patriotic-clerical “uniformness” and “like-mindedness”, from problems with provinces and migrants, from the “oil curse”, from the degradation of social institutes, from wild aggression and expansion, from muscle-flexing and xenophobia – that is a lot!

What about the formal pretext? The French celebrate Bastille Day (a dubious choice from the historical viewpoint). The Dutch mark the birthday of their monarch. Spaniards chose, for some reason, the day when Columbus landed in the New World, and most countries celebrate the date of formal proclamation of their independence even if it was followed by a long and bloody war. We are no worse.

So, be it as it may, happy Independence Day! 🇺🇦



**Author:**  
**Yuriy Makarov**

# A NEW U.S. STRATEGY TOWARD NEO-IMPERIAL RUSSIA

After four years of toiling to “reset” relations with Moscow, on the assumption that Russia can mature into a strategic partner, Washington needs to fundamentally reassess its approach.

Author:  
**Janusz Bugajski**



**DANGEROUS ILLUSIONS.**  
When the Obama Administration launched its reset policy in relations with Russia over four years ago, it provided a boost to the Kremlin's expansionist policy

**Janusz Bugajski** is a foreign policy analyst, author, lecturer, columnist, and television host based in the United States. He has published 18 books on Europe, Russia, and trans-Atlantic relations

**A**fter cancelling his planned summit with President Vladimir Putin, scheduled for early September, President Barack Obama accused his Russian counterpart of displaying a “Cold War mentality.” The same charge has been levelled by the Kremlin at members of the U.S. Congress and at several White House advisers. In reality, the West is no longer waging a global Cold War to contain or roll back the Soviet bloc. Instead, it confronts a regionally assertive Russia seeking to expand its “pole of power,” remove American influence from Eastern Europe, and bully its neighbours into strategic submission within a new Russian imperialism.

After four years of toiling to “reset” relations with Moscow, on the assumption that Russia can mature into a strategic partner, Washington needs to fundamentally reassess its approach. In particular, it must deal more intensively with all of Russia's neighbours who fear Kremlin designs on their independence. To prevent a new Cold War with Russia, Washington must work to strengthen the sovereignty and security of all nearby states and consolidate Europe's democratic development.

## RUSSIAN LESSONS FOR OBAMA

Throughout the Obama presidency relations with former Soviet satel-

lites and new NATO members have been neglected in the erroneous hope that a cooperative U.S.-Russia relationship would preclude any conflicts over the eastern part of Europe. Hence, Washington did not expend political capital on further NATO enlargement or the active defence of new allies.

The mistaken assumption by Obama officials was that the previous George W. Bush presidency was primarily responsible for the deterioration of bilateral relations with Moscow because of its support for Ukrainian and Georgian entry into the North Atlantic Alliance. Hence, by pushing aside the Wider Europeans and pursuing collaborative links with Moscow in areas of common

interest the Russian government would supposedly act as a responsible international player.

Putin perceived Obama's soft approach toward Moscow as proof of American weakness in the wake of the financial crisis and the exhausting wars in Iraq and Afghanistan. He also saw White House appeasement as an opportunity to pursue the creation of a Eurasia Union that would combine political, economic, and security levers in a new Russian-centred anti-democratic condominium to counter the influences of the EU, NATO, and the U.S.

The new chill in U.S.-Russia relations was provoked by a range of disputes, including the granting of political asylum to an American intelligence defector, Putin's support for Syrian leader Bashar al-Assad, and escalating violations of human rights inside Russia. Moreover, despite Obama's fixation on nuclear disarmament, the Kremlin has rejected any further cuts to its nuclear arsenal as its military strategy is constructed around the use of nuclear weapons. These bilateral rifts have exposed White House naivety about Russia's neo-imperial regional ambitions, its authoritarian political system, and its officially sponsored anti-Americanism.

The strategic consequences of the frostier relationship between Moscow and Washington will directly affect Russia's neighbours. Until now, they have either complained about U.S. neglect in ensuring security in the Wider Europe or gravitated toward Russia because of America's evident disinterest and Moscow's pressures and enticements. If the Obama administration wants to become relevant again in strengthening Europe's self-determination and democratic development it will need to adopt a three-pronged strategy: buttress the security of the newest NATO members; re-energize the process of Alliance enlargement for those countries that desire to enter; and reengage more energetically with states that feel most vulnerable to Russia's pressure and seek an outlet westward, particularly an increasingly exposed Ukraine.

### **STEPS TOWARD A NEW STRATEGY?**

Immediately after announcing that he was cancelling the planned summit with Putin, Obama invited the

three Baltic Presidents for talks at the White House on August 30, ahead of the G20 summit in St. Petersburg. The meeting will cover a broad range of mutual interests, including regional cooperation, defence programs, energy security, cyber cooperation, and the Transatlantic Trade and Investment Partnership. Obama will also underscore joint efforts to advance human rights and democratic values in the region, with a clear reference to Russia. The meeting will be a good opportunity to raise other pressing regional questions, including the future of Ukraine and its relations with the EU.

The three Baltic States, which joined the EU and NATO almost a decade ago, have had conflictive relations with Moscow and continue to express concern over Obama's push for nuclear disarmament. Russia persistently applies pressure on Estonia, Latvia, and Lithuania regardless of their NATO membership, whether by depriving them of energy resources, manipulating the position of ethnic Russian minorities, or engaging in provocative military exercises. At the beginning of August, Prime Minister Dmitri Medvedev complained about their NATO accession and claimed that these three small countries actually threatened Russian security. If one were to replace the word "security" with "expansion" in such statements, we would be closer to understanding Russia's real ambitions.

Moscow is growing increasingly aggressive in its neighbourhood and challenging the security of NATO members. Russia's Zapad 2013 exercises in September will resemble Zapad 2009, which simulated a conventional war between Russia and NATO over Poland, culminating in the nuclear annihilation of Warsaw. Russia is also building a military air base in Belarus that will figure prominently in future exercises and possible combat operations. Such steps necessitate a more concrete American commitment to the defence of Central-East European through more regular NATO exercises and the construction of national anti-missile systems that would act as a credible deterrent to Russia's aggressive posture.

Obama has also announced that he will visit Sweden on his way to the G20 summit. This sends a strong message to a country that is

considering joining NATO and which has experienced increasing pressure from Moscow to remain neutral. In April, Russian planes provocatively overflew Swedish air space without being tracked by the Swedish military, causing a major uproar in Stockholm about the effectiveness of national defence.

In June 2012, Russian General Nikolai Makarov, chief of the General Staff of Russia's armed forces, warned Sweden and Finland that any moves to join or develop closer ties with NATO would be construed as hostile actions toward Moscow. Makarov also described the ongoing Nordic-Baltic defence cooperation projects as a potential military threat to Russia. Instead, he claimed that both Nordic countries should develop closer military cooperation with Russia. Such proposals are strenuously rejected by both Helsinki and Stockholm; in fact, sentiments toward NATO entry may grow in the wake of Moscow's menacing stance.

Makarov also threatened preemptive attacks on any planned Missile Defence (MD) sites in Poland and elsewhere in CEE in the event of an international crisis. Polish Defence Minister Tomasz Simoniak subsequently stated that War-

## **THE STRATEGIC CONSEQUENCES OF A COOL-OFF IN THE RUSSIA-U.S. RELATIONS WILL HAVE AN IMMEDIATE IMPACT ON RUSSIA'S NEIGHBOURS**

saw would prefer a return to "good old NATO" and that the U.S. decision to cancel the fourth phase of the European missile defence shield reflected Washington's unfortunate "hesitation" toward Europe.

Instead of bending over backwards to accommodate Moscow's staunch opposition to any MD system in the region that Russia's military cannot control, Obama must confirm that components of America's Aegis Ballistic Missile Defence System will be placed in Poland, Romania, and other states by a date certain regardless of irritating Kremlin warnings. If Warsaw and Bucharest are not covered by persistent Russian bullying, why should Washington be concerned? ■





PHOTO: REUTERS

## UKRAINE AND THE WIDER EUROPE

Washington must develop a sustained strategy with achievable targets toward the Wider Europe, particularly with former Soviet republics that seek constructive ties with the U.S. Ukraine's independent stance from Russia needs to be reinforced, Georgia's path toward NATO bolstered, Belarus's Western orientation revived, Moldovan territorial integrity ensured, Azerbaijan's pro-Western position supported, and Central Asia's ties with the U.S. developed.

Such a comprehensive strategy must be mutually driven and incumbent governments have to be closely engaged in designing its content. The Ukrainian administration needs to perceive the expiration of the U.S.-Russia "reset" as an opportunity to reengage with Washington. A formula will need to be found to remove the most neuralgic disputes with regard to political prisoners and other anti-democratic policies. Despite Ukraine's stalled political, economic, and security progress, unlike Russia it still qualifies as an emerging democracy and its people desire to be part of a unified Europe.

For his part, President Viktor Yanukovich must put forward credible initiatives to defend his country from Russia's economic penetration and its political ambitions designed to ensnare Kyiv in the Customs Union and subsequently rope it into the Eurasia Union. Washington must encourage the granting to

Ukraine of an Association Agreement and a Deep and Comprehensive Free Trade Agreement at the EU's Eastern Partnership Summit in Vilnius at the end of November. Economic development through a Western orientation will provide more effective protection against Russia's recolonization.

