

OPERATION "PREMIER YANUKOVYCH":
WHY THOSE IN POWER ARE REWRITING
THE CONSTITUTION


HOW THE GOVERNMENT WILL SAVE THE
BUDGET AT THE EXPENSE
OF NON-OLIGARCH BUSINESS

THE KGB IN BULGARIA: THE IMPACT
OF FORMER AGENTS ON THE COUNTRY'S
LIFE TODAY

international edition
The Ukrainian Week

№ 13 (55) JULY 2013

WILL UKRAINE REBEL?

A photograph of a person holding a large white sign with handwritten Ukrainian text. The text on the sign reads: "Владо, 'Такси' вже близько!" (Vladyko, 'Taksy' is already near!). The background shows other people and a park-like setting.

Владо,
„Такси”
вже
близько!

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TAKSIM IS NEAR**

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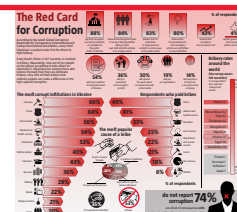
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ТИЖДЕНЬ

4-17 July



Parliament adopts the law on the vehicle utilization fee. As a result, the price of imported cars could increase by UAH 5,000-60,000, based on engine capacity



Russia plans to raise duties on chocolate, coal and glass imported from Ukraine to Customs Union states. This is in response to the new duties on imported vehicles introduced by Ukraine



The opposition disrupts the attempt to hold a Kyiv City Council session, which it considers to be illegitimate

The Post-Vradyivka Syndrome

The Yanukovych regime does not realize all the risks of de-legitimization in the eyes of the people



Author:
Andriy Duda

July 2013: a popular uprising has sparked up in the town of Vradyivka, caused by the attempts of local law enforcement agencies to cover up the rape and beating of a town resident by policemen. In the Sviatoshyn district of Kyiv, workers of the Shlyakh (Way) market are storming the district police station, rallying in defence of a girl who was struck by a law enforcement officer. Activists

are forcing their way into the Fastiv regional police station in Kyiv Oblast, demanding that the police allow them to inspect its premises in order to check information provided by local residents that there are special rooms there, designated for the torture of people who have been detained.

In the last three years, there have been ever more rallies against the illegal actions of law

enforcers. They have now become a clear trend: popular resistance against the police is increasing in Ukraine. Public opinion shows that the body that should be protecting the law is now operating outside the law. It is synonymous with murder, torture, corruption and the purchase and sale of criminal cases. In May, the Sociology Institute of the National Academy of Sciences of Ukraine published the shocking data of a public opinion poll: only 1% of Ukrainians have complete trust in the police. This is a striking contrast with neighbouring Poland, where the police enjoys the complete trust of more than 50% of the population, or Georgia, where this index exceeds 85%.

In a civilized country, a low level of trust in its law enforcement agency would be a signal for immediate reform. In the case of Ukraine, instead of reform, the police was involved in a range of public scandals, which compromised it even more. Police officers have demonstrated either a complete lack of action, as was the case with the seizure of the home of Kyiv teacher Nina Moskalenko, or the blatant and brutal execution of political orders, such as during opposition rallies, "language" protests and the 2012 election.

Obviously, public distrust for the police stems not only from its critical degradation as a law enforcement system, which people have long stopped viewing as their protector. The reaction of the police to protests against the government clearly demonstrated that it is the guard dog of the Yanukovych regime. So society no longer views the police as a separate caste, but as part of the current government system. People are

The month
in history

11 July 1533

Pope Clement VII excommunicates Henry VIII from the Catholic Church for the breakup of his marriage with Catherine of Aragon. This results in the emergence of the Church of England



15 July 1410

The joint Polish-Lithuanian army defeats the Teutonic Order in the Battle of Grunwald



16 July 1919

UHA, the Ukrainian Halychyna Army, crosses the Zbruch River and leaves the territory of Halychyna for Naddniproprishchyna under the pressure of the Polish army





Riots against the police in front of police stations in Fastiv, Kyiv Oblast, and Sviatoshyhno, a district in Kyiv



The Polish Sejm passes the resolution on the Volyn tragedy, qualifying it as cleansing with elements of genocide



The European Court of Human Rights begins the consideration of the second appeal from Yulia Tymoshenko on criminal persecution

not storming regional police stations simply because that they resist the arbitrariness of the police, but probably first and foremost because the police, as a representative of the regime, is closest to the people. It seems to have become the first victim of the government's de-legitimization in the eyes of the public.

The government had two options in reaction to the public uprising against the police.

The "adequate" scenario provided for the dismissal of Vitaliy Zakharchenko. Even though he is loyal to Yanukovich, this could be an option since there is a so-called gas group in the government that has long been trying to get rid of him. Then, a new minister could be appointed who would declare the reform of the law enforcement system. The latter could nominally change commanders of several oblast police offices and begin showcase trials against two or three officers. In addition, he could respond to complaints regarding torture against suspects with a few more criminal cases. A number of oblast offices could undergo re-attestation. The government could grant amnesty to people who committed minor breaches when storming regional police stations. In other words, everything could be done to stage a beautiful show of energetic activity, which the regime has been doing all the time lately. Even such superficial measures would win back some votes to add to Yanukovich's plummeting rating.

The "aggressive" option would not provide for any notable dismissals and trials of highly-placed police officials, while bringing opposition members and public ac-

tivists who participated in rallies to account.

In spite of the fact that the Interior Ministry did not immediately react to the events in Vrdiyivka (the public uprising could have been diffused by rapid and professional action: the dismissal of the heads of the oblast police office and the regional police station, the detention of Dryzhak – the rapist police officer, etc.), the government seemed willing to opt for the "adequate scenario" after the storming there. At least, this is what the initial dismissal of law enforcers on the regional level implied. But after the rally at the Sviatoshyhno police station in Kyiv, the rhetoric took a different tone. Deputy Head of the VR Anti-Corruption and Organized Crime Committee, Party of the Regions' Mykola Dzhyha, said that "acts are being drafted to increase responsibility for attacks of police officers." Law enforcers on different levels have been threatening to bring the initiators of the Sviatoshyhno rally to account. Pro-government mass media buzz about police officers "injured" in the storming. "Police officers" are debating the need of forced crushing of protests in social media. Thus, it looks like the government has chosen the most aggressive option of reaction to protests against the police, thus once more telling the latter that it is completely satisfied with the current hierarchy, there is no point in changing anything, and most importantly, that people in uniform continue to serve and protect the regime.

This must be why the Interior Minister, Vitaliy Zakharchenko, decided to go on holiday with a clear conscience, the feeling that he has fulfilled his duty, and green

How many Ukrainians trust the police
Don't trust at all

30.9%

Trust to some extent

35.6%

Trust completely

0.8%

Don't know

24.6%

No answer

0.1%

light from the president apparently. Attacks on police stations appear to be a secondary issue provided that the most important one is resolved: the position of chief of police is his for several more years. Hated by the people, but trusted by the president. On the eve of a difficult presidential election, this is exactly the kind of interior minister he needs – a loyal chief of police, who will execute any order he is given for the president's trust he enjoys now.

However, if the government is truly counting on the "aggressive scenario", it is making a great mistake thinking that in the hour of need, all policemen without exception will execute any order. The first protests against the police have already alarmed police employees. Still, no way are all of them ready to go along with the proposals of their colleagues on the online police forum (where many professional provocateurs operate by the way) to "open fire to defeat storming attempts" and "act very severely, not paying attention to any liberal blah-blah." "I wouldn't be so sure that force will end the Vrdiyivka syndrome... this is Kyiv, and the reaction of people there is unpredictable... 4.5 million people who, to put it mildly, are dissatisfied with the government – it's a powder keg ... I personally would not take the risk...", said a post by Angelys007, a police officer from Cherkasy, on the forum. Many police employees share his opinion.

It was always like this in history: The majority always put pressure on collaborators, until there are fewer and fewer people for the regime to rely on. Eventually, this leads to its inevitable collapse. ■

17 July 1918



Bolsheviks shoot Nicholas II, the last Russian Emperor, and his family in Yekaterinburg



18 July 1918

Hetman Pavlo Skoropadsky approves the naval flag of the Ukrainian State

20 July 1903



The Ford Motor Company releases its first Model A car

23 July 1918



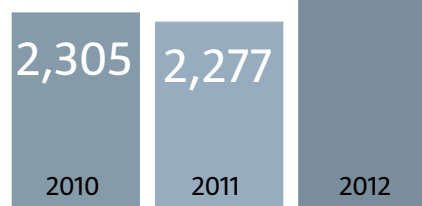
The Omsk-based government of Admiral Aleksandr Kolchak declares Siberian independence and abolishes all Bolshevik laws

THE LAND OF FURY

Ukrainian society has now reached the highest protest potential over the past three years. *The Ukrainian Week* has singled out the most significant ones

The number of protests in Ukraine has grown since 2010 when Viktor Yanukovich became president. According to studies by the Society Research Centre, 2012 saw a surge in political and human rights protests. Politics fueled 15% of all protests in 2010, 25% in 2011, and 34% in 2012. In 13% of the protests in 2010, people rallied for their freedoms – in 2011 and 2012 the number hit 17%. Meanwhile, the number of protests for economic reasons declined from 49% in 2010 and 60% in 2011 to just 43% in 2012, although this motivation still dominates others. Notably, the number of small protests arranged by ordinary people without links to any organizations or parties that rose against injustice in a specific matter, rather than for political demands, has increased. So far, the opposition has failed to unite these fragmented yet widespread movements into one. Still, statistics prove that, with proper coordination, Ukraine is prepared for mass protests.

RECORDED PROTESTS IN UKRAINE



5

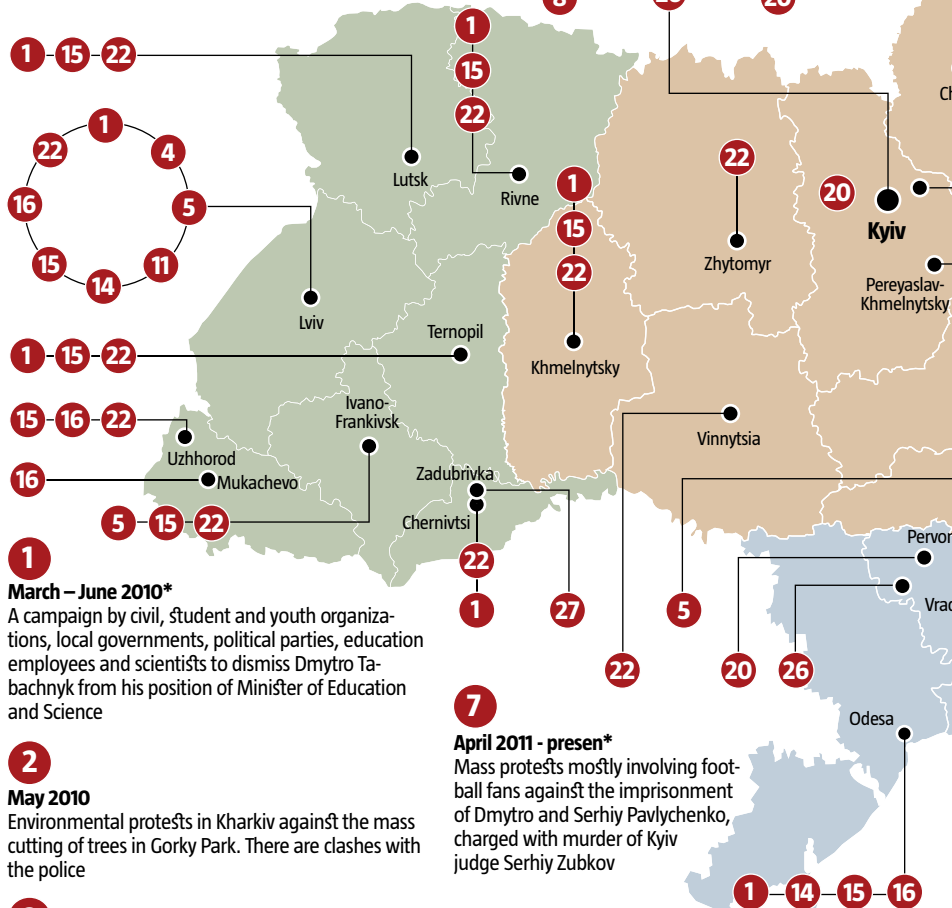
November 16 – December 3, 2010*

Mass protests against the Tax Code that in the first version adopted by Parliament, abolished a flat tax for SMEs