Georgia after its presidential elections in October will need to confirm its commitment to NATO membership through a Membership Action Plan (MAP). The MAP process must then be launched with Tbilisi at the next Alliance Summit scheduled for 2014. Belarus can reduce Moscow's pressures to sell its national assets to Russia's state oligarchs by releasing the remaining political prisoners and engaging with the EU to devise association and trade agreements similar to the Ukrainian model.

In Moldova, Washington needs to move beyond the stalemated format of current negotiations and assist Chisinau in forging a joint state. This will require not only coordination with Brussels but also working with nearby countries such as Ukraine to exert pressure on the pro-Muscovite regime in Tiraspol and establish a single Moldovan federation. However, in such a political arrangement central government decisions on national security and foreign policy cannot be blocked by Transnistria.

U.S. relations with Azerbaijan must become more active, as the country remains key for developing security in the Caspian Basin re-

**A COLD SHOWER.** Obama seems to have finally realized that loyalty to the Kremlin and summits with Putin are futile



## THE U.S. HAS TO COOPERATE MORE ACTIVELY WITH RUSSIA'S NEIGHBOURS THAT ARE AFRAID THAT THE KREMLIN MAY ENCROACH ON THEIR INDEPENDENCE

cow are inevitable. However, Putin's Kremlin must not be allowed to dictate the foreign and security policies of any European state, whether they are new NATO members, aspiring candidates, or neutrals. The U.S. must encourage their sovereign decisions to partner with and join whatever multi-national organizations bolster their security. Such a sustained strategy will also help prepare the continent for the impending fracture of the Russian Federation, a coming conflagration that is unlikely to be as peaceful as the unravelling of the Soviet Union. ■

# Under the Common Wealth Banner

British Ambassador in Ukraine Simon Smith: “Progressive association with the EU, its standards and practices will be profoundly beneficial for Ukraine and will help it unlock its potential”

**U**nited Kingdom of Britain and Northern Ireland is one of the crucial players and decision-makers not only in the measures of EU, but also in the global context, as member of G8 and other economical and political organisation. As before, Britain has loud voice and confident self position nowadays, in the time of possible changes for Ukraine on the November Vilnius Summit.

Within conversation with *The Ukrainian Week* Simon Smith, the Ambassador representing Her Majesty The Queen and the UK Government in Ukraine, tells what Ukraine should expect from Vilnius Summit and what still should be done.

**UW.: How do you assess today's political situation in Ukraine & what political image does Ukraine have in the eyes of the British? How seriously do you take Viktor Yanukovich's intentions to move closer to Europe?**

Let's remember that there is the general public and the informed public and I think each of these groups will perceive Ukraine's politics differently. A lot of the general public in Britain will perhaps see a little bit superficial image of Ukraine; they may recall pictures of people fighting in Parliament and they may associate it with Ukraine. As for the informed public, there will be a perception that politics in Ukraine is quite a confrontational and aggressive business. I think there will also be a perspective that none of the parties in the Rada have yet come to terms with the results of

**Interviewer:**  
**Hanna Trehub**

the 2012 October election. Seen from the perspective of people used to British politics, there would be an assumption that this kind of a result has happened in the UK and that while the political parties may not have liked it, they would have by now settled down a constructive and pragmatic way of working with this situation. It would be good to see a little bit less confrontation and a little bit more consensus on really important questions like how to make a success in the relationship with the EU.

## BIO

**Simon Smith** – British diplomat, current British Ambassador to Ukraine. From 2007 to 2012, Mr. Smith served as British Ambassador to Austria and British Permanent Representative to international organisations in Vienna. In September 2012, he took up his post as the British Ambassador to Ukraine. Mr. Smith began his career in the Foreign and Commonwealth Office in 1986 and served in a number of positions covering countries in Africa, Europe, Asia and Pacific as well as in the Commonwealth of Independent States. In addition to Austria and Ukraine, he has been posted to Tokyo and Moscow. He is graduate of Wadham College, Oxford University, has a degree in modern languages.



PHOTO: ANDRIY LOMAKIN

To come to the last part of your question, I think that we have seen some signals to suggest that more and more of the Ukrainian political establishment is taking this business with Europe very seriously indeed. I have the impression that a lot of minds have been concentrated by being reminded that the November Vilnius Summit is a really important date and that a lot of things need to be done on both sides in order to maximise the chances of its success. We have seen quite a number of moves in Ukraine over the last two or three months, for example, movement on the legislative calendar and signals that some of the issues of judicial and institutional reform are beginning to get under way, including indications of the willingness to look at quite significant reform of institutions like the Prosecutor General's Office. We've seen the release of Yuriy Lutsenko which is again an important step against the background of the concerns of Ukraine's European partners about the selective justice. I think there has recently been a good deal of activity which demonstrates what looks like a serious desire on the part of the Ukrainian administration to ensure that the November Summit in Vilnius is a success.

**UW.: Some EU Member States have made a statement that they are ready to support the signature of the EU/Ukraine Association Agreement at the Summit in November in Vilnius. What is London's official position and current thinking of British politicians about this?**

I was present when the British Foreign Minister William Hague met his Ukrainian counterpart Leonid Kozhara in London in May. What our Foreign Minister said then very much sums up what continues to be the UK's position, which is to say that both outcomes at the November Summit in Vilnius are entirely possible. It's entirely possible that we will reach November and see that not enough action and progress has happened to convince European leaders to sign the Agreement. But it's also possible that, if a new dynamic of action that has emerged over the last months is sustained and if we see continuing progress on the issues of concern by the EU, then we'll reach November and the leaders of

EU governments will say that this is going in the right direction and we have the confidence to take the next step forward in the relationship between the EU and Ukraine.

Looking into a much longer term, of course, we want to see this Agreement signed. We've seen how the EU can leverage positive change. Take some most recent examples of the countries in Central and Eastern Europe who joined the EU in 2004 – Hungary, Slovakia, the Czech Republic, Poland and so on – and then look at the positive impact that first association and then the EU membership has had on them. If you look a bit further in history, you'll see how the EU membership impacted on Western European countries like Spain and Portugal who were only a few years emerging from military dictatorships of decades. This transformational effect explains why we are convinced that progressive association with the EU, its standards and practices will be profoundly beneficial for Ukraine and will help it unlock its potential. For example, the participation in the EU Single Market, which is the largest one in the world, can un-

EU to be confident that in signing this piece of paper on 29 November they are opening a new phase in the relationship between the EU and Ukraine. And it's ready to work and bring the results. Confidence is really crucial.

**UW.: Former premier Yulia Tymoshenko remains behind bars despite the fact that European Parliament Members have repeatedly underlined that it's important that Ukraine reforms its judicial system and overcomes the problems of selective justice on its way to the EU. How important is the Tymoshenko factor for signature and ratification of the Association Agreement with Ukraine?**

It is important because it's one part of a broader area of concern that has become to be labelled as the issue of selective justice. We recognise that the position of Mrs Tymoshenko is, as we see it, one of the outcomes of the system of selective justice. But we also are looking at how justice system handles not just high-profile people, but ordinary people or small businesses. We are concerned about what we have heard from a lot of people in this country who say that if they go to courts to defend their interests, they cannot be sure that what they'll meet in the

## THE TYMOSHENKO CASE IS IMPORTANT, BECAUSE IT IS PART OF A BIGGER PROBLEM KNOWN AS SELECTIVE JUSTICE

leash much more energy in the economy and can allow countries to realise their potential. And that translates into really basic things, for example, people will live longer, the roads will become much safer, the quality of goods and services will improve and so on.

So, we really hope that it will happen. But it's not guaranteed. The next few months are really crucial to keep on addressing the EU's concerns and make sure we arrive at November with a level of confidence really high amongst the European leaders. "Confidence" is a really important word, because everybody knows that it is not realistic to expect that by 29 November every single aspect of those issues where the EU leaders have looked for progress in Ukraine will be done. But what we do need is for the heads of governments in the



courts is an independent system that will adequately defend their rights and freedoms, be it their personal freedoms or their freedom to promote their business opportunities. That is why the UK has always focused on the questions of the institutional change, on the extent to which an independent judiciary can guarantee protection of people's rights and freedoms and can increase the status that the law has in people's lives.

From that point of view, we're very interested in seeing actions which will convincingly combat corruption and strengthen independence of the judiciary in Ukraine. We are also interested in the ways in which some of the judicial insti-

tutions, in particular, the Prosecutor General's Office's role can be adjusted. The latter too can be an institution that acts independently and inspires confidence in the people, rather than an institution which at the moment appears unsatisfactorily to struggle two different branches of government. It seems to act as an executive body, on the one hand, but also as a judicial body, on the other. But again, that's

## THE LEADERS OF THE EU COUNTRIES NEED TO BE PERSUADED THAT BY SIGNING THE DOCUMENTS IN VILNIUS THEY WILL ESTABLISH A NEW LANDMARK IN RELATIONS WITH UKRAINE

one part of a whole range of judicial reforms which we hope can continue and can fundamentally address these concerns about selective justice. If these systemic issues can be put right, I think it will create an environment in which people, organisations and businesses in Ukraine can be much more successful. It comes back to creating the conditions which can make it easier for a country of Ukraine's immense potential actually to achieve that potential in future.

**UW.: How do British investors assess Ukraine's investment climate at present? In which sectors of Ukraine's economy are they prepared to invest their money?**

Starting first with the sectors of the economy, I'll take a very recent high-volume example – the signing of the production-sharing agreement with Shell to develop gas fields in the Eastern part of Ukraine and to launch this very significant unconventional gas exploration project. That is one example of where a British investor has looked at the potential in Ukraine's oil and gas sector and thought this was worth investing in. Another sector is agriculture. It's recognised by the whole world that the potential of the agriculture sector in Ukraine is immense, and we have a number of examples

of interest in the agricultural sector by the British investors. I'll also mention the IT and the pharmaceutical sectors where the British investors are active.

However, I feel that UK-Ukraine business is still disappointingly low in volume if you look at Ukraine's size, the numbers of its consumers and so on. One of the reasons for this is that I sense the British investors are cautious about the Ukrainian environment. Because of concerns about the application of the commercial law, corruption and unpredictability of the business climate, I think that comparatively Ukraine is a country in which British businesses are underinvested. But the investors will look very carefully to see what progress has been made on issues like corruption and corporate raiding. And if they see that real action has been taken, this will increase confidence and bring more investment to Ukraine.

There is also another aspect I'd like to mention in this context. Recently I have been talking to a number of charity institutions who are bringing humanitarian assistance to Ukraine, and I am concerned about the problems that they were having with rather unpredictable and unjustified demands being made on them to stop their goods coming in to Ukraine. Again, this is a range of negative signals that are being sent to organisations keen to participate in activities which will help transform people's lives in Ukraine.

In all areas of cooperation we would like to see some of the bureaucratic barriers broken down. We all recognise that there is a place and a function for regulation and control for business activities to work according to a set of clearly defined laws. But we need to see those laws unambiguously drafted and clearly applied, and we need to see them not vulnerable to being bent in favour of one particular business interest, either through the courts which are not sufficiently independent or through corrupt transactions, and so on. There's a whole range of areas where through the process of reforming institutions we hope that this level of confidence of organisations and businesses that want to operate in Ukraine can be raised. ■

PHOTO: ANDRIY LOMAKIN



# Hostages to Their Own System

Police officers admit that the Ukrainian law enforcement system is so corrupt that they themselves have become trapped

Author: Valeria Burlakova

**H**uman rights advocates from Amnesty International are convinced that Ukrainian authorities must react to the growing public outrage over police corruption. Ukrainian citizens are concerned that the police have turned into a criminal enterprise. This fact has been confirmed by police officers themselves, including those that spoke with *The Ukrainian Week* on conditions of anonymity for obvious reasons.

## THE SPLENDOR AND MISERY OF THE TRAFFIC POLICE

"We as brigands are forced to commit highway robbery on a daily basis," a group of traffic police officers from Kirovohrad Oblast wrote to Interior Minister Vitaliy Zakharchenko in May 2013. In their open letter to the minister, they said that the chief of the local traffic police essentially turned the agency into a criminal organization. For example, every traffic patrol must give the administration UAH 400 daily from the bribes they have collected. "If you refuse, you will lose your job," the officers wrote indignantly. The chief of the Kirovohrad Traffic Police "tells everyone that he is collecting money not for himself but for his protectors in Kyiv. ... When intoxicated, he likes to brag that he 'feeds' the entire Department of Internal Security and the Prosecutor's Office, so they won't mess with him." According to the policemen, their chief is completing construction of a luxurious villa in an elite district of Kirovohrad, has eight personal cars, some of which are registered under the names of his relatives

Citizens' trust in the police



and close friends, and has recently purchased a Lexus ES worth USD 72,000.

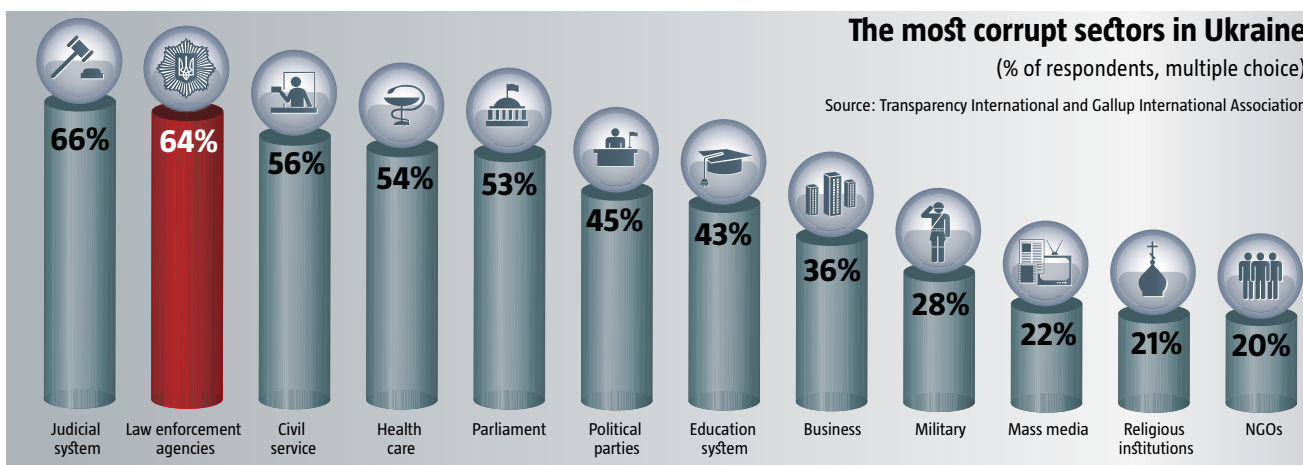
"Mr. Zakharchenko, are you aware that Ukrainian citizens are growing increasingly resentful of the police? The reason is that people like Bereznevych have turned the police into their feudal detachments, forcing policemen to rob ordinary citizens. ... We come to work at 7a.m. and return home after 1a.m. because Bereznevych de-

The letter also cited other facts of corruption. For example, Bereznevych, who has already been investigated on suspicion of corruption, reinstated an inspector previously fired after a scandal. He now works in the local Driver and Vehicle Licensing Agency and "takes bribes in exchange for successful driving examinations". The head of the unit responsible for registration and examinations deals in "everything from permits for car modifications to driver's licence forms and licence plates—even used ones". The chief of the local Road Patrol Service unit sells days off (UAH 250 a day) and vacations (UAH 3,000 a month) to his subordinates.

*The Ukrainian Week* attempted to find out how police authorities reacted to the letter. In response to our inquiry, Dmytro Selezniiov, deputy chief of the Interior Ministry's directorate in Kirovohrad Oblast, explained that under Article 8 of the Law of Ukraine On Applications by Citizens, an unsigned application with no indication of the applicant's place of residence or one whose author(s) can not be recognized is regarded as anonymous and is not subject to consideration. However, Selezniiov assured us that "the information

## LAW ENFORCEMENT OFFICERS ARE FAILING TO PERFORM THEIR MAIN FUNCTION OF CATCHING CRIMINALS

mands that we not only meet the official performance quotas but also contribute to his private coffers," the policemen wrote. They added that it would be very easy to find evidence corroborating the facts mentioned in the letter: "Send an investigative unit. Let people from the Department of Internal Security patrol the roads and question drivers and chiefs of trucking companies with whose money Bereznevych purchased his assets. Let them inquire about the morale of his staff."



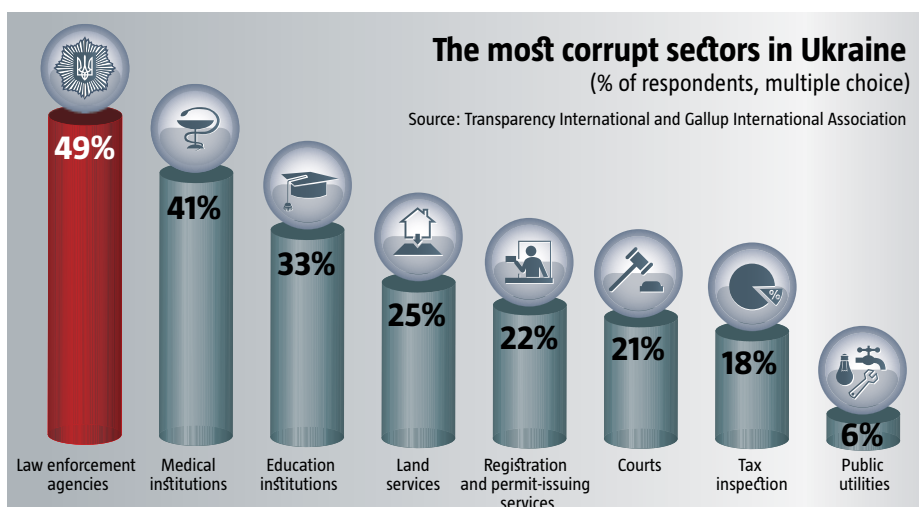
cited in the anonymous letter to Interior Minister Vitaliy Zakharchenko was checked by the HR Department and Internal Security Unit for Kirovohrad Oblast as well as the Department of Internal Security and the State Highway Patrol (both under the umbrella of Ukraine's Ministry of Internal Affairs). They conducted an investigation and found that the facts described in the letter "could not be confirmed".