6

February 2011 – February 2012

Protests against the closure of Ukrainian language schools



1

March – June 2010*

A campaign by civil, student and youth organizations, local governments, political parties, education employees and scientists to dismiss Dmytro Tabachnyk from his position of Minister of Education and Science

2

May 2010

Environmental protests in Kharkiv against the mass cutting of trees in Gorky Park. There are clashes with the police

3

May – September 2010*

No to Police State! protests against police willfulness after the beating death of student Ihor Indylo while in police custody

4

October 12, 2010 – present*

A public campaign Against Retrograde Education to stop the adoption of the Laws On Education, Nos. 7486-1, 9655 and 1187. In June 2013, protests begin against draft law No. 2060a to protect external independent testing (ZNO) which prevents corruption in secondary and tertiary education

7

April 2011 – present*

Mass protests mostly involving football fans against the imprisonment of Dmytro and Serhiy Pavlychenko, charged with murder of Kyiv judge Serhiy Zubkov

8

August 2011 – present*

Protests against the arrest and imprisonment of Yulia Tymoshenko

9

August 24, 2011

On the 20th anniversary of Ukraine's independence, supporters of opposition parties from the Resistance to Dictatorship Committee protest against the Party of Regions' policy and the decline of democratic freedoms in Ukraine. The police disrupt the peaceful march for no valid reason

10
September 2011

A rally to support Vitaliy Zaporozhets who killed a police officer who had been terrorizing village residents

11
September 20, 2011 – December 2012

Chornobyl liquidators and Afghan war veterans rally in front of the Cabinet of Ministers and Parliament, protesting against plans to abolish their social benefits

13
December 20, 2011*

Artists protest against a draft law on touring in Ukraine, which proposed new taxes for Ukrainian artists. The law was never enacted

14
March 2012*

Rallies to support Oksana Makar, who was raped and violently beaten by three young men (she died of her injuries 20 days later)

15
July – August 2012*

Protests against the Kivalov-Kolesnichenko (Ka-Ka) language law; a total of 407 rallies take place all over Ukraine

16
August 2012 – present

Students and college professors protest against the Education Ministry's initiative to reorganize and merge various higher education institutions

20
November 2012

Rallies against parliamentary election rigging in front of the Central Election Commission and in troubled election districts where vote counting was dragged out and disrupted (Nos. 94, 95, 132, 194, 197, 211 and 223)

21
February 2013

Car owners protest against the inactivity of the UkrAvtoDor State agency that is responsible for the condition of Ukrainian roads

22
March 14, 2013 – present*

Rise Ukraine! national campaign arranged by the opposition that included rallies in 18 cities with an average of 5,000 participants

23
April 2, 2013

Nearly 6,000 Kyivites rally in front of the Verkhovna Rada demanding that it sets a date for the Kyiv mayoral election

24
May 18, 2013 – present

Journalists and NGOs protest against the beating of journalists Olha Snitsarchuk and Vlad Sodel by thugs hired by those in power at the opposition's Rise Ukraine! rally in Kyiv

25
May – June 2013

People in Lysychansk protest against the closure of the plants around which the city was built and operates, and against the loss of jobs

26
July 1, 2013 – present

Protests in Vradiyivka, Mykolayiv Oblast, against police violations, with demands to punish the officers who raped and brutally beat 29-year old Iryna Krashkova. The most proactive villagers march to Kyiv

27
July 8, 2013

Local residents block a potholed road, demanding that authorities see to its repair


12
November 29, 2011

A rally against the murder of peaceful protesters at a rally in memory of Hennadiy Konopliov, a participant of the Chornobyl liquidators' protest, who was killed during the disruption of protesters' tents in Donetsk

18
October 1, 2012

Journalists and NGOs protest against the new law on libel

19
October – November 2012

Environmental protests to curb the emissions of Azovstal and Illich MMK steel plants owned by Rinat Akhmetov's MetInvest Holding



*** National protest**

Source: Society Research Centre

Will Ukraine Rebel?

Local protests may escalate to a nationwide movement against the Yanukovich regime well before the 2015 presidential election

Authors:
Andriy Skumin,
Bohdan Butkevych

After nearly three and a half years under the Yanukovich regime, public protests are becoming increasingly widespread and radical. There were 2,305 protest actions in 2010; by 2012, that number had grown to 3,636. While the purposes of these protests were varied, most had one thing in common: although initially apolitical,

they gradually generated political demands. The protests were usually localized in certain territories or within specific social groups whose interests had been violated. The most recent actions showed a common resistance against appalling injustices as witnessed in Vradivka, Semypolky and Mykolayiv. Other protests such as those carried out by former Chernobyl

liquidators and Ukrainian-language advocates demanded the protection of rights. These uprisings left most Ukrainians sympathetic yet uninvolved: they were not ready to actively support the interests of others. According to sociologists, this allowed those in power to quash such movements and neutralize the highly fragmented protest sentiments even if most Ukrainians shared them (one third of Ukrainians claim to be ready to participate in rallies). In this respect, Ukraine is different from Bulgaria, Turkey, Brazil and Egypt, which responded to similar factors with massive uprisings.

The government may see this as a reason to ignore social frustration. However, while it has managed to abate the fragmented protests of social groups and individual towns in one way or another, it has never addressed the causes of discontent. Thus, many sociologists believe that certain circumstances can cause a simmering conflict to escalate to a national explosion that will speed up legitimate change within the government, as was the case in Egypt, for instance. Factors that may drive protests range from economic shock, a sense of possible victory, the feeling of irreversibility with a lost chance to replace the government, or a new leader who will offer a reasonable alternative to the regime and will be ready to head a protest movement. Currently, sociologists claim that a critical mass of the discontented is accumulating and new fractures between the regime and society are surfacing.

"Declaratively, we have high protest readiness," says Yevhen Holovakha, a top Ukrainian sociologist and Deputy Director at the Sociology Institute, National Academy of Sciences. "But Ukrainians are not used to protesting without very weighty reasons which they can't just overlook. What happened in Vradivka was largely caused by people's wish to survive. They realized that they will be next unless they stop the bandits. Ukrainians tend to stay passive until there is clear injustice or a goal – preferably pointed out by someone they respect. A very clear line between good and bad like the one in Vradivka or before the Orange Revolution is necessary to push Ukrainians to rise."

ON ONE LIST: Activists walk to the Presidential Administration on July 9, Viktor Yanukovich's birthday, wearing masks of dictators Hussein, Qaddafi and Stalin



PHOTO: UNIAN

"The thing is that Ukrainians are probably the most patient nation in the world, you can see that in history," comments social psychologist Oleh Pokalchuk. "Virtually the only thing that can easily sting our people is wounded pride, like with a teenager—which Ukraine actually is. Ukrainians have inflated egos, idealistic worldviews and ambitions inspired by books – all of this occurs already in puberty."

FROM QUANTITY TO QUALITY

The riots in Vradiyivka, Ly-sychansk, Pervomaisk and other places proved that Ukrainian society is electrified and ready for real activity in the streets. This readiness is indicated by the respondents' answers to "Are you ready to join a rally?", as much as it is by the lack of any real alternative forum in which people can express their dissent. Developed democracies have several options for public reaction to violent episodes like that in Vradiyivka. Citizens can appeal to a superior law enforcement authority or a police supervisor,

file a no-confidence motion against police chiefs in a specific town, file lawsuits and more. In a Vradiyivka-type situation, the citizens of "old democracies" do not have to take to the streets. In Ukraine, none of these options are available. Appealing to an oblast police department makes no sense because it will be headed by the wrongdoer's godfather who may well turn out to be equally corrupt. Turning to the prosecutor's office will be fruitless because of its ties with top police officials and the Family on the top level and profound nepotism on the lower level. Vradiyivka confirmed this: the county prosecutor was protecting police officers who had violently raped a local woman and left her for dead. The prosecutor ignored obvious facts of the crime and evidence from the victim for several days. This leaves street protests as the only way to solve the problems of individuals, community and society. Hence, the growing number – and radicalism – of local protests.

"Our whole history shows that Ukrainians will not take to the

streets just for something material – their wallets," says political analyst Serhiy Taran. "Just think of any massive protests – for independence, the Orange Revolution and the like. They were all driven by motives higher than money. Ukrainians are much more likely to support an organization or a person that offers them an ideology, foundation, or alternative. Overall, the fact that people here are ready to publicly protest for something more than money is a positive thing. Revolutions for material reasons often aggravate the situation rather than make things better, such as the October Revolution where the main goal was redistribution of wealth. If Ukrainians rebelled for bread alone, they would be very easy to hush up with bread. Ukrainians are more willing to rally for high ideals, which means that society is gradually maturing and beginning to understand that it must be built on a foundation of law and human rights."

Unlike other countries where equal protest readiness swiftly es-

Over the past three
and a half years
under the
Yanukovich regime,
the number of
protests has grown
from
2,305
in 2010
to **3,636**
in 2013

Radisson BLU
HOTEL, KYIV

ALL ROADS LEAD TO MILLE MIGLIA



RADISSON BLU HOTEL, KYIV
Mille Miglia Restaurant
22 Yaroslaviv Val Street
+ 38 044 492 22 55

calated into massive rallies, Ukraine's localized and spontaneous actions have remained just that. Social rejection of the Yanukovich regime (measuring at least 60% according to various surveys) is not escalating into a pan-Ukrainian movement, for which many experts have pointed out socio-psychological and political reasons. "Better organization of protests would make a 2004-style scenario possible now," Yevhen Holovakha comments. "Otherwise, there will be nothing but a blind riot." The opposition – in parliament or beyond – could take the lead. But Ukrainian politicians are spoilt and distant from the population, whom they view simply as a crowd that can bring them to power. Opposition leaders are still guided by political strategies and attracted by numbers no less than "hundreds of thousands". Meanwhile, they seem to over-

look the fact that hundreds of thousands begin with hundreds and thousands. As a result, whenever opposition parties took the lead in a local protest, they would swiftly abandon the original goal of the action, downgrading it to a small rally where most protesters were paid to stand with posters and greet one opposition leader

hiy Taran. "The first is public trust for politicians [following the disappointment with Orange leaders – Ed.] or any organized political rallies. This total distrust, a trauma essentially, prevents people from uniting around a common goal. The second important factor is the management of these rallies. Someone has to seriously work on that on a daily basis, build networks and supervise them. Nobody is doing that in Ukraine right now."

The conduct of current opposition leaders reveals that they are afraid of heading a real protest movement. After Tymoshenko was put in jail, Ukraine was left without an equivalent to Russia's Alexey Navalny, who refuses to abandon his goal of replacing the Putin regime comprised of "former Komsomol members and bandits" despite huge pressure from the Russian state machine. Nor does Ukraine have its own

THE CONDUCT OF CURRENT OPPOSITION LEADERS REVEALS THAT THEY ARE AFRAID OF HEADING A REAL PROTEST MOVEMENT

or another. This has discouraged proactive people from supporting political demands "without money", as in Rise Ukraine!

"Two things are lacking in order for a real national protest to start," notes political analyst Ser-

THE PROTESTS AROUND THE WORLD

The March of Protest

A wave of anger is sweeping the cities of the world. Politicians beware

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A familiar face appeared in many of the protests taking place in scores of cities on three continents this week: a Guy Fawkes mask with a roguish smile and a pencil-thin moustache. The mask belongs to "V", a character in a graphic novel from the 1980s who became the symbol for a group of computer hackers called Anonymous. His contempt for government resonates with people all over the world.