However, former and current law enforcement officers from various regions who have spoken to *The Ukrainian Week* admit that the information revealed in the Kirovohrad letter is quite plausible, as "similar schemes and 'tariffs' have been established in virtually all oblasts".

### CORRUPTION WITH INSIGNIA

In September 2012, half of the staff of the Berkut force in Sumy found the courage to make a similar public statement. They complained of a system of extortion that was forcing staff to participate in illegal deals in order to obtain money with which to pay a mandatory 'tithe'. At the time, law enforcement officers were surprised perhaps only at the courage of these men. "Exactions of money have existed and will continue to exist in Berkut and other units of the Interior Ministry," they told *The Ukrainian Week*. They also claimed that whistle-blowers would be forced to leave the unit.

Ultimately, the high-profile Berkut corruption case actually went to court. However, time has shown that its real upshot is the predictable personnel reshuffle (a judgement has not yet been made). The special task unit of the police



was subjected to personnel evaluations, and many officers were scattered across the oblast, transferred to other offices, etc. Some of them went to court and managed to become reinstated. "But they told us: we don't care. You'll be transferred to other units whether you like it or not. For example, I was moved to the Trostianets County Police Department as an assistant to a district police inspector. That's 60km away from my permanent place of residence in Sumy," stated Viacheslav Holub, one of the Berkut protesters.

Few of the law enforcement officers in Mykolaiv Oblast who spoke with *The Ukrainian Week* believe that the statement of repentance from Dmytro Polishchuk and Yevhen Dryzhak, the policemen charged with rape in the high-profile Vradiyivka case, is sincere. At the same time, the facts of corruption it exposes may be truthful, officers say. These include monthly financial contribu-

tions to the police directorate in Mykolaiv, the "tithe" policemen collect from drug dealers and bootleggers, the system of bribes for promotion in the Interior Ministry hierarchy and framing of innocent people with the facilitation of the Prosecutor's Office. "Put plainly, I believe the facts in the statement issued by Dryzhak and Polishchuk are true," one of their colleagues says. "But I don't believe in the fact of the statement itself – it's way too theatrical."

Similar schemes have been reported by residents of Vradiyivka. One of them admitted to *The Ukrainian Week* that he was involved in framing innocent people. He said that policemen did this to obtain a bribe for closing a case or at least improve their performance ratings. "The judge knows about it. The prosecutor knows. I personally was a witness in such cases several times," the man explained. He had served several years in prison and thus had no choice but to cooperate ■



with the police. “Just try to speak out against it, he says”.

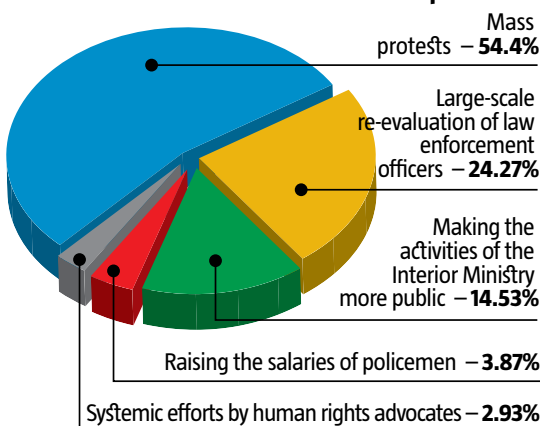
The stories of the highway patrol officers in Kirovohrad and Berkut officers in Sumy clearly show that the current authorities are not going to react to facts of corruption within law enforcement agencies because a proper response would require disrupting a police system which in its present state fully serves the ruling regime. Ordinary policemen say that rather than investigating the real culprits, the central authorities usually begin harassing the “rebels” who dared to go public with facts of corruption and other crimes inside the law enforcement agencies. This is done to “discourage others from going against the system”.

President Viktor Yanukovych promised to punish the accused Vradiyivka officers (**see Beyond Tolerance at ukrainianweek.com**) in a show trial. Not surprisingly, ordinary police officers take his promise with a grain of salt. Those who spoke with *The Ukrainian Week* were certain: if anyone is going to be punished at all, they will be small fry. However, some believe that for a “lofty purpose” many heads will roll. “The more people that are punished, the better. The country is experiencing cases of mass unrest, the electorate is discontent and the popularity rating of the ruling party has hit rock bottom. The contagion may spread throughout the regions and soon affect the president. That’s why he may now start the fire of inquisition and sacrifice a couple of colonels to please the crowd.”

Of course, high-profile cases like Vradiyivka cannot be ignored, but even here a show investigation may take the place of a fair inquiry. Locals already fear that someone other than the culprits will be held accountable for the crime. They say that law enforcement agencies are allegedly searching for a person that looks like Yevhen Dryzhak, one of the two policemen arrested in the case. The idea is to persuade the public that Iryna Krashkova, the victim, made a mistake while identifying the rapists.

It is easy to understand the citizens’ concern because criminal police officers rarely face the punishment they deserve for their crimes. Bringing a case against a police officer to the stage of trial in

## Survey on the tyzhden.ua website What can end the lawlessness of the police?



The survey was opened on 4 July and has 850 respondents

court is already an incredible success. In 2012, investigations were launched for a mere 1,750 cases out of the 114,474 complaints submitted to prosecutors against law enforcement officers, and criminal cases were opened in just 320 cases (or 0.2%). Conditional sentences and release based on amnesty are common in criminal cases against policemen. The system has a tradition of covering for their own men.

### A POLICE CASTE SYSTEM

The policemen questioned by *The Ukrainian Week* do not deny that forcefully extracting testimonies from detained persons is a common practice of Ukrainian law enforcement agencies. Not the least cause here is the systemic degradation of criminal investigation and forensic medical analysis. Seasoned officers who left law enforcement agencies say that their colleagues are essentially failing to perform their main function of catching criminals. An increasing number of newcomers in these agencies are young unprincipled persons who are ready to suppress protest rallies to earn their keep and reap the biggest rewards through corrupt schemes.

The rare criminal cases opened against law enforcement officers who used physical force during investigations are no solution to the problem. “We need to have cameras in all corners of district police departments. Claims like ‘I didn’t do it. I’ve been set up’ are coming from nearly everyone, even those whose guilt is confirmed by countless facts. That is why video surveillance or,

for example, the presence of a public activist, journalist or local council member from the opposition in every district police department is the best option. But the authorities will, of course, never agree to it,” a Kyiv-based policeman argues.

Many of the law enforcement officers that spoke with *The Ukrainian Week* do not consider themselves representatives of a caste that knows no restraint. At the same time, they do not deny that working beside them are privileged people like Dryzhak, whose godfather is, as it turned out, Valentyn Parseniuk, chief of the Mykolaiv Oblast Directorate of the Interior Ministry. “When you have neither money nor connections and when you get a job on the same basis as everyone else, your own administration will skin you alive. You constantly go on your beat instead of the privileged. You respond to calls and people tell you about bribes, corruption and lawlessness in the police. It turns out that they hire incompetent people who wreak havoc and then cover for them. How are normal people supposed to work?” a lieutenant from a district police department in Kyiv complains.

Sometimes even police officers themselves are unable to report a crime to the police or prosecutor’s office. Such applications from Vradiyivka residents were simply not accepted. “My father, over 60 at the time, became a victim of robbery. When I turned to my colleagues to have the crime registered, they called me a traitor who

## IN UKRAINE, CRIMINALS WITH POLICE INSIGNIA ALMOST ALWAYS ESCAPE PUNISHMENT

wanted to give a headache to another district police department,” a female law enforcement officer told *The Ukrainian Week*.

Many police officers are sure that their bosses need to be punished primarily for failing to prevent degenerates from infiltrating the law enforcement agencies and then covering up their crimes: “If the Vradiyivka rapists were immediately arrested, there would have been no riot. And this is true of the entire country: if criminal police officers are not punished, the system faces the worst possible consequences”. ■

# Where Have All the Burglars Gone?

The rich world is seeing less and less crime, even in the face of high unemployment and economic stagnation

**T**he old Town in Tallinn, the capital of Estonia, does not look like a den of thieves. On a summer afternoon, herds of elderly tourists—American, Japanese, British—wander between the gift shops and sip lagers at pavement cafés beneath the gothic town hall. In a park, teenagers chat and smoke cigarettes in the sun.

Valdo Põder, a local police officer, remembers when it was quite different. In the mid-1990s curtains rose at the city's theatres at six o'clock so that the audience could get home before sunset. Young men hung around selling bootleg vodka. The streetlights were always smashed. Pointing to one smart-looking bar Mr Põder says he would have needed a team of at least ten officers to raid it. "We'd have to put everyone inside on the floor," he says. "Or else we might get shot at."

Crime in Estonia has fallen precipitously. Since 1995, the country's murder rate has dropped by 70%, and robbery and car theft have fallen almost as far. Even as the country entered a deep recession in 2009, which pushed unemployment up to 19%, the crime rate kept falling. But though the magnitude of this trend sets post-Soviet Estonia apart, its direction does not. Across the developed world, the crime wave that began in the 1950s is in

broad retreat (see **Going down for a stretch**).

Both police records (which underestimate some types of crime) and surveys of victims (which should not, but are not as regularly available a source of data) show crime against the person and against property falling over the past ten years in most rich countries. In America the fall began around 1991; in Britain it began around 1995, though the murder rate followed only in the mid-2000s. In France, property crime rose until 2001—but it has fallen by a third since. Some crimes are all but disappearing. In 1997, some 400,000 cars were reported stolen in England and Wales; in 2012, just 86,000.

## ONCE UPON A TIME IN AMERICA

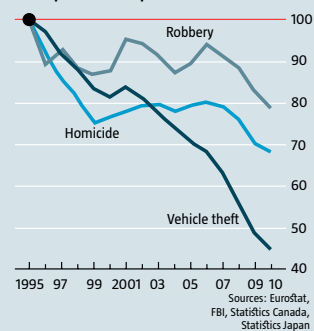
Cities have seen the greatest progress. The number of violent crimes has fallen by 32% since 1990 across America as a whole; in the biggest cities, it has fallen by 64%. In New York, the area around Times Square on 42<sup>nd</sup> Street, where pornographers once mingled with muggers, is now a family oriented tourist trap. On London's housing estates, children play in concrete corridors once used by heroin addicts to shoot up. In Tallinn you can walk home from the theatre unmolested as late as you like.

What is behind this spectacular and widespread improvement? Demographic trends are an obvious factor. The baby-boom in the decades after the second world war created a bubble in the 16- to 24-year-old population a couple of decades later, and most crimes are committed by men of that age. That bubble is now long deflated. In most Western countries, the population is ageing, often quite fast.

But demographics are not everything. Mark Simmons, a deputy assistant commissioner for the Metropolitan Police in London, points out that the number of 18- to 24-year-old men in the city has

### Going down for a stretch

Crimes, G7 countries, 1995-100



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been increasing in recent years, and yet the decline in crime has continued. The sheer magnitude of the improvement in places such as New York and Los Angeles, where the incidence of some crimes has fallen by as much as 90%, cannot be explained just by a young-person deficit.

Steven Levitt, an economist at the University of Chicago, has argued that the legalisation of abortion in the 1970s cut America's crime rate by reducing the number of children growing up in inner-city poverty and thus predisposed to criminality. But that cannot explain why rates have kept falling long after such an effect should have tapered off, or why crime rates in Britain, where abortion has been legal for longer, began falling later. Jessica Wolpaw Reyes, an American researcher, has argued that the cognitive effects of exposure to lead were a primary determinant of violent crime, and unleaded petrol is to thank for the improvement. But the causal link is far from proven.

Could more criminals being locked up be the answer? The number of people behind bars has grown substantially in many countries over the past 20 years. In Britain the prison population doubled between 1993 and 2012; in Australia and America, it almost doubled. But several countries, including Canada, the Netherlands and Estonia, have reduced their prison populations without seeing any spike in crime; so too have some American states such as New York, where crime rates have fallen fastest. Prison takes existing criminals off the streets. But in many places, the drop in crime seems to be down to people not becoming criminals in the first place. Between 2007 and 2012 the number of people convicted of an offence for the first time in Britain fell by 44%.

Better policing is a more convincing explanation than bigger prisons: the expectation of being caught undoubtedly deters criminals. In New York and Los Angeles, where crime has fallen further and faster than almost anywhere, Bill Bratton, a former police chief of both cities, is often credited for the turnaround. Partly, that is thanks to higher standards. Today's LAPD is a far cry from the racist, corrupt and scandal-ridden

In the 1990s, violent crime dropped by **32%** in the U.S. and by **64%** in the largest American cities

In 2007-2012, the number of convicts in Great Britain fell by **44%**

Since 1995, the number of murders in Estonia has dropped by **70%** almost as much as the drop in robberies and car theft **64%**



## BETTER PERFORMANCE OF THE LAW ENFORCEMENT AGENCIES IS A MORE CONVINCING ARGUMENT THAN BIGGER PRISONS: CRIMINALS ARE DISCOURAGED BY THE THOUGHT THAT THEY MAY BE CAUGHT

force of the 1990s. But tactics have also changed.

### HOT FUZZ

A combination of officers talking to the people whose neighbourhoods they police and intensive targeting of crime "hotspots" has transformed the way streets are protected. In the 1990s, Mr Bratton embraced data-driven "CompStat" policing, targeting the most blighted districts with huge numbers of officers. The biggest subsequent crime drops were extremely localised: for example, in the area around Canal Street in Lower Manhattan, the murder rate fell from 29 per 100,000 residents in 1990 to around 1.5 by 2009.

According to Lawrence Sherman, a criminologist at the University of Cambridge, such tactics have now worked in places as different as Sweden and Trinidad and Tobago. In Chicago, where crime has been slower to fall than

veillance cameras—which have spread rapidly, especially in Britain—have all increased the risk of getting caught.

Some broad social changes have probably helped. In most countries young people are increasingly sober and well behaved. They are more likely to live with their parents and to be in higher education—across the European Union 28% of adults aged 25-34 still live at home. In Britain, the current generation of 18- to 24-year-olds is a lot less likely to have tried an illegal drug or to drink than those ten years older were at their age, and the same is true in most European countries. In most countries wife-beating has become more stigmatised and less common: since 1994, self-reported domestic violence has fallen by three-quarters in Britain and two-thirds in America.

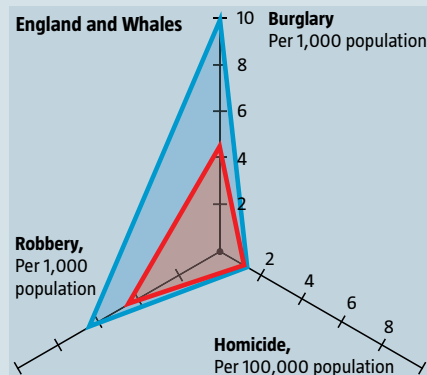
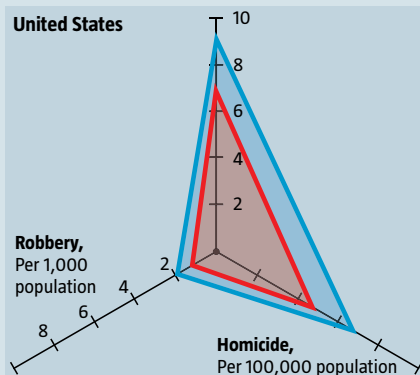
In America, the end of the crack-cocaine epidemic in the 1990s is widely credited with reducing crime. In Europe, the explosion in heroin use that accompanied the high unemployment of the 1980s has largely receded, even though hard economic times are back. Junkies are older and fewer; in Rotterdam, there is now a state-sponsored hostel for elderly heroin addicts. A lot of people in the rich world still take illegal drugs, but they tend to be drugs that they pay for out of what they earn, not what they steal.

The repopulation of inner cities is probably also a help. A middle-class exodus to the suburbs of the 1950s and 1960s often left behind inner cities blighted by derelict properties and concentrated

elsewhere, local politicians this year thanked hotspot methods for the lowest murder rate in half a century. Technology has improved the effectiveness of detective work too. The advent of DNA testing, mobile-phone location and sur-

### Less offensive

Annual rates, selected crimes



Source: FBI, Office for National Statistics, World Bank

poverty. George Kelling, the American criminologist who first developed the idea that seemingly small signs of dereliction—such as broken windows—can encourage more significant criminality, points out that inner-centre neighbourhoods such as Harlem in New York, or Amsterdam's Nieuwmarkt district, have been reclaimed by the well-off. The windows have been mended. Gentrifiers may not always be popular, but they set up neighbourhood watch meetings, clean up empty spaces and lobby politicians to take crime more seriously. They may be a consequence of falling crime that lowers crime further.

The last category of explanations is perhaps the most intriguing: that criminals simply have fewer opportunities. Jan van Dijk, a criminologist based at Tilburg University in the Netherlands, points out that in the 1950s and 1960s millions of people across the Western world acquired cars, televisions, record players, jewellery and so on for the first time; rich pickings for those who would steal them. In the decades since, those same people have added burglar alarms, window locks and safe deposit boxes. Between 1995 and 2011, the proportion of British households with burglar alarms increased by half, to 29%. And some things once worth stealing from people's homes have become less valuable. There is little point in burgling a house to steal a DVD player worth \$30.