The protests have many different origins. In Brazil people rose up against bus fares, in Turkey against a building project. Indonesians have rejected higher fuel prices, Bulgarians the government's cronyism. In the euro zone they march against austerity, and the Arab spring has become a perma-protest against pretty much everything. Each angry demonstration is angry in its own way.

Yet just as in 1848, 1968 and 1989, when people also found a collective voice, the demonstrators have much in common. Over the past few weeks, in one country after another, protesters have risen up with bewildering speed. They have been more active in democracies than dictatorships. They tend to be ordinary, middle-class people, not lobbies with lists of demands. Their mix of revelry and rage condemns the corruption, inefficiency and arrogance of the folk in charge.

Nobody can know how 2013 will change the world—if at all. In 1989 the Soviet empire teetered and fell. But Marx's belief that 1848 was the first wave of a proletarian revolution was confounded by decades of flourishing capitalism and 1968, which felt so pleasurably radical at the time, did more to change sex than politics. Even now, though, the inchoate significance of 2013 is discernible. And for politicians who want to peddle the same old stuff, the news is not good.

ONLINE AND INTO THE STREETS

The rhythm of protests has been accelerated by technology. V's face turns up in both São Paulo and Istanbul because protest is organised through social networks, which spread information, encourage imitation and make causes fashionable. Everyone with a smartphone spreads stories, though not always reliable ones. When the police set fire to the encampment in Gezi Park in Istanbul on May 31st, the event appeared instantly on Twitter. After Turks took to the streets to express their outrage, the flames were fanned by stories that protesters had died because of the police's brutal treatment. Even though those first stories turned out to be wrong, it had already become the popular thing to demonstrate.

Protests are no longer organised by unions or other lobbies, as they once were. Some are initiated by small groups of purposeful people—like those who stood against the fare increases in São Paulo—but news gets about so fast that the organising core tends to get swamped. Spontaneity gives the protests an intoxicating sense of possibility. But, inevitably, the absence of organisation also blurs the agenda. Brazil's fare protest became a condemnation of everything from corruption to public services. In Bulgaria the government gave in to the crowd's demand to ditch the newly ap-



Zoran Đinđić, who headed the overthrow of President Milosevic and his mafia system in the Serbian Bulldozer Revolution despite the fact that his own party was in the minority. Another important lesson from Đinđić's experience or the latest developments in Egypt is that sometimes even a minority can take power in its hands if it offers society a reasonable alternative. Both Navalny and Đinđić struggled to profoundly change the systems that were leading their countries to collapse. Unlike them, most Ukrainian opposition leaders do not have such a goal, therefore they cannot – or do not want to – lead a real resistance. “There are very few passionate people in Ukrainian society today. This is a result of the turmoil of the 20th-century,” Yevhen Holovakha comments. However, the only question here is when the leader or political party will emerge that will be ready to pro-

foundly change the current system in the interests of the Ukrainian majority.

WHEN THE TIME COMES

The current scale of resistance does not bother the Yanukovich regime much. “The government is openly ignoring civil forms of protest while accepting radical ones. Put simply, it turns a blind eye to journalists and human rights activists, but when people start burning down local police offices, it uses different tactics to solve the problem.”

However, the regime is taking a risk in assuming that a society deprived of leaders and viable alternatives will never rise up in widespread revolt. In the early 2000s that ended with the Orange Revolution, 20,000 people at most joined the “Ukraine Without Kuchma” campaign and far fewer respondents claimed ready to participate in a revolution in Kyiv

than do today. Eventually, however, it swelled into a national movement when society felt that things would become fatally irreversible unless the government was held accountable for ignoring the opposition and the interests of the majority of voters. This suggests that today, voters heated by a slew of fragmented local conflicts and causes that the Yanukovich regime does not – and will not – eliminate, may well respond to a spontaneous mobilization that the government will be unable to predict or resist. Perhaps by then a political force or a leader (preferably not from the current political elite) will emerge that will offer society an alternative scenario and head the protest movement that will bring about legitimate regime change. This may happen well before the 2015 presidential race if the Yanukovich regime continues to infuriate voters at the current pace. ■

pointed head of state security. But by then the crowd had stopped listening.

This ready supply of broad, fair-weather activism may vanish as fast as it appeared. That was the fate of the Occupy protesters, who pitched camp in Western cities in 2011. This time, however, the protests are fed by deep discontent. Egypt is suffering from the disastrous failure of government at every level. Protest there has become a substitute for opposition. In Europe the fight is over how to shrink the state. Each time the cuts reach a new target—most recently, Greece's national broadcaster—they trigger another protest. Sometimes, as in the riots of young immigrants in Sweden's suburbs in May and of British youths in 2011, entire groups feel excluded from the prosperity around them. Sweden has the highest ratio of youth unemployment to general unemployment in the OECD. Too many young Britons suffer from poor education and have prospects to match. In the emerg-

ing economies rapid real growth has led people to expect continuing improvements in their standard of living. This prosperity has paid for services and, in an unequal society like Brazil, narrowed the gap between rich and poor. But it is under threat. In Brazil GDP growth slowed from 7.5% in 2010 to only 0.9% last year. In Indonesia, where GDP is still below \$5,000 a head, ordinary families will keenly feel the loss of fuel subsidies.

More potent still in the emerging world are the political expectations of a rapidly growing middle class. At the end of last year young educated Indians took to the streets of several cities after the gang rape of a 23-year-old medical student, to protest at the lack of protection that the state affords women. Even bigger protests had swept the country in 2011, as the middle class rose up against the corruption that infests almost every encounter with government officials. In Turkey the number of students graduating from university has increased by 8% a year since 1995. The young middle class this has created chafes against the religious conservatism of the prime minister, Recep Tayyip Erdogan, who wants large families and controls on alcohol. The 40m Brazilians who clambered out of poverty in the past eight years are able for the first time to scrutinise the society that their taxes finance. They want decent public services, and get overpriced sports stadiums instead.

TROUBLE IN BRUSSELS AND BEIJING

How will this year of protest unfold? One dark conclusion is that democracy has become harder: allocating resources between competing interest groups is tougher if millions can turn out on the streets in days. That implies that the euro zone's summer will surely get hotter.

The continent's politicians have got off lightly so far (the biggest demonstrations in Paris, for instance, were when “Frigide Barjot” led French Catholics in a bid to stop gay marriage). Yet social instability is twice as common when public spending falls by at least 5% of GDP as when it is growing. At some point European leaders must curb the chronic overspending on social welfare and grapple with the euro's institutional weakness—and unrest will follow.

Happily, democracies are good at adapting. When politicians accept that the people expect better—and that votes lie in satisfying them—things can change. India's anti-corruption protests did not lead to immediate change, but they raised graft up the national agenda, with the promise of gradual reform. To her credit, Brazil's president, Dilma Rousseff, wants a national debate on renewing politics. This will be neither easy nor quick. But protest could yet improve democracy in emerging countries—and even eventually the EU.

Democrats may envy the ability of dictators to shut down demonstrations. China has succeeded in preventing its many local protests from cohering into a national movement. Saudi Arabia has bribed its dissidents to be quiet; Russia has bullied them with the threats of fines and prison. But in the long run, the autocrats may pay a higher price. Using force to drive people off the streets can weaken governments fatally, as Sultan Erdogan may yet find; and as the Arab governments discovered two years ago, dictatorships lack the institutions through which to channel protesters' anger. As they watch democracies struggle in 2013, the leaders in Beijing, Moscow and Riyadh should be feeling uncomfortable. ■





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Pervomaisk, a regional centre in Mykolayiv Oblast, is a place where masters change all the time. It is a merger of three towns, ruled by different states in the past. It was here that the borders of Poland, Russia and Turkey met in the 17th century. Holta, a district in Pervomaisk, was once a town that was part of Zaporizhzhian Sich. Another, Bogopil, was the customs point of the Polish-Lithuanian Commonwealth. Olviopol was the domain of the Russian Empire. There is hardly anything in today's Pervomaisk with its Soviet Street, granite Lenin monument in the middle of a flowerbed, and old *khrushchyovkas* that is reminiscent of those times. Its Soviet nature has been cemented in every election where the counting rather than voting mattered. It was here that the Central Election Commission confirmed the victory of Arkadiy Kornatskyi, an opposition candi-

date, over the local Party of Regions' candidate Vitaliy Travianko with a margin of more than 4,000 votes in a town of 66,000 in the 2012 parliamentary election. 24 hours later this changed in favour of Travianko.

The locals arose in protest to protect their votes. Those in power used the Berkut special-security police to hush up the dissent. The town eventually became one of the five first-past-the-post districts in which the Central Election Commission designated a re-election. However, this did not soothe the political confrontation that continues to this day.

THE BATTLE FOR POWER

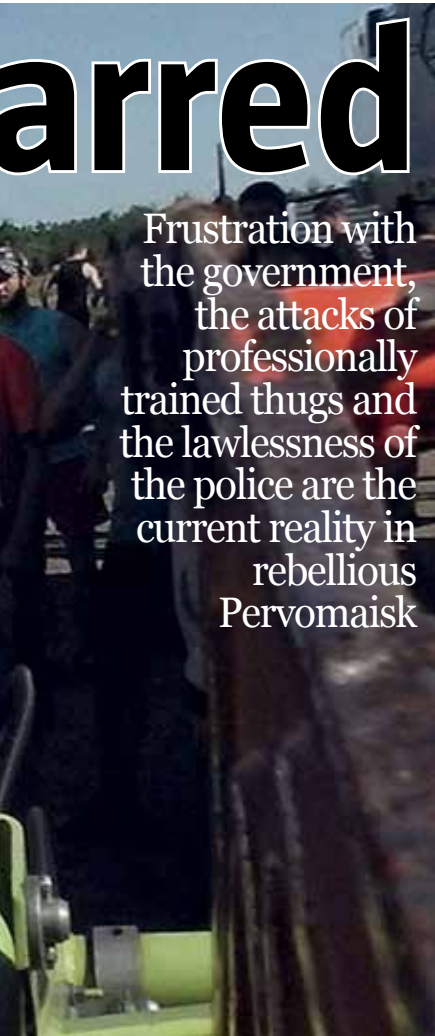
Despair and indifference are the main factors that determine the socio-political environment in Pervomaisk. "I have no idea who will run. It's so confusing," Natalia shrugs. "But they're all the same, no matter whom you choose!" Dmytro shares her opinion: "Opposition or govern-

ment candidates – everyone wants to get closer to the trough."

Today, Mykhailo Sokolov is the only one who seems to be openly campaigning for the re-election. Billboards with the former opposition MP who has headed Batkivshchyna's Mykolayiv Oblast organization since April 2013 are on virtually every street in town.

So far, he has been promoting himself as an "advocate" rather than a candidate, advertising his assistance hotline. His other pre-election tricks include newspapers and greeting cards for his "dear compatriots" although he himself comes from Dnipropetrovsk Oblast. This surge of activity may signal that Batkivshchyna is ready to nominate him instead of Kornatskyi. However, local party representatives deny this.

It appears that the campaign is Sokolov's personal initiative. This has happened in Ukrainian politics before: the official opposition candidate, journalist Kostiantyn Usov,



arred

Frustration with the government, the attacks of professionally trained thugs and the lawlessness of the police are the current reality in rebellious Pervomaisk

ran alongside Hennadiy Chekita, the head of Batkivshchyna faction in the Odesa City Council, in the parliamentary election in Odesa. With diluted votes for the opposition, the Party of Regions' Serhiy Hrynevetskyi won with 32% against the combined 48% for Chekita and Usov. Given this scenario, Sokolov is essentially acting as a technical candidate of the party in power.

Arkadiy Kornatskyi claims that this is the case. Meanwhile, his "party colleague" Sokolov commented that the notorious attack by thugs on Kornatskyi's farm, which Kornatskyi himself sees as a purely political act, was merely a "distribution of the harvest" between competing farms, recommends that Kornatskyi sues them and is offering his help in negotiations between Kornatskyi and Mykola Kruhlov, Head of Mykolayiv Oblast State Administration. The latter wouldn't mind running in the district instead of Traviako, the pro-government can-

didate who lost the election last October.

THE POLICE AND BANDITS, HAND-IN-HAND

The locals barely know Mykhailo Sokolov. Unlike him, Arkadiy Kornatskyi is a well-known businessman in the region. Opinions on his political activity vary. "Some praise him, others curse him," says Ivan, one of the locals. "But he's a good employer." "His employees are happy," Dmytro confirms. "He offers good terms and salaries." This means a lot to the locals. Here, in the rural south, people are glad to have any job at all. According to the State Statistics Committee, the average wage in Mykolayiv Oblast was UAH 2,800-3,000 in 2013. Kornatskyi pays unskilled workers UAH 4,000-4,500, while skilled workers earn UAH 5,000 to 15,000.

This was the first reason why villagers were pushed to protect the farm when it was attacked by thugs. Even gunshots didn't scare them away. The conduct of the police (which supported the bandits) shocked witnesses. They claim that the police were involved in the process from the very beginning. Not only did they ignore the villagers' demands to intervene, but made a corridor for the armed thugs to pass through safely. Now, the farm's employees are ready to give evidence on the criminal inactivity of the police.

Locals finally fought off the raiders without the help of the police. "You should have seen how people kicked their asses," says an employee. "Even women, some of them old, chased them off. People chased them on horseback in the field, like rabbits. They would have crippled or killed those bandits if they had not been aware that they have to abide by the law. But we controlled ourselves and chased them to Velyka Mechetnia, a village 10km away from here."

The thugs, almost a hundred of them, included "athletes" from Kyiv, Bila Tserkva and elsewhere. Some of them were locals – the local unit of bandits known as "Kruglov's eagles" in this region. These guys have been known since 2010 when they first smashed the Drive night club in Pervomaisk. Back then, a criminal case was opened against them under public pressure but was later closed.

No one was arrested after the June 18 attack on the farm. Locals claim that Kruglov's eagles and the

WHY IS MYKOLAYIV REBELLING?

Mykolayiv Oblast has constantly been in the news lately: Oksana Makar was raped and burned alive; those in power acted like bandits in the Pervomaisk district 132 in the 2012 parliamentary election and a riot followed; then Chausove-2 with the raider attack on the farm of a former opposition candidate, and a woman gang-raped and almost killed by two police officers in Vradiyivka. These have all triggered public protests. There are several reasons for such resistance. Firstly, the oblast has a strong and clear hierarchy, headed by two or three families. As a result of the omnipotent domination of one political force – previously the Communist Party, and now the Party of Regions – actually, not the parties as such, but one and the same masters of the oblast, the situation there has barely changed since the collapse of the USSR. This leads to the impudence and impunity of those in power at all levels. So the exceptional impudence of the Mykolayiv Oblast authorities stems from the lack of normal political competition over many years, which has allowed its long-time masters to cement special rules and caused officials to feel that they can do anything and not be liable for their actions. Secondly, local masters prefer to use anti-Ukrainian rhetoric to aggravate tension in the oblast populated by 81.9% of Ukrainians and 14.1% of Russians. Thirdly, this territory, especially northern agrarian regions, is seeing a steep fall in economic indices, which affects the welfare of its many citizens. All of this has made Roman Zabzaliuk, former head of the local branch of Batkivshchyna, claim that if Ukraine ever sees mass protests again, they will definitely kick off in the South.

police officers that raped the woman in Vradiyivka are all members of the same gang. They have been racketeering on markets in Mykolayiv Oblast, including those in the Pervomaisk Region. Rumour has it that part of the income goes to the head of the Oblast State Administration and chiefs of the prosecutor's office, police and tax authorities. The rest is used to maintain the gang.

THE POLITICAL COMPONENT

The notorious bandit attack was not the only incident on the farm. "It's hard for me to single out one incident because we've been under permanent pressure for a while now," Arkadiy Kornatskyi comments for *The Ukrainian Week*. "There is not a single government authority in the Mykolayiv Oblast that does not exert pressure on my farm. They all do, including the Oblast State Administration headed by Kruglov, Pervomaisk and Kryvozersk Country State Administrations, the prosecutor's office, the police, tax authorities and courts – with no exceptions." He refers to the oblast authorities as a "true organized crime group."

After June 18, the epicentre shifted from Chausove-2, the village where the farm is located, to the neighbouring Kamiana Balka. Next to it are the fields where Ahrofirma Kornatskykh (Kornatskyi's Farm) works legitimately, based on nearly 500 state registered lease contracts with the villagers who own the land. Last fall it sowed winter crops there. Now, it's harvest time but the former opposition candidate's farm is not allowed to gather the wheat. Some villagers have received faux land certificates. Based on these, they are signing new contracts with Yuriy Khanahian, a businessman from the neighbouring region who is closely tied to the Party of Regions.

Arkadiy Kornatskyi believes that the pressure on his farm is an attempt to eliminate him as a political opponent and his farm that operates on a legitimate basis. "This has nothing to do with the economy," he claims. "The farm's assets that they grab after they ruin it will just be a reward for the bandits who attack it. Also, they are trying to seize the farm as an example to others of what will happen to them if they don't pay bribes, share their businesses or give kickbacks. The local authorities are performing their key function – sending corrupt money to the top, to Kyiv." ■

The Looming Revolt in Lysychansk

The decline of the city in Luhansk Oblast shows how hopeless the current oligarch-controlled economy is as it rules out free entrepreneurship and competition

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Lysychansk is a monotown of 100,000 in Luhansk Oblast. Its major plants have been closing one by one, leaving virtually all the locals jobless. The climax came when LYNİK, the local oil refinery and the monotown's core plant, came to a complete halt this spring. The locals requested authorities to change the situation on numerous occasions, but no specific actions have been taken. Eventually, on June 4, a group of activists occupied the small session room of the city council, demanding an extraordinary session and the resignation of Lysychansk's top officials. They only left the premises after the authorities promised them that a session would be held on June 18. Protesters stormed this one as well, demanding either the return of jobs at the plants or the resignation of the local authorities. Eventually, the latter accepted a number of applications to the central government, requesting support for the revival of industry in the town.

A CHRONICLE OF DEGRADATION

In Soviet times, Lysychansk was among the biggest industrial centres in Luhansk Oblast. This status remained long after Ukraine gained independence in 1991. The local economy was based on several industrial giants, including an indus-

trial rubber plant; the Proletar glassworks; the LYNİK oil refinery; a caustic soda factory; and a thermal power plant. They all survived the turbulent 1990s and the "Orange chaos" but, for some reason, are grinding to a halt in the era of "stability". Today, local industry is under threat of complete destruction. For the locals, this is a matter of survival, since the big industry-oriented monotown has no SMEs as an alternative, hence the hopeless situation – something that is typical for most Donbas towns ([see The Ghosts of the Industrial Past at ukrainianweek.com](http://ukrainianweek.com)). The situation in Lysychansk has once more proved the inefficiency of the oligarch-controlled economy in this industrial region, inevitably leading to stagnation, the deterioration of the infrastructure and depopulation.

Today, only mines operate in what used to be a relatively big chemical industrial centre, although their coal mostly ends up in warehouses. The local industrial giants plunged into losses then stopped, one by one, announcing massive lay-offs and a halt of production. The first one to go was the Lysychansk Rubber Products Plant. However, this was a murder rather than death from natural causes. The locals believe that, just like a dozen other plants in the oblast, the process involved Oleksandr Yefremov, one-time Head of Luhansk Oblast State Administration and now head of the Party of Regions faction in



THE GIANT'S CARCASS: Until recently, LysSoda was the second biggest producer of caustic soda in Ukraine

parliament. Sources claim that he forced the plants' administration to buy overpriced gas from his Fond CJSC, thus pushing them into debt. To cover them, their most liquid assets were confiscated while the rest went bankrupt and used for scrap. This is a typical Donbas business scheme that has been imposed on the entire country since 2010, whereby an intermediary pops up between a state-owned enterprise, say a thermal power station, and a supplier, say a coal mine, and accumulates most profits in this chain.

The Lysychansk Rubber Products Plant faced its death sentence in 2000 when Fond CJSC, linked to Oleksandr Kyseliov, ex-MP representing SDPU(o) who ran Gas of Ukraine state-owned enterprise under the presidency of Leonid Kuchma, and Oleksandr Yefremov, took its most liquid assets to cover its debts. These included workshops 2 and 6 that produced mine conveyor belts, and workshop 1 that produced rubber compounds. Lysychansk Industrial Rubber Plant LLC was established on the basis of these three units, but this was obviously not enough for the gas traders. In 2002, Fond CJSC initiated bankruptcy proceedings against the plant for its UAH 1.4mn debt. The case dragged on for a few years until rehabilitation was launched in 2005

50%
of residents in Eastern Ukraine support the return of command economy and only **31%** support the development of a market economy
Source: Rating sociological group



PHOTO FROM HTTP://PHOTO.LYSYCHANSK.N.UA

If the presidential election took place at the end of May 2013,

25.7%
of Eastern Ukrainians would vote against all and

15.9%
would not go to polling stations at all. This is the highest number in Ukraine proving how frustrated the Party of Regions' core electorate is with its policy
Source: KMIS

ably in the strategic industries of Luhansk Oblast: LuhanskTeploVoz (the Luhansk locomotive plant) virtually stopped operation; LysSoda was laid to waste, and operations at the Lysychansk oil refinery were halted.

THE GOVERNMENT'S ROSE-TINTED GLASSES

Until recently, Proletar glassworks, the only producer of float glass in Ukraine, was one of the last survivors. In winter, however, it ground to a halt as well. Molten glass froze in one of the furnaces. This means that it will not work again without costly repairs. 850 employees have already been laid off, and another 1,500 are to follow. The administration declared that the factory stopped because gas is too expensive and is demanding help from the government.

"I'm turning 50 this year," says Tetiana, an ex-employee at Proletar. "I won't get a job here. All the enterprises have been shut down. The town is dying out. Our children have no future. We've written letters and appealed to Dunayev (the ex-mayor, known to be the plant owner – Ed.), so what? He promised us mountains of gold, but there is no result." Hardly any of the all locals we talked to have jobs, or money for that matter.

TODAY, ONLY MINES OPERATE IN LYSYCHANSK, ALTHOUGH THEIR COAL MOSTLY ENDS UP IN WAREHOUSES

and a tender to find an investor was announced, although ultimately, no investors were found. In 2011, Luhansk Oblast Commercial Court declared the plant's bankruptcy and launched its liquidation.

Another giant, LysSoda (Lysychansk caustic soda factory) was the next to fall victim to this business model. Until recently the second largest caustic soda producer in Ukraine, the plant has the biggest industrial cableway and chemical sumps in Ukraine. Its difficulties began in 2008 when it was bought by BINBANK owned by Chechen billionaire Mikail Shyshkhanov. A year later, the plant stopped production altogether and went bankrupt. In 2010, the administration began to slowly dismantle it for scrap. Its employees tried to protest, but with little success. Today, all that's left of LysSoda is its giant carcass. The main premises were blown up this spring. Bulldozers will demolish the last buildings on the territory by the end of this summer. All scrap, including the unique 16.5km long cableway, was removed last year. When the workshop buildings were blown up and their metal parts loaded on trains and taken away, the then Lysychansk Mayor, Party of Regions' Serhiy Dunayev, was running as a first-past-the-post candidate in the parliamentary elec-

tion. He clearly realized that it was high time to leave the drained town. He got his MP mandate and left for Kyiv. His plan, perhaps, was to implement the Lysychansk experience throughout Ukraine.

The destruction of LysSoda shocked the locals. Normal practice in selling big enterprises that feed the towns built around them is to discuss the investor's commitments before the deal. If the investor fails to meet them, the government has the right to return the facility to state ownership and find another manager for it. For some reason, however, Ukrainian officials have sold the plant for scrap, and nobody is being held responsible.