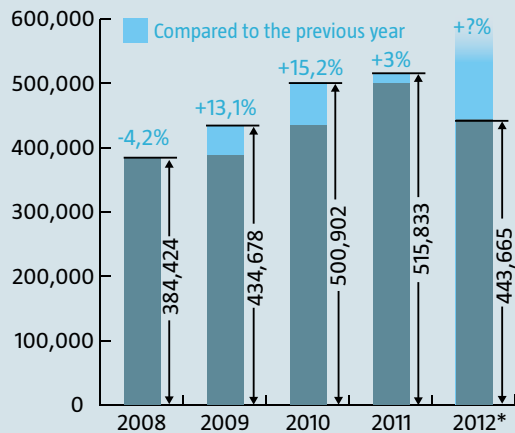
### BELLMAN AND TRUE

Shops have invested heavily in security, installing clever gates and tags to deter shoplifters and employing ever more guards. In fact, private security is booming in many places. The number of guards employed in Europe has increased by 90% over the past decade, and they now outnumber police officers. Security vans are now harder to knock off and are often followed by police cars. Fewer businesses handle lots of cash. Those that do keep less on the premises.

Armed robbery has been particularly hard hit by reduced opportunities. In 1950s London, professional criminals—often ex-servicemen—used explosives to crack the safes of factories and banks. When safes toughened up, the

## Meanwhile, Ukraine is sliding back into the 1990s

Crime level, 2008-2012



\*First 10 months of 2012; the total number is not available. Statistics for the previous year are usually published in spring. Experts believe that the 2012 data is being intentionally delayed in 2013 in order to conceal an uncomfortably sharp increase in the number of offences.

Source: Ministry of Internal Affairs of Ukraine

hard men moved on to holding up banks. As banks put up shutters and alarms, bulletproof partitions and surveillance cameras, they turned to robbing less secure building societies. By the 1990s it

## THE HIGH CRIME DROP RATE AND THE STABILITY OF THIS TREND IN CONDITIONS OF ECONOMIC RECESSION SUGGEST THAT A NEW WAVE OF CRIME IS UNLIKELY

was betting shops and off-licences (liquor stores). Now there are few armed robberies at all. As Roger Matthews of the University of Kent puts it: "You might make a thousand pounds and you'll get caught. What's the point?"

Armed robbery may have fallen for another reason too: robbers typically relied on stolen cars for their getaways. But thanks to central locking, alarms and circuitry immune to hot-wiring, stealing a car is far harder than it was. In New York City the annual number of car thefts has fallen by 93% over the past 20 years. According to Graham Farrell, of Simon Fraser University in Canada, reducing car theft may have had

In the past decade, the number of private guards employed in Europe has grown by **90%** and already exceeds total police staff

broader knock-on effects than just restricting getaway options. Stealing a car for a joyride used to be a "gateway crime", which would lead teenagers on to other crimes; now such escalation is restricted to Grand Theft Auto games (which, at least one study suggests, may themselves be reducing crime by keeping feisty young men occupied).

Not all crime is falling. Sexual offences, which often go unrecorded, may be becoming more or less common. Bank fraud, money-wire scams and trade in personal information may well have a lot of growth potential. Organised crime may be less violent in the rich world, but it is still a scourge in many places. Even in countries where crime overall continues to decline rapidly, such as Britain, certain types of property crime—such as pickpocketing and shoplifting—have risen with unemployment (the lure of mobile phones, not yet as hard to steal as cars, doubtless plays a role). Violent crime recently ticked up ever so slightly in the United States, and is rising in a few other places, such as France. And in many places police numbers are now falling, which may bode ill if policing has done a lot to drive down crime.

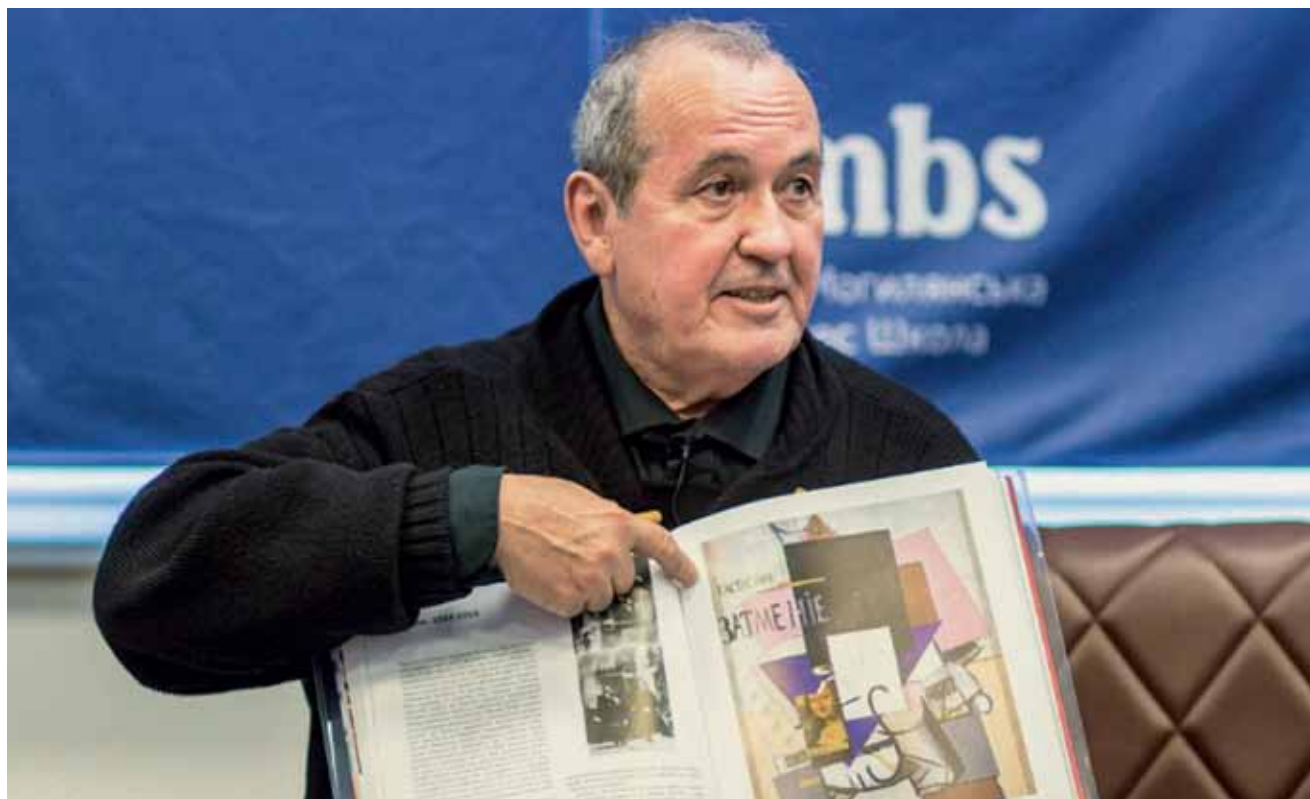
But the sheer scale of the drop—and its broad persistence in the face of the deepest economic depression in a century—make a new crime wave seem unlikely. Policing is still improving; heroin and crack-cocaine consumption continue to fall; and no one is likely to reintroduce lead into petrol. The period of rising crime from the 1950s through to the 1980s looks increasingly like an historical anomaly.

There are still criminals, but there are ever fewer of them and they are getting older. When the global economy recovers, there will be fewer still. In Tallinn, the police are having to come to terms with the implications of lower crime. "Nowadays we have a new problem," jokes Priit Pärkna, one of the local police chiefs. "If we want to arrest someone, we need much more evidence than we did." At the moment, he is worried about the pickpockets that the city's newfound tourist trade attracts. As problems brought on by progress go, it is not the worst. ■



# Kazimir Malevich and Ukrainian Avant-Garde

Jean-Claude Marcadé speaks about the obstacles keeping 20<sup>th</sup>-century Ukrainian avant-garde art from gaining worldwide renown



**Interviewer:**  
**Oleh Kotsariiev**

**J**ean-Claude Marcadé, a notable French art critic and museum curator, believes that the complexities involved in the process of understanding 20<sup>th</sup>-century Ukrainian avant-garde art as a distinct phenomenon prevent it from assuming its rightful place in the worldwide cultural scene.

According to Marcadé, information about Ukrainian culture is often perceived through a Russian lens at the international level. However, the French scholar is making efforts to change this situation.

**UW.: What is the foundation for your claim that Kazimir Malevich was a Ukrainian painter?**

I wrote and published the first monograph about him in 1990. Earlier, there were problems with

dating some of his works and life events, so I had to reconstruct his artistic evolution. Moreover, I was the first to speak about his Ukrainian-ness. It is not necessarily about ethnic origin—for example, art critic Dmytro Horbachov believes that Malevich's mother was Ukrainian. This world-renowned painter matured absorbing Ukrainian geography, Ukrainian culture, Ukrainian landscapes and the Ukrainian colour palette, which is, I assure you, much more important than ethnic background or religion. However, we should not forget how Malevich realized himself in Russia and in the West, so he is not at all a 100-per cent Ukrainian painter.

In the late 1920s, upon returning to the Soviet Union after his period of suprematism, he experienced a kind of “re-Ukrainization”.