Experts expect a similar fate for the Russian-owned LYNİK oil refinery. Last year, the plant was sold to RosNeft. The owner was expected to supply it with crude oil but reality proved the opposite. This March, RosNeft closed down LYNİK altogether, ostensibly because of the losses it generated. Vice Premier Yuriy Boyko pledged to persuade the owner to upgrade the plant's equipment and re-launch it in the fall of 2013. However, according to Luhansk Audit Chamber experts, the refinery will re-start operations in summer 2014 at the earliest. Never is the other plausible option. Russian investors act very predict-

Meanwhile, the government is pretending that Lunask Oblast has no problems at all. So claims Volodymyr Prystiuk, current Head of Luhansk Oblast State Administration and Head of the Party of Regions' oblast branch. "Luhansk Oblast rose from 14th in 2012 to 5th in Q1'2013 in the socio-economic development rating of Ukraine's regions compiled by the Cabinet of Ministers," the local Party of Regions' website states proudly. What drove the rise is unclear, but protests may erupt very soon unless at least some of the plants resume operations in Lysychansk. The government is obviously not about to take off its rose-tinted glasses. Meanwhile, Donbas residents are struggling to survive its widely-advertised "stability". ■

Operation "Premier Yanukovych"

Planned amendments to the Constitution could give the Yanukovych premiership extensive powers, should he lose the 2015 race

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Shortly before June 28, Constitution Day, Maryna Stavniychuk, Secretary of the Constitutional Assembly, announced that the latter had finalized draft amendments to the Constitution, which would reform the system of governance in Ukraine. They entail the weakening of the president and reinforcement of parliament and the Cabinet of Ministers. If adopted, the Verkhovna Rada will appoint and dismiss the Cabinet based on the president's recommendations. The same procedure will be used for the Prosecutor General, SBU chiefs, Antimonopoly Committee, State Property Fund and the National Bank of Ukraine. The president will retain the right to appoint and dismiss judges and dissolve parliament if the latter fails to provide a quorum to appoint the Cabinet. These aspects make the draft amendments similar to the Law on Amendments to the Constitution of Ukraine No 2222 dated December 8, 2004, enacted from 2006 through 2010, better known as the political reform, and the draft law to amend the Constitution developed by the National Constitutional Council under Viktor Yushchenko. In addition to the redistribution of power, the new draft amendments proposed by the Constitutional Assembly entail the "improvement of direct democratic procedures" through the introduction of public legislative initiative and public veto. Another component to the improvement

would be to make decisions passed in national referendums mandatory, not requiring any approval from other government bodies or officials.

At first glance, the amendments suggest that their authors prefer the European political system. This is obviously necessary to gain positive – or moderate – reaction from the West, including the Venice Commission to the constitutional amendments. However, the fact that the model of governance set forth in the Constitutional Assembly's draft amendments is completely out of character for the Donetsk elites gives rise to suspicion. Given the experience of the past three years, including that in legislation, they have been re-designing the political system following the pattern of authoritarian regimes. However, everything falls into place when one considers that, firstly, Yanukovych retains his right to revise draft amendments. Leonid Kravchuk, the first president of the independent Ukraine and Chairman of the Constitutional Assembly, once commented that he could guarantee the quality of the document but couldn't say how it would look once it leaves the Presidential Administration. Secondly, the desire to "democratize" the political system may well be dictated by cold political calculation, should the Yanukovych team lose the 2015 election. The amendments proposed by the Constitutional Assembly will be "put up for national



discussion", which will last until September 1 in an as yet unknown format. Then, according to Yuriy Miroshnychenko, the president's representative in parliament, finishing touches will be made to the draft. It will take nearly a year to prepare the text; through late 2014 or early 2015. Thus, the changes are likely to take the current political situation from the perspective of Viktor Yanukovych's personal potential position into account rather than Ukraine's strategic interests. This follows the "if I can't have it, neither can anyone else" principle, when considering the vast powers that the current president gained as a result of the 2010-2011 amendments to the Constitution.

The current Constitutional Assembly has a similar status to



SKETCH BY HOR LUKANCHENKO

the National Constitutional Council established by Viktor Yushchenko in 2007. Maryna Stavniychuk was then Deputy Chief of Staff for President Yushchenko and contributed significantly to the National Constitutional Council, as she does now to the Constitutional Assembly. Back then, the National Constitutional Council drafted a new Constitution that was supposed to introduce a parliamentary system. When the current regime came to power in 2010, it did not find this change beneficial to it and abolished the National Constitutional Council, embarking on changing the Constitution the way it saw fit, i.e. aiming to reinforce the role of the president. Two years later, Yanukovich essentially revived the National Constitutional

Council in the form of the Constitutional Assembly. He clearly expected it to become an effective tool to legitimize the regime's political initiatives in the eyes of the Western community, or in the eyes of local voters. The fact that the Venice Commission welcomed the Assembly and called on the Ukrainian opposition to engage in it is notable.

However, the passing of the anti-constitutional Law on the all-Ukrainian Referendum in November 2012 crystallized the role of the Assembly as a tool to legitimize the new version of the Constitution as a document drafted by "authoritative experts" rather than the Presidential Administration through a referendum. On June 19, the Venice Commission promulgated its opinion on the new law stating that it carried a high risk of the usurpation of power and "could result in the politically motivated manipulation of the referendum, notably, in changing the Constitution". Thus, the Venice Commission considered that the possibility of amendments to the Constitution which bypass parliament is unconstitutional. Meanwhile, Oleksandr Yefremov, Head of the Party of Regions faction in parliament, stated that "MPs will take decisions in the session hall as they see fit", essentially making it clear that the Venice Commission's opinion did not please those in power much, and that changes are being planned to the constitutional order of the state to conform to the interests of the ruling regime through national referendums.

If the current regime realizes that an opposition candidate will

amending the Constitution to restrict the president's powers while extending the premier's authority. Under the new system of power that has been further elaborated by the version of the Constitution drafted by the Constitutional Assembly and "finalized" by the Presidential Administration, Yanukovich as premier could end up with the power of the key person in the state. Vladimir Putin did this in 2008-2012. Moreover, this scenario has been used in post-Soviet states and largely tested in 2006-2010 in Ukraine when the 2004 political reform was in force. Mikheil Saakashvili's team tried to enact a similar scenario in Georgia. Since one person could not be elected president for three consecutive terms under the Constitution, Saakashvili's circle tried to push through the Law on Amendments to the Constitution of Georgia whereby the centre of executive power in the state shifted from president to prime minister, restricting the president's powers while expanding those of the prime minister and parliament. This scenario failed when Saakashvili's party lost the parliamentary election: his team needed a parliamentary majority to pass the law.

If the Yanukovich regime tries to implement this scenario, it has to hold an early first-past-the-post parliamentary election before 2015. Embarking on this risky political undertaking with the shaky majority it now has in parliament would not be wise. For the Premier Yanukovich project to succeed, the parliamentary majority must be very disciplined, dependent on the leader, and made up of at least 270-280 MPs of the current 450.

This scenario may be implemented either independently, or with the weakening of the central executive branch and the transfer of power from local state administrations to executive bodies of local governments.

Of course, a new president could try to overturn amendments to the Constitution, as Yanukovich has already done. But will anyone from the current opposition risk taking this step – anti-European in its essence – should they win the 2015 presidential race? ■

AMENDMENTS TO THE CONSTITUTION WILL LIKELY BE DRIVEN BY VIKTOR YANUKOVYCH'S PERSONAL POTENTIAL POSITION RATHER THAN UKRAINE'S STRATEGIC INTERESTS

inevitably win the 2015 presidential election (despite all of the Party of Regions' administrative leverage, election rigging and other tools), it is likely to implement operation "Premier Yanukovich" by once again

Abuse of Power

The PACE Resolution on keeping political and criminal responsibility separate provides the legal foundation for prevention of political vendettas in the future, despite the fact that it does not mention Ukraine

It would be wrong to assume that the Palace of Europe suffers from lobbyist schemes less than say, the Ukrainian or Armenian parliament does. Both East and West are equally prone to temptation. Elections of leaders at various levels are where state or private interests clash, while the texts of resolutions and reports hide personal and party ambitions. At the same time that innovations in international law are being drafted in a PACE meeting room, MEPs get text messages with requests from the Azerbaijani President to support a specific candidate for a specific top position in a PACE faction.

Although Ukrainian issues were not officially on the June session agenda, Ukraine was still mentioned several times: in a discussion on the corruption report, debates on freedom of assembly, and especially on the last session day when the report and Resolution on keeping political and criminal responsibility separate were approved.

It was no coincidence that voting on the report on "Keeping political and criminal responsibility separate" by Pieter Omtzigt, a Dutch Christian MEP, was scheduled for Friday. "They were counting on most MPs to have left," a Council of Europe apparatus employee says off-record. "This is a sensitive issue and the opponents' lobbyists are very active." When asked why the advocates of transparent rules in politics are not equally proactive, the employee comments: "Democrats, just like autocrats, are interested in continuing to hold office. Their constituencies don't give them a plus" for their work at the Council of Europe. Activity in Strasbourg does not mean reelection in their constituency."

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The Party of Regions MPs who unanimously supported Pieter Omtzigt's report that classifies Tymoshenko as a political prisoner, left for Kyiv with a sense of happy victory. According to Head of the Ukrainian delegation, Ivan Popescu (photo), "the report is a subjective document that reflects the author's stance", while it is the resolution that carries actual legal weight

Hence the asymmetry. Voters will not necessarily notice success in Strasbourg but a serious loss often ruins political careers. Christoph Strasser, a German Socialist MEP, was down in the dumps after his report on the monitoring of the political prisoner situation in Azerbaijan failed. The international organization had spent three years on determining the term "political prisoner". When the report was unexpectedly voted down in January, Strasbourg old-timers said: "Now go find someone brave enough to take on Ukraine, who will risk his career to battle against your Yanukovych!"

But Pieter Omtzigt had no choice. His work on the report started almost two years ago, and its format was determined back then: he was supposed to research the situation in Ukraine and Iceland, where the former premier was also under investigation although he remained free.

Obviously, Christoph Strässer's bitter experience was one of the reasons that made the author of the report that was fairly critical of the Ukrainian government

remove any mention of Ukraine, as well as Iceland which, by the way, did not request anything, from the PACE Resolution on keeping political and criminal responsibility separate. "There was obviously a threat that the report would be shot down just as the report on Azerbaijan's political prisoners was", a representative of PACE's legal service commented. "In January, the consequences were not long in coming, with a new wave of arrests in Baku. Aliyev celebrated victory over democratic standards."

Thus, Pieter Omtzigt was cautious. "Opponents insisted that the resolution should be a legislative document," he explained in an interview with *The Ukrainian Week*. "As a rapporteur, I agreed because the decision of the European Court of Human Rights regarding Yulia Tymoshenko stated clearly that she was imprisoned for political reasons. The most important thing, in my opinion, is that the resolution retains the demand for countries, whose legislation allows the practice of the abuse of imprisonment disguised as a



struggle against the abuse of office, to change this legislation. Another achievement, in my opinion, is that the report was approved without amendments. It contains a very harsh criticism of the Ukrainian judiciary. Since representatives of the ruling party in Ukraine voted for it, I conclude that my criticism is considered justified. The report also determines Mrs. Tymoshenko as a political prisoner under the norm approved by PACE in October last year. This moment is very important for Ukraine, which hopes to sign the Association Agreement with the EU soon. According to the Copenhagen Accord, countries in close partnership with the EU and hoping to become candidates in the future cannot have political prisoners. The resolution contains legal mechanisms that may help solve the problem of both Tymoshenko, and Lutsenko. The pardon for ex-Interior Minister does not stand for the complete reinstatement of his rights as a citizen. He was not deemed to be not guilty."

In fact, the Party of Regions MPs who unanimously supported Pieter Omtzigt's report that classifies Tymoshenko as a political prisoner, left for Kyiv with a sense of happy victory. According to the Head of the Ukrainian delegation, Ivan Popescu, "the report is a subjective document that reflects the author's stance", while it is the resolution that carries actual legal weight. Popescu doesn't mention its demand to amend the "abuse of office" part of the legislation. Why upset himself?

Meanwhile, Omtzigt stresses that "If the report's recommendations are not taken into account, the case could end up under the consideration of the Council of Europe's Committee of Ministers, which will implement a monitoring procedure. This will mean that the country is not complying with the commitments undertaken when it joined the Council of Europe, and that its political practices do not meet European standards. My powers as a rapporteur are in effect for a year after the report is approved. I will watch the situation in Ukraine very closely all this time to see if the legislation is amended."

Ukrainian opposition members vary in their opinions on the Strasbourg voting. "I'm somewhat disappointed by the fact that Omtzigt did not fight for the initial version of the resolution that mentioned Ukraine," UDAR's MP Iryna Herashchenko commented for The Ukrainian Week. "In the current situation, this is the best possible result," said Batkivshchyna's Serhiy Sobolev, Deputy Head of the Ukrainian delegation.

"Thank God they approved it, we feared the worse," said Batkivshchyna's Lesia Orobets. "There are forces in the Assembly that are able to collect votes, one way or another, to reject the resolution and send the report for revision. But there was no one in the room who would rise and say that he/she supports medieval tools of revenge against political opponents. The resolution is a normative document that states clearly: every time the

government changes, there cannot be politically motivated persecution against opponents. There must be political responsibility for political decisions. We have elections and impeachment for this. Anything else is an at-

OIL MONEY, THE COWARDICE OF THE WESTERN POLITICAL CLASS AND THE AMBITIONS OF POWER-HUNGRY LEADERS FROM THE EAST STAND IN THE WAY OF EUROPEAN SOLIDARY

tempt to take revenge. It's a good thing that the resolution was adopted as a normative document. Every week there are new reports about political persecution – in Ukraine, Russia and Georgia. Today, opposition politicians from all countries can use the resolution to exert pressure on their governments and force them to abide by the law."

Omtzigt's concerns are confirmed by the election of the new head of the EPP faction in PACE that saw pressure from the so-called "oil group", i.e. Russian, Azerbaijani, Turkish and other politicians who are concerned with their own interests in power rather than human rights.

Baku representatives actively promoted the new head, Spanish MEP Pedro Agramunt. He is the CoE's rapporteur on Azerbaijan. His strange friendship with the country, where the opposition has become history, appears more than controversial. The EPP had long been the CoE's locomotive of sorts in the struggle with authoritarian regimes. The new head of the faction is likely to make this task more challenging.

"Many Western politicians have values for domestic use, but lack the conviction to protect declared principles outside their country," notes the CoE apparatus employee, who has worked there for almost 20 years. European solidarity is still more of a dream than a reality. Big oil money, the cowardice of the Western political class and the unrestrained ambition of power-hungry leaders from the East stand in its way. ■

Dutch MEP Pieter Omtzigt feels that that his report on keeping political and criminal responsibility separate with harsh criticism of Ukrainian judiciary was adopted without amendments is a great accomplishment: "The most important thing, in my opinion, is that the resolution retains the demand for the countries, whose legislation allows the practice of the abuse of imprisonment disguised as a struggle against the abuse of office, to change this legislation."



WHERE'S THE MONEY?

The plight of local communities whose funding has been blocked by the State Treasury reveals a dire public finance crisis that shows no sign of improving

Earlier, regional communities often complained of a lack of funding provided by the central government for the functions delegated to them. Today, these communities appear to have no funding at all. Local governments in Western Ukraine – many in opposition to the government – were the first to publicly report that the State Treasury had blocked allocations for them, while other cities and towns kept quiet and waited patiently. However, *The Ukrainian Week's* sources claim that the practice of patching holes in the central budget at the expense of local needs has been in place for some time under Yanukovich's presidency, and escalated after the Family's Serhiy Arbuzov and Yuriy Kolobov took over the finance and economy ministries.

Recently, though, even the Party of Regions' "core" south-eastern regional communities have broken their silence about the milking of local budgets by the Azarov-Arbuzov Cabinet that has mounted to an unprecedented scale as the regime has failed to push through laws to band-aid the budget (**see Patchwork Solution**). Opposition MPs claim that 70% of city and town mayors reported constant delays in allocations from the State Treasury, while 60% said that this was a systemic practice and delays of up to 30 days have been a norm.

Instead of trying to remedy the situation or explain what is going on, the Treasury has denied that

any funding blockages have occurred. In response, several regions launched campaigns displaying billboards that say "Treasury, give our money back".

In fact, though, the Treasury is not the main troublemaker; it is merely a central executive body whose work is supervised by the Family's Finance Minister Yuriy Kolobov. The problem of blocked local government accounts actually stems from a Budget Law passed hastily and without due discussion by the previous parliament on its final day. In addition to being passed via a violation of parliamentary procedure, the law also carries a number of important amendments that only a well-trained puppet legislature would support. The Budget Law entailed growth of 3.4% of GDP in 2013 despite circumstances that clearly indicated an inevitable decline in GDP – the question was how low it would plunge. As a result, the consolidated budget deficit over the first four months of 2013 hit UAH 18.9bn or three times that period in 2012. According to the latest data, budget revenues in June 2013 were 7.5% below the June 2012 revenues while the Budget Law entailed an increase of those.

Local governments' public protests against being milked by the central government are simply a symptom of an increasingly devastating cash deficiency. Indeed, it seems that the legislature pushed through the Law on Treasury Notes to cover up this disastrous deficit. Meanwhile, the looming underperformance of the 2013 budget and

the shrinking economy are creating more risks for ordinary people. Hospitals, schools and roads that need fixing are already underfinanced. In September and October, we may see massive payment delays or barter payments reminiscent of the 1990s. There is virtually no other way for enterprises to pay their employees' salaries if they receive their VAT refunds from the state in treasury notes rather than cash.

The government has maintained a consistent course to this present situation ever since Yanu-



WHILE KYIV'S TOP OFFICIALS UNDER THE RIGHT PROTECTORATE FEED ON THE BUDGET, AND SCHEMES TO PUMP MONEY OUT SWELL IN SCALE AND IMPUDENCE, BUDGET TROUBLES ARE LIKELY TO EXACERBATE

kovich came to power. It was his government that submitted an unrealistic draft budget last year which the pro-presidential parliamentary majority passed without due discussion under pressure from the Presidential Administration.

Meanwhile, as towns report the blocking of tens of millions allocated to them, the Family's Prosecutor General has recently been allocated UAH 113.9mn for luxurious renovations of its office at Moskovska Str. in Kyiv – an outrageous amount to fix a public

Consolidated budget deficit hit UAH **18.9bn** over January-April 2013, growing threefold compared to Jan-Apr 2012

building that may signal corruption with future subcontractors. Regular renovations of the Prosecutor General's other offices in Kyiv will cost the taxpayers another UAH 10mn. The Family-supervised National Bank of Ukraine (NBU) will reconstruct its office in Chernivtsi Oblast for UAH 32mn. It has also concluded a contract to buy goods (at overblown prices) worth UAH 10.69mn, including computer mice worth UAH 400 (USD 50) each, headphones worth UAH 480 (USD 60) per set, and more. This list may grow longer even though the pro-presidential majority pushed through amendments to tender laws – again in violation of procedure – that made

most public procurements secret. According to Nashi Hroshi (Our Money), a website investigating fraud in public procurements, the law helped the government hide over UAH 175mn from public oversight in the first six months of 2013 alone.

While Kyiv's top officials under the right protectorate feed on the budget, and schemes to pump money out of the state swell in scale and impudence, budget troubles are likely to exacerbate. The government may try to solve these problems at the expense of local authorities, businesses that are not linked to the regime and public sector employees. However, this will obviously not solve the

budget deficit issue. None of these measures can fully offset the damage already done by the government through its leeching of local

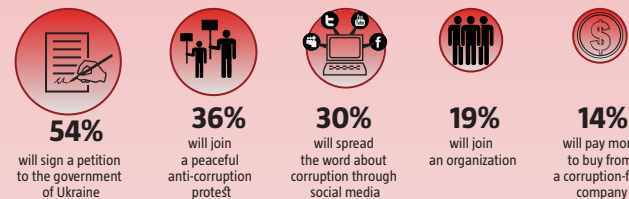
THE LOOMING UNDERPERFORMANCE OF THE 2013 BUDGET AND THE SHRINKING ECONOMY ARE CREATING MORE RISKS FOR ORDINARY PEOPLE

budgets and embezzlement and abuse of revenues. Nor will they help to stimulate the country's business activity, which has been shrinking since August 2012. ■

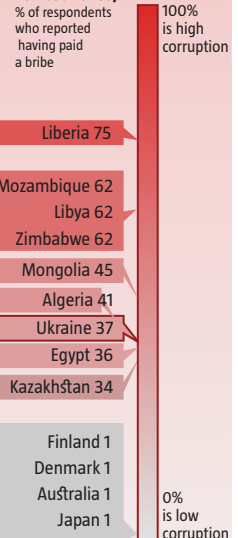
The Red Card for Corruption

According to the latest Global Corruption Barometer by Transparency International and Gallup International Association, every third Ukrainian is ready to take it to the street to fight bribery.

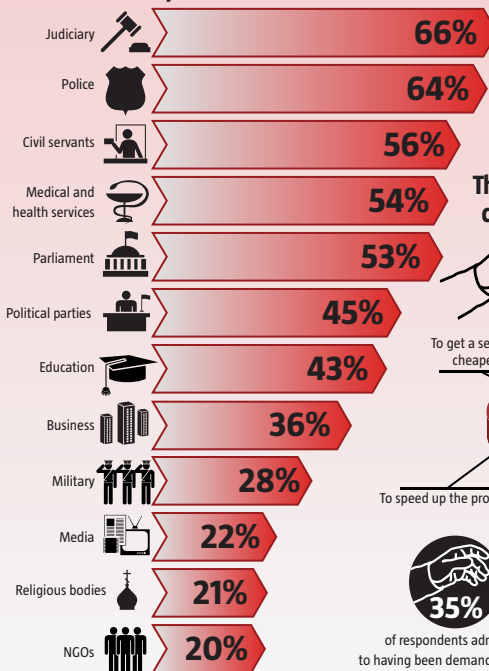
Every fourth citizen in 107 countries is involved in bribery. Meanwhile, nine out of ten people on the planet are willing to take action to eliminate it. Ukrainians are among those who believe the least that they can eliminate bribery: only 29% of them believe that ordinary people can make a difference in the fight against corruption.



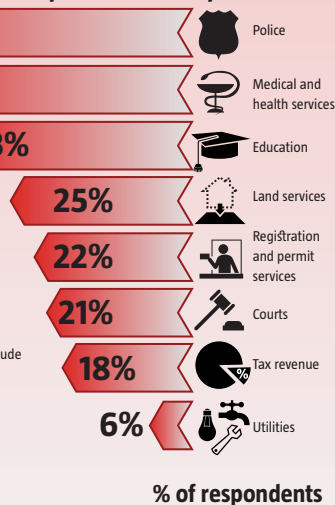
Bribery rates around the world (the survey covers 107 countries)



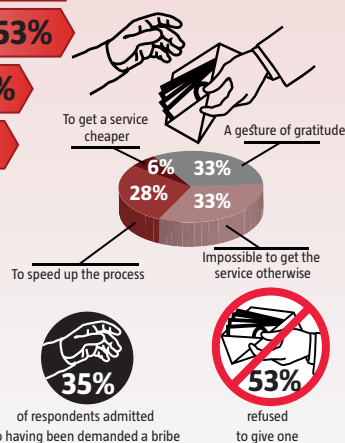
The most corrupt institutions in Ukraine



Respondents who paid bribes



The most popular cause of a bribe



do not report corruption 74%

are afraid of consequences 24% believe that this will not change anything 63%



Patchwork Solution

Cash needed to avert Ukraine's public finance disaster will be pumped out of non-oligarch businesses

Author:
Zhanna
Bezpiatchuk

On July 4, the Verkhovna Rada adopted a number of laws that, when enacted, will have a huge impact on businesses that are not controlled by the Family or its close circle of oligarchs. The legislature has introduced treasury notes to cover the government's debt on VAT repayable to entrepreneurs as well as on other public spending. Control over transfer pricing will now allow fiscal services to reveal transactions where products are "sold" to associated companies at below-market prices in order to minimize taxes. Apart from that, the Rada ratified a Ukraine-Cyprus government convention to prevent double taxation and income tax evasion. This step reveals the instruments with which the government will avert a potential budget disaster prior to the 2015 presidential election and temporarily save the economy with zero growth rates (**see Where's the Money and The Red Card for Corruption**).