He came to Ukraine and fit into the Ukrainian artistic context of the time. He contributed to the *Nova heneratsiia* (New Generation) journal and, with his purity and energy of colours, became a kind of a third party in the relations between Mykhailo Boichuk's followers and spectralists. Incidentally, he criticized the former for their imitative tendencies, saying that they put Byzantine-era clothes on collective farm workers and made replicas of icons. This is despite the fact that he himself imitated icons in the images of peasants based on iconic prototypes. I believe that his special colour palette was largely borrowed from icon painting.

**UW.: To what extent is the concept of a Ukrainian avant-garde accepted in the West?**

The notion of Ukrainian historical avant-garde that existed in the first quarter of the 20<sup>th</sup> century as a self-sufficient phenomenon, rather than as part of a Russian movement, is becoming established in the West with great difficulty. People are only now becoming used to it. There are those who are fighting to have it recognized. I am happy I am not alone in this group, but things like this take time. Virtually no Russian art critic agrees with this approach.

**UW.: What made the “Ukrainian avant-garde” stand out?**

Avant-garde is, in general, an international phenomenon. However, the Ukrainian avant-garde had certain distinct features of its own. First, it had special colours. Take only the role of yellow in the works of Ukrainian artists at the time: it was the saturated colour of the sun... Second, there was a special experience of space. The steppe must have played a special part in the history of Ukraine: this kind of vast “steppe-like” space is very typical of Ukrainian avant-garde painters. Hence the spirit of freedom. And, of course, there was special mirth and humour. Take, for example, Malevich’s painting *Boy with a Knapsack* (at the New York Museum of Modern Art): two squares, one bigger than the other. Or take his *Reservist of the First Division...* At the same time, Malevich knew how to be serious and tragic. His late works, such as *Peasant Between a Cross and a Sword* or the famous image of a peasant woman with a black face (which can be understood as a coffin) may be viewed as an interpretation of the tragedy of the 1930s. It is an extremely universal and symbolic interpretation, and it is hard to find any analogue in the art of that period. At the same time, we need to bear in mind that this is not the only possible understanding of such works.

**UW.: In your opinion, why did 20<sup>th</sup>-century avant-garde artists sympathize with totalitarianism so often?**

I have often thought about this. In the former Russian Empire, they hoped that a new life would come, the old sores of “bourgeois culture” would disappear and that a revolution would wash away all the evil of the world like a flood. They perceived revolution as the youth of the

planet and as an opportunity to create freely. However, they soon became victims of the revolution they had welcomed. Thus, the concept of totalitarianism was not as prominent in people’s consciousness back then as it is for us today. The situation in the West was also different: people often had an aesthetic, rather than realistic, attitude to politics.

In any case, it was evident that this sympathy was not reciprocal: 20<sup>th</sup>-century totalitarian regimes did not particularly like the avant-garde and destroyed it when they had the chance.

**UW.: What are the relations between the historical avant-garde and contemporary art? Is there continuity or are they at odds with each other?**

Tentatively speaking, the historical avant-garde was opposed to the Itinerant Movement in that it wanted to return to the essence, foundation and prototypes of art. It was as if avant-garde art was saying “art is not literature, or description, or a plain history of sociopolitical nature”. According to avant-garde reasoning, revolutionary art is not about depicting revolutionaries but about turning the consciousness of the observer upside down and offering an absolutely unexpected view on things. Because art evolves in cycles and it is impossible for it to remain attached to its abstract essence forever, we are now going through a different phase: contemporary art is again drawing closer to literature. It is trying to narrate, be understandable and social and reach out to the public at large. Hence the tendency to use long summaries and explanations. People want things to talk, and this is a perennial problem. Thus, we now have a “new Itinerant Movement”, although in a completely different form. I believe that this too will pass and we will see a new phase. We also need to remember something else: many of the works that are very prominent today will not maintain this status in the future. I recently read Guillaume Apollinaire’s reviews, and I should say that most of them are about works and authors that are clearly secondary and little known today.

**BIO**  
**Jean-Claude Marcadé** is one of the world’s most authoritative researchers of avant-garde art. He holds a doctorate degree in literary studies and is the emeritus research director of the French National Centre for Scientific Research (CNRS) and the president of the Friends of Antoine Pevsner association. Marcadé has curated art exhibitions in Paris, Berlin, Madrid, Barcelona, Bordeaux, Saint Petersburg and other cities. He is the author of *Malévitch* (1990), *Calder* (1996), *Serguei Eisenstein. Dessins secrets* (1998), *Anna Staritsky* (2000) and *Nicolas de Staël. Dessins et peintures* (2009). A Ukrainian translation of *Malévitch* was published in 2013.



**UW.: In your opinion, what needs to be done to help the global community learn more about the achievements of the 20<sup>th</sup>-century Ukrainian avant-garde?**

Ukraine – its society and state – must make efforts to popularize the heritage of its 20<sup>th</sup>-century avant-garde. It is very poorly known. Apart from a group of recognized top-class figures (Malevich, Aleksandra Exter, Alexander Archipenko, Oleksander Bohomazov, the Burliuk brothers, Mykhailo Larionov and a few others), Westerners have hardly heard about anyone else. Moreover, they fail to distinguish them from Russian artists. When a retrospective show of Bohomazov’s works was held in Toulouse several years ago, the press used attributes like a “Russian cubo-futurist”. Exhibitions need to be held to actively attract attention, because in Paris, for example, countless artistic events take place at the same time. Some things are being done, but it is clearly not enough so far. Here is a telling fact about awareness of Ukraine and its art. Some 10 years ago, a Moscow correspondent of a French newspaper (they did not and still do not have special correspondents based in Kyiv and receive all their information through a Russian prism) wrote about Ukraine and mentioned a “novelist Chevchenko”. Promotion of

Ukraine is not something that only Ukraine’s friends in the West should be asked to do. Rather, the country itself needs to actively contribute to the promotional effort. I recently wanted to prepare a special Ukrainian edition of a respectable journal of Slavic studies, but I found that it was very hard to get Ukrainians to contribute papers. Everyone said “yes” but few actually submitted articles.

**UW.: What do you like about modern Ukrainian art?**

I am better acquainted with the works of the older generation. I like the pure art of Tiberiy Szilvashi and Anatoliy Kryvolap’s “figurative abstractions”. Then there is Oleksandr Dubovyk, who seems to be underestimated in Ukraine. In addition, Volodymyr Kostyrko has interesting combinations of epochs and cultures. ■



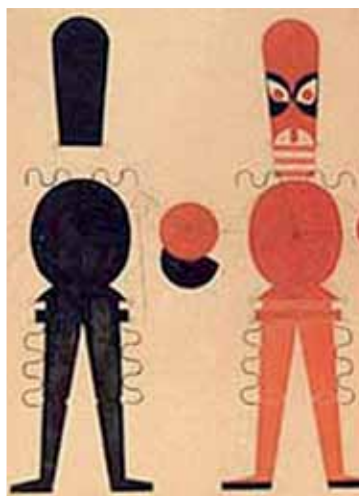
# Forgotten Relics

In the early 20<sup>th</sup> century, Kyiv saw theatre stages and movie theatres mushrooming one after another. Young Kyivites enjoyed avant-garde performances with pyrotechnics, trained animals and crowds of actors making unbelievable synchronised cosmic moves. Today, the Theatre, Music and Film Museum brings back the epoch of carnival grandeur and artistic experimentation. In celebration of its 90<sup>th</sup> anniversary, the venue is displaying rare pieces from that era.

The exhibition presents many photographs of actors from Les Kurbas' Berezhil theatre; sketches of stage sets by Vadym Meller, Oleksandra Ekster and Danylo Lieder; the personal items of the then best actors, singers and playwrights – Kropyvnytskyi, Sadovskyi, Saksahanskyi, Starytskyi and Zankovetska.

Museum workers refer to the posters and photos from plays and rehearsals, sketches, theatre cos-

tumes, actors' ID cards and props, as relics. They complain that it is mostly art students that come to the show while the wider audience seems to ignore it, even though any fan of Ukrainian theatre and film would



## Events

20.08 – 8.09

22.08-22.09

23-24. 08, 7p.m., 8p.m.

### National Geographic's top 50 photographs

Lviv Palace of Arts  
(17, vul. Kopernika, Lviv)

From the unforgettable *Afghan Girl* by Steve McCurry to landmark shots by Jane Goodall – the residents and guests of Lviv will soon be able to see the most memorable and famous photographs from National Geographic's 125 years of publication. In addition, visitors will learn the stories behind each photo and receive more information about the photographers. Some photographs will be put on display together with a sequence of shots the photographer made searching for that ideal image.



### Unsolved Mysteries

Kyiv City History Museum  
(7, vul. Bohdana Khmelnytskoho, Kyiv)

For through 22 September one month, residents and guests of Kyiv will have a chance to admire the paintings of Ivan Marchuk, one of Ukraine's most famous painters. More than 60 of his works will be on display. The exhibition will consist of two parts or "chapters" highlighting periods in the painter's artistic pursuits. Marchuk is included in the *Top 100 Living Geniuses*, a British rating, and was admitted to the Golden Guild of the International Academy of Modern Art in Rome, which includes only 51 painters.