The newly introduced treasury notes, control over transfer pricing, and the government convention with Cyprus are perfectly reasonable instruments that have been used effectively in developed economies. However, to understand how these instruments will function in a Ukrainian context, it is important to take into account the proposed procedure for their application and the extent to which the country's economy is controlled by oligarchs whose nepotism automatically distorts any good intentions.

MURKY TREASURY NOTES

The Cabinet of Ministers will determine the procedure for the issuance, circulation and redemption of treasury notes. It will also deter-



mine budget articles where debts will be repaid with this quasi-money. The government thus expects to cover VAT repayable to enterprises with the newly introduced treasury notes. The vague law only specifies that the notes have a 5% yield and five-year maturity, with January 1, 2013 as the date from which debt is repayable with them. This gives the government almost unlimited power to decide which payables, when and to whom will be settled. Manual issuance of treasury notes runs counter to the Constitution: Art. 92.2.1 requires that the procedure for the issuance and circulation of securities shall be established by Ukrainian law, not by First Vice Premier Serhiy Arbuzov or other ministers.

However, faced with the prospects of either receiving nothing at all or receiving treasury notes that can hypothetically be converted into cash at a discount through an intermediary, entrepreneurs are likely to choose the second option. Previous experience suggests that they will be "advised" on which banks they should use to convert their notes into cash. The owners of these banks may turn out to be close to the ruling party, which guarantees the government's redemption of the

principal amount of the notes to these banks. Experts project that "pocket banks" or banks and companies close to the government will repurchase the notes with huge discounts ranging from 30% to 50%. This scheme essentially legalizes massive kickbacks from VAT reimbursements to entrepreneurs, allowing the government to use entrepreneurs to cover its debts indirectly. Experts suggest that initial discounts on VAT-reimbursement notes may exceed 50%. Given the current system, this "business" is hardly surprising.

Meanwhile, the government insists that the scheme will bring liquidity into the economy. In practice, however, things may turn out quite the opposite if the worst-case scenario unfolds. If entrepreneurs accept treasury notes instead of cash as reimbursement from the government, they are likely to end up with too little cash available to pay their suppliers and service providers. This will cause a liquidity crunch in some supply-chain operations and even whole sectors of economy. Thus, Ukraine will tumble back into the 1990s with the revival of barter schemes, cross-cancellation of debts, payment of salaries with the employer's products



SKETCH BY IHOR LUKANCHENKO

rather than money, and a massive default crisis. This almost drove Ukraine's electricity supply sector to collapse in 1999, then escalated into a debt crisis when Ukraine failed to service its external debt and its business climate and competitiveness ratings plummeted.

The only way to avoid all this is for the government to redeem treasury notes diligently and transparently. "The question is the scale at which the notes will be used," comments Ihor Burakovskiyi, Chairman of the Institute for Economic Research and Policy Consulting. "If they replace cash, it will deplete in the economy at some point, and the economy can't operate without cash. Massive circulation of treasury notes will signal troubles in Ukraine's financial system."

The budget deficit in January-April 2013 grew 3.6 times compared to the same period in 2012. Revenues increased by 2.4% compared to the planned 9.2%. Meanwhile, government debt servicing planned for 2013 is 18% higher than that of 2012. This means that the government's debt liabilities are growing faster than its revenues.

European recipes for long-term and systemic solutions entail public spending cuts and parallel struc-

tural changes. "Budget policy, especially public spending, should be revised," says Ihor Burakovskiyi. "Finally, sequestration should be considered. It's unpopular but there is no other way with a cash-starved budget. Funds from international borrowers, including the IMF, are now critical for Ukraine."

The instruments offered by Azarov's Cabinet (treasury notes and control over transfer pricing)

THE CYPRUS SAGA

The saviours of public finance came up with a third segment of their multi-part solution: a government Convention with Cyprus to prevent double taxation and income tax evasion through Cypriot companies. The Convention will replace a 1982 agreement between Cyprus and the former USSR that prevents double taxation and entails a 0% tax rate for any income earned on the territory of either country and transferred from one country to another. Under the new convention, dividends will be subject to a 5-15% tax. The 0% rate will be replaced by a 10% or 5% royalty tax and a 2% tax on debt income. Income from real estate disposal may be taxed in compliance with the jurisdiction of a party to the deal. However, this Cyprus saga lasted so long that everyone, especially Ukraine's oligarchs, had plenty of time to withdraw their tax-sensitive assets from Cyprus, which was gradually losing its tax-free charm. Today, Cyprus is no longer the offshore haven that it was in 2003. Since the country joined the EU, requirements for transaction transparency have grown tougher while its fiscal system has become less convenient for entrepreneurs. In 2013, Cyprus introduced a tax on bank deposits. Meanwhile, businesses still have a wide choice of alternative tax havens beyond Cyprus.

can only have maximum benefit when applied transparently and equally to all enterprises and sectors of economy. But the current government cannot and will not ensure this.

A TRANSFER HOLIDAY FOR OLIGARCHS

The law on transfer pricing that, coupled with treasury notes, is supposed to rescue the budget from a collapse has two curious aspects. First, it entails tax control over pricing in export-oriented transactions and in the companies' internal transactions. Tax authorities are granted vast powers in setting the value-linked (adequate) prices that should comply with market prices. Second, the law will not fully apply to agricultural, coal, oil, gas, chemical and steel enterprises – the core of oligarch business in Ukraine – until January 1, 2018. They will enjoy 5% variations on standard market prices.

Meanwhile, the law will fully apply to all transactions by other large companies with associated residents, i.e. legally and commercially "friendly" counterparties located in territories and states where the corporate tax rate is at least 5% below that of Ukraine. With the abovementioned

"exceptions to the rules", the tax authorities are likely to focus on companies producing more technological and innovative products first, despite the fact that technology and innovation rather than coal and minerals are major (if not the only) drivers of long-term economic growth. Given the current global crisis, it is important to struggle for economic growth worth one tenth of the current GDP because this will transform into 0.5-1% of GDP within ten years. Otherwise, Ukraine could be thrown into poverty for decades to come.

Today, resources that should be channelled to support companies engaged in technological innovation are being gobbled up by companies producing raw materials and semi-finished goods, thanks in part to government favouritism.

The combination of vulnerable public finance, growing tax pressure on non-oligarch businesses and the potential for a liquidity crunch if treasury notes are used non-transparently on a massive scale may well return Ukraine's economy to a state reminiscent of the 1990s. ■

Cure for Poverty

Polish reformer Leszek Balcerowicz on how Ukraine can embark on market reforms

Leszek Balcerowicz is well-known among professional economists and beyond that circle. As Poland's Vice Prime Minister and Finance Minister in 1989-1991, he implemented a programme of economic reforms, so-called shock therapy, within a short stretch of time that transformed the country's command economy into the market economy and set up solid foundation for growth for many years to come. In 2001-2007, Balcerowicz chaired Poland's National Bank and, again, confirmed his reputation of a brilliant economist as the National Bank's monetary policy kept the country from the downfall of the 2008-2009 crisis. Given the lack of positive changes and economic growth in Ukraine, *The Ukrainian Week* asks Prof. Balcerowicz for his advice on reform.

UW: What keeps Ukraine from realizing its economic potential and spurring GDP growth?

Bad private investment and business environment. If a country's population is as educated as Ukraine's yet its economy does not grow consistently, bad environment for economic activity is always the main reason. Ukraine's problem despite its considerable progress has been its expansionary fiscal policy with excessive spending and huge subsidies which leads to high taxes, shadow economy and budget deficit. From time to time, it leads to crises.

This should be removed. In what way? That's not philosophy. If spending is as high as it is in Ukraine, it should be reduced. Ukraine spends a huge amount of money to subsidize gas, heat and the like. This should have been stopped twenty years ago, like in Poland. Subsidies for cheap gas lead to two kinds of damages. One is fiscal pressure on the budget. The other is preserving

Interviewer:
Lyubomyr
Shavalyuk

Ukraine's energy dependence on fuels imported from Russia. This is a bad economic policy by itself further aggravated by the politicians' attempts to get concessions from Russia.

These subsidies make no economic or political sense. A better option is to launch innovations when they help you save something even if you pay more for gas. Apart from subsidies, private business environment is heavily affected by corruption. With massive, uneven and unpredictable corruption, you can't expect much honest investment. And without investment, the economy will not grow fast. But corruption can shrink when the sources of it are removed. One source is

A MILLION PRIVATE BUSINESSMEN WITH STRONG INCENTIVES WILL INVENT MUCH MORE THAN A HUNDRED PEOPLE AT THE TOP. THIS IS THE ESSENCE OF FREE ECONOMY

excessive regulation which harms the business. So, massive deregulation and a switch to new regulations are needed.

UW: The advocates of unchanging gas prices and transfers for individual consumers claim that a higher gas price will drive the population into poverty. This can lead to a social collapse. How would you comment on this?

The same was said in Poland, Czech Republic, Hungary, Latvia and Estonia twenty years ago, but we still did it and are now doing better than Ukraine. The advocates of fixed gas prices are rather afraid and pretending to care about the population. However, by preserving the situation as it is they are harming people,

not helping them. If you look at the statistics, you will see a huge current account deficit. It is clear that this policy is not sustainable or consistent. On the one hand, the stable exchange rate of hryvnia to US dollar is very popular as far as I understand. But you can't have this policy if you want to maintain the stable exchange rate. Sooner or later, it will lead to negative consequences.

UW: How damaging are the instruments used to support fixed exchange rate?

I want to say that I do not recommend it for Ukraine. I agree with the IMF that a transition to the floating exchange rate and inflation targeting like we did in Poland in 2000 would be better and safer for Ukraine. This means that the NBU has to promise to keep inflation at, say, 2-3% and try to keep it that way. But, if the fixed rate is popular for some reason and the government undertakes to maintain it, the current fiscal policy is undermining to this. Its negative effect is only a matter of time.

UW: The great weight of the foreign sector, i.e. exports and imports, in Ukraine's economy is one of the arguments in favour of the fixed exchange rate. Some worry that floating exchange rate will result in strong exchange rate



fluctuations and all the negative consequences of this.

In Poland, exports are diversified more, and it has floating exchange rate. There are financial instruments that help you cope with these fluctuations. What I'm saying is that fixed exchange rate is not really bad. A country may have it but it has to meet certain conditions to preserve it, and these are not met in Ukraine. Bulgaria, for instance, has a stronger peg to the euro supervised by the Currency Board. But when it faced the downfall after the lending boom, they cut government spending significantly to preserve stability, and they did. So, fixed exchange rate takes more fiscal discipline than the floating one, while Ukraine has weaker fiscal discipline. This is the problem.

First of all, Ukraine has huge government spending: it has one of the highest government spending to GDP ratios in Europe, the second highest after Belarus. It is prematurely high because Ukraine still has low per capita income. A country that is still poor but has high government spending cannot grow fast. With the policy Ukraine currently has, it risks facing regular crises and slow growth.

I was surprised to see that real wages grew 15% over the past year in the statistics on Ukraine. It was unbelievable! If you ask anybody, how to ruin economic growth, you will hear just that - increasing government spending and real wages, while destroying profits and undermining stability.

UW: There is a concept in Ukraine that economic development requires a strong middle class. Is it really necessary? What is Poland's experience in establishing one?

The middle class is a result of the growing private

sector. When you destroy the private sector by crushing profits, you block the development of the middle class. The middle class are not people who are officials. They do not depend on the government and work in private organizations. And private organizations grow when there is private investment.

UW: Ukrainian economy has not yet recovered from the 2008-2009 crisis downfall. Poland, on the contrary, had slower GDP growth but no recession. How did you manage to avoid one?