### Museum Night

Kyiv City History Museum  
(7, vul. Bohdana Khmelnytskoho, Kyiv)

The Kyiv City History Museum invites visitors to the theatrical tour *Journey to the Kyiv of 1913*. Participants will have a unique opportunity to travel back in time and see the Ukrainian capital as it was in the early 20<sup>th</sup> century. The trip will be part of Museum Night, a pan-European tradition that began in Berlin in 1997. The key objective is to reveal the museum's hidden potential to the public and provide more diverse exhibitions.





surely appreciate it, especially as the early years of this art (it developed intensely on an international scale until stifled by Soviet repressions) is being lost in time and oblivion. Today, no schools or mass media can tell you as much about this art.

The pieces are presented in a modest – almost amateur interior. With a topic as complex as this one, the museum found it challenging to build a well-thought out concept, provide explanatory notes and send a clear message to the audience. As

a result, it came up with a simple vintage compilation of relics that witnessed the theatre and film life of 20<sup>th</sup>-century Ukraine that has not been destroyed and forgotten.

The Oleksandr Dovzhenko National Centre is the only entity in Ukraine today that is dedicated to the revival of the Ukrainian avant-garde. It restores old films and publishes retro photo albums and DVDs of classic Ukrainian films; arranges vivid events at film festivals and turns old Ukrainian cinematography into

a modern media performance. The Theatre, Music and Film Museum could, in turn, do more with the invaluable stock of artifacts it has available. For instance, it could create an interactive educational platform and start attracting its own audience. Interaction with modern viewers is the only way for any contemporary museum to succeed.

**Art Life of 20<sup>th</sup>-Century  
Kyiv in Museum Relics is open  
through October 31  
9, vul. Lavrska, Kyiv**

**25.08, 8p.m.**

**30-31.08**

**30.08 – 11.09**

### Monofest 2013

#### Cinema Club

(18, vul. Mykoly Hrinchenka, Kyiv)

Modern art that combines new technology, conceptual artistic ideas and sound experiments – these are six stunning musical performances from Ukraine, Estonia, the U.S., France and Germany. The goal of the festival is to present the most interesting music projects from around the world to Kyiv audiences. The festival will feature composer and director Lieutenant Caramel, who makes films based on collected sounds; Pacific 231, whose artistic search is reflected in multifaceted music; and John Grzinich, who offers a felicitous combination of visual and musical components.



### Creative Façades: visual art + technology + society

#### Urban space

(vul. Soborna, Vinnytsia)

The open-air TAGTOOL workshop to create light patterns and paintings on the façades of buildings will take place in Vinnytsia. Visitors will get to experience the artistic work first-hand. The event will be led by Austrian Matthias Fritz, one of the project's founders, who will teach the participants to create images with light. Light paintings can be made in real time using TAGTOOL, software that requires the skill of painting rather than coding. Instead of remaining static, the images come alive.



### Performance Art Days

**Dzyga Gallery, Lviv Palace of Arts and other locations  
(35, vul. Virmenska;  
17, vul. Kopernika, Lviv)**

Lviv traditionally becomes a space for modern art in early autumn. Ukraine's first festival of performance art will be held here in conjunction with the upcoming biennial Week of Contemporary Art. For two weeks, Lviv will host artistic events, lectures and meetings with prominent artists, performances by the theatres of contemporary plastic arts and various master classes. The topic is *A laboratory of interdisciplinary performance*. This year, participants will include young Ukrainian performers as well as artists from Poland, Lithuania and Israel.





# A Village for Fish

The submerged village of Bakota hides historic secrets underwater



If you travel between Bukovyna and Podillia and wander about historic landmarks like Khotyn and Kamianets-Podilskyi, the Podil Tovtry National Park will be a mandatory stop on your route. This unique preserve on the Dniester River was voted one of Ukraine's top seven natural wonders. Inimitable natural scenery and historical monuments are closely intertwined here.

## FORCED TO LEAVE

One of the most magnetic places in the Tovtry is a stretch along the shore of the Novodnistrovsk Reservoir near which Bakota and a few more villages were located before 1981. The locals still have nostalgic memories of their homes and orchards filled with cherry and apple trees all of which are now under water. The local residents who remember the construction of a hydroelec-

**Article and  
photos by  
Ihor Tymots**

tric power station, which caused this locality to become submerged, tell how people were forced to destroy their own homes and cut down their fruit trees. If the owners refused, prisoners did it for them. Other inmates, convicted of graver crimes, dug out cemeteries to reinter the bodies.

Now nature rules supreme here – and attracts people. Strong winds blow over the calciferous hills of the

Tovtry in the summer, but several hundred meters below, the inlets of the water reservoir are quiet; packs of campers set up tents on the bank where the river is "as wide as the sea"; people sail and ride motorboats and fishermen busy themselves with their catches.

Bakota was first mentioned in chronicles in 1024. In the 18<sup>th</sup> century, it was the capital city of the lower reaches of the Dniester, a territory that was part of the Principality of Galicia-Volhynia. The city then occupied an area of 10 hectares and had 2,500 residents. The first mention of the monastery was found in a chronicle dated 1362. It was founded by the monastic elder Antonius, who was also the founder of the Kyiv Cave Monastery. In 1255, the city was captured by the Mongols. Legend has it that the monks and the residents hid in the labyrinth of the monastery's caves.





The invaders urged them to come out, surrender and renounce their faith, but they refused. Then the Mongols blocked the entrances with rocks and fires, burying the Bakota residents alive. In 1258, the Tatars burned down the Bakota Castle. In 1431, Bakota became a border territory between Poland and Lithuania. Its residents staged an uprising that same year, driving away the landlords and proclaiming independence. Three years later, Polish troops crushed the uprising, punishing its leaders, burning down the houses and the castle and dispersing the population. Following these events, Bakota fell into decline and was never again a city. Life was quiet here for the next several centuries. In 1918-39, Bakota was a border village. A two-metre-high stone wall was erected along the Dniester, and the territory of "hostile" Romania began on the other side of the river (now Chernivtsi Oblast). The church by the monastery was finally destroyed and the monks driven out in the early 1960s. Two decades later, all residents were moved and the area was flooded. In 1996, collapsing rock destroyed the majority of the caves and the burial vault with murals and frescoes dating to the 11<sup>th</sup> through the 13<sup>th</sup> century.

### CELLS AND RAGS OF A MONASTERY

The first thing you see when you reach the lake is a beautiful panorama of the Dniester. Several million years ago, these regular-shaped hills, reminiscent of huge man-made pyramids, were the shores of a sea. Over time, seaweed and mollusks turned into the calciferous ridges that now rise up to 400 metres above the water.

A path leads down the hill to the remains of an old monastery that dates to the time of Kyiv Rus. Orthodox believers often come to Bakota to see what remains of the monks' cells: a few cells in the caves contain icons, candles, icon lamps and women's kerchiefs. There are no monks or father superiors here, just groups of believers and curious tourists.

Someone is clearly taking care of the site — wooden railing lines the path leading to the cells and three fresh water springs. Trashcans and a public restroom are also nearby. Signs installed here and there contain quotes about faith,



love and empathy from famous people. The railings leading to the springs are wrapped in motley rags, including even parts of women's bathing suits. A wind-battered and sun-scorched teddy bear lies by one of the springs next to a faded icon, wistfully watching the thirsty visitors.

### HOW TO GET THERE

Minibuses run from the bus station in Kamianets-Podilskyi to the village Stara Ushytsia six times a day (UAH 13). After the village Hrushka, you should get off near the intersection with the road sign Монастир (Monastery). The drivers often transport tourists, so they know where to stop. Walk along the road to the crossroads with an abandoned bus stop: the road to the right goes to a children's camp and the one to the left leads to the monastery. Walk along this latter road until you see another road sign reading Монастир. From there, walk past the apple orchards of an agribusiness until you see yet another such sign. A few hundred more metres along a field road, and you are at your destination. The total walk is 8km and it takes about an hour on foot. If you travel by car, you can make it to the last road sign, but only if it has not rained. Otherwise you risk getting bogged down on the dirt road.

### YALVA OVER THE DNIESTER

When you pass the cells and follow the path downhill, you will come to a beach — an ideal place to pitch a tent. The climate in Bakota is soft and warm and scientists say that the amount of heat per square metre here is almost the same as in Yalta, a resort in Crimea. There is practically no wind and very few mosquitoes — an added bonus, to be sure. Visitors can sail the lake for UAH 100 an hour. The site also hosts private yachts and boats and paragliding is on offer, too. Active tourists are joined by painters lured to the area by its picturesque landscapes. Fishermen say that the horseshoe-shaped reservoir that covers the area of 1,600 hectares and reaches the depth of 50 metres is rich in fish. Despite the fact that this is a preserve and fishing is prohibited, no guards are in sight. Nor is there anyone to collect the entrance fees noted on the signboards.

The water is warm and pure and a great place for a swim. Because of the river's bend, the current is virtually imperceptible. Many wild cherry trees can be found along the bank — a reminder of the village that was once here. A few dozen metres away stands a small wooden house where a family with one child lives. They say they sold their flat in Kyiv and moved here after falling in love with the site. ■



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