Indeed, Ukraine had the second deepest GDP decline in 2009, following Latvia. This was largely caused by the previous credit and fiscal boom. When you spend too much, a collapse follows. That's why I'm astonished when I look at figures here. We did not have the boom in Poland. I was the governor of the central bank at that point and we kept fairly high interest rates, so lending did not grow too fast there. That was the first reason. The second reason was that we have floating exchange rate. This means that zloty

weakened and this helped support our exports.

UW: Until 2008, metallurgy was the driver of economic growth in Ukraine. After the crisis, many efforts are directed towards the development of agriculture. Is this good policy or is it better to diversify sources of economic growth?

This is not normal. It was the practice of command economy with the centre giving instructions on which sectors should be developed as a priority. It's different in Poland. We made a free economy where there are people with different ideas. As a result, the sectors develop that the centre would never think of developing. A million private businessmen with strong incentives will invent much more than a hundred people at the top. This is the essence of free economy. Create a better environment for private businessmen, better incentives for activity - free and fair competition in the first place - and you will get a surprising result, not only in metallurgy or agriculture. ■

PHOTO: ANDRIY LOMAKEN



You Have the Right to Know

Bulgaria recently published a list of former KGB agents in the country and reveals the hidden impact of its totalitarian past on the nation's current life

Author:
**Vitaliy
Ohiyenko**

Nearly
45%
of 462 former
and current
Bulgarian diplomats
were communist
special service
agents

Virtually one in ten
Bulgarian citizens
was involved in
cooperation with
communist special
services to some
extent. The
proportion is similar
among top officials
and company
executives

According to the law that qualifies the communist regime in Bulgaria as criminal and is one of the founding acts of the new state, “the Communist Party is responsible for the governance of the country from September 9, 1944, through November 10, 1989, which led to a national catastrophe.” Art. 2 adds that it “completely destroyed the traditional values of European civilization” as well as nine more similar sins.

However, such documents adopted in the euphoria of velvet revolutions subsequently remained empty and declarative. Bulgarians realized this, and the 2004 parliamentary declaration on the 60th anniversary of the establishment of the communist regime in Bulgaria noted that the search for those guilty of illegal violence in the post-war period was of a moral rather than a legal nature.

SUPERFICIAL DE-COMMUNIZATION

For a long time, Bulgaria had no memorial institution, examining its relations with the past. The entire burden of de-communization was undertaken by NGOs. And the old-new elites did not waste the chance to rid themselves of communist symbols that were inconvenient reminders for them. They were always ready to support superficial changes, such as the initiative to dismantle the mausoleum of Georgi Dimitrov, a well-known

Bolshevik and the first leader of communist Bulgaria. This took longer – and gained more publicity – than they expected though, because the marble construction turned out to be too solid. Other initiatives included the celebration of liberation from the Ottoman yoke, which replaced the Day of Liberation of Bulgaria from the Nazis by the Soviet Army on March 3; and laws on the amnesty and rehabilitation of people imprisoned under the communist regime, although this was more of a ritual.

The Bulgarian government did not commit to reevaluation of its totalitarian past while trying to distance itself from the process. In part, this stems from the strong position of Communism's successor, the Socialist Party, in Bulgarian politics. It has always had its own faction in parliament and its members headed the government twice, in 1995-1997 and 2005-2009. The party leader, Georgi Parvanov – or Gotse as the communist special services agent – was Bulgaria's president for two terms in 2002-2012.

Apparently, Bulgaria never saw overcoming its past as a matter of principle. The issue of lustration was hardly ever raised. In fact, Bulgaria had long been the only Central European state that did not have lustration mechanisms, unless dismissals in law enforcement authorities in the early 1990s qualify as such. Other attempts to initiate lustration were blocked by parliament or the Constitutional

Court. The old-new Bulgarian elites watched closely to prevent anything that could fuel doubts as to their power.

NGOs and investigative journalists fueled interest in the attitude towards the totalitarian past from time to time, mostly focusing on archives and the disclosure of the secret files of the DS, the state security service – the Bulgarian KGB. Historic confrontation thus gradually shifted to the issue of archives and transformed into fragmented and sporadic discoveries of cooperation with the DS in the biographies of different people.

THE ARCHIVE REVOLUTION

Until recently, Bulgaria had several keepers of secret service funds. These included the Interior Ministry, Justice Ministry and the Central State Archive. Some of the documents, 144,255 personal files, were destroyed in 1990 on the order of the then Interior Minister Semerdzhiev. In 2002, he was sentenced to four and a half years in prison for this, although the case was sent for further investigation in 2003.

Over the 1990s, a series of laws was adopted that simplified access to communist security service archives. Potentially, they opened the way to even persecute former special service employees but all this stayed on paper, as there were no specific mechanisms to enact the laws. An important 1997 law entailed the transfer of all security





PHOTO: REUTERS

service archives to the Central State Archive but this was not done either. Currently, the archive only contains the papers of the Communist Party Central Committee and part of the cases of those imprisoned by it. The only thing allowed, was for victims of repressions to view their cases on the premises of the Interior Ministry's archive.

HAND IN HAND WITH TIME: In June 2011, the statues of Soviet soldiers were painted as figures from American comics – Superman, the Joker and Santa Clause

Still, the law made it possible to expose nearly 150 communist special service agents, including 14 who were members of parliament at that time.

Just as in other FSU countries, the disclosure of information about the secret collaborators of the communist regime sparked huge interest in society. Public opinion began

to demand the exposure of the truth about DS agents and their activities. Journalist investigations began to surface, exposing the mass involvement of Bulgarians in secret security operations and the positions these people hold in modern-day Bulgaria.

2006 was the turning point in the process: the legislature adopted the Law on the Disclosure of Documents and Exposure of the Involvement of Bulgarian Citizens in the Investigative Agencies of the State Security Service and Bulgarian People's Army. Surprisingly, it was supported by most votes of the ruling coalition that included the Socialist Party, and the then opposition, comprised of centrist and right-wing parties. However, it was more a result of EU pressure rather than an internal compromise between the country's political forces, although pro-government socialists opposed it.

Under the new law, all secret service files were supposed to be transferred to a commission with the same name as the law, while researchers and the public got free access to them. Under the new law, top politicians and officials, including the president, prime-minister, ministers and their deputies, most

New
in
PODIL

UNIQUE LOCATION IN PICTURESQUE PODIL

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РАДИССОН БЛУ ГОТЕЛ, КИЇВ ПОДИЛ, УНІКАЛЬНЕ РОЗТАШУВАННЯ НА НАЙЛІКОВІШОМУ ПОДИЛІ, ВУЛ. БРАТСЬКА, 17-19, КИЇВ, УКРАЇНА.

А, КИЇВ, УКРАЇНА.

employees of the justice system, including judges of all special higher institutions, heads of central and local governments, mass media executives, top officials of the Bulgarian Academy of Sciences and more, were subject to the DS cooperation check.

Over the next 18 months, the government succeeded in blocking the work of the commission: it could not find any premises for all the archive materials. Thus, these former archives remained where they were – at the Interior Ministry, special services and Justice Ministry. These problems were later solved – the resounding victory of democratic forces over the socialists in the 2009 parliamentary election that gave them 117 seats out of 250 facilitated this.

The commission has been operating for six years now. Its official website posts declassified documents and details of people whose cooperation with the DS was exposed. Organizations and institutions are usually subject to examination. By mid-June, the website offered details about UniCredit board members and top managers, as well as the officials of the Veliko Tarnovo city council and municipality, who used to work for the communist special service. It also has the archive of the commission's decisions and a search by name, birthplace and institution where the former DS employee or agent works. The information is disclosed under a unified system that includes 1) details on the name, date and place of the person's birth; 2) name of the agent who recruited the person and the place of recruitment; 3) the name of the person's supervisor within the special service hierarchy; 4) position and status of the person in the secret service, for instance, agent or secret employee; 5) references to archive documents; 6) date when the person was removed from the register; and 7) his or her current position.

WHAT WAS DISCOVERED?

The recently published results of several years of investigations even shocked the apathetic Bulgarian society. It emerged that DS agents included some of Bulgaria's top people – businessmen, bankers, media moguls, civil servants, MPs, publishers, writers and so on. The disclosed list included a former



OOPS! It emerged that Georgi Parvanov, president in 2002-2012, was a secret agent for the communist special services, as exposed in recently declassified documents. He denies this

president, prime-ministers, leaders of parliamentary parties, a state radio executive, a former chief editor of Playboy and the entire board of UniCredit's Bulgarian subsidiary. Then more interesting details: 11 of 15 metropolitans of the Bulgarian Orthodox Church, two of the nation's chief muftis and a respected figure of the Catholic Church also secretly cooperated with the DS, as did 45 current ambassadors and counsels. Education had the most former communist agents. The check revealed that 40 of the 400 people in senior positions at the top three universities had once worked for the DS. All parliamentary candidates underwent the check, too. It turned out that the

Romania. In practice, however, the exposure is sometimes sufficient grounds for voluntary resignation or dismissal, following European bureaucratic standards. And of course, the person's reputation is tarnished. Metropolitan Nicholas of Plovdiv, one of the few top hierarchs of the Bulgarian Orthodox Church who was not nailed in cooperation with the DS, even said that he refused to attend assemblies of the Holy Synod but later changed his mind.

Clearly, the names listed so far are not exhaustive but the overall picture is pretty clear. Over the past five years, the commission has examined the files of 113,000 people and found that 6,377 were linked to the DS.

It has emerged that even 25 years after the collapse of the communist system, dependence on the totalitarian past continues to be very significant. It's not only in people's minds but in more trivial things, such as in the fact that people who had once been the foundation of the communist regime now control the most important top positions, business assets and spheres of life in modern Bulgaria.

The motto of the commission exposing files and the involvement of Bulgarian citizens in investigation services and the Bulgarian People's Army is that "you have the right to know, and we provide you with maximum information. It's up to you to draw conclusions." ■

THE BULGARIAN GOVERNMENT DID NOT COMMIT TO THE REEVALUATION OF THE COMMUNIST PAST. INSTEAD, IT TRIED TO DISTANCE ITSELF FROM THE PROCESS

Over the past five years, the commission in Bulgaria has investigated the files of **113,000** people and found that 6,377 were linked to communist special services

party of Bulgarian Turks had the most former agents, followed by the Socialist Party, centrist and even radical right-wing parties.

The commission's operation can hardly be called lustration because it does not entail any penalties for cooperation with the DS, other than moral judgment, unlike similar bodies in, say, Hungary or

The Other Side of History

The 70th anniversary of the Volyn tragedy was marked by the historically one-sided resolutions of the Polish Senate and Sejm; the request of Group of 148 that scorns anything Ukrainian (148 MPs from the Party of Regions and the Communist Party wrote an official letter to the Polish Sejm, the lower house of the Polish Parliament, requesting it to recognize the Volyn tragedy as a genocide of the Polish people – **Ed.**); and a surprising symbiosis of the Communist Party, aggressive advocates of the Russian World in Ukraine and radical right-wing forces in Poland on the one hand, and the feeble stance of most of the Ukrainian intelligentsia regarding this issue on the other. The question is not whether the latter should condemn the crimes committed by Ukrainians in Volyn in 1943 or not – they are undeniable and absolutely deserve condemnation, while attempts to justify them in one way or another would be amoral. The question is why many Ukrainian intellectuals readily accept the dominating Polish paradigm of the Volyn massacre.

It is based on a few pillars. One is the singling out of crimes of the summer of 1943 in Volyn as a stand-alone phenomenon overlooking other episodes of Ukrainian-Polish relations in that time and place. The other is that the strategic intentions of General Sikorski's government in exile were overlooked. Finally, the dates and number of victims and killers listed in official Polish documents and studies by leading historians are viewed as the ultimate truth. As a result, Ukrainian nationalists are blamed for an unprovoked mass attack on Polish villages and the mass killing of civilians. Well-known Ukrainian publications echo this as they write about "simultaneous attack on 100 Polish villages in July 1943" and "the deaths of tens of thousands of Poles on the night of July 11-12". However, it is not necessary to have a college degree in history to realize that a massacre of that scale requires at least ten thousand well-trained soldiers and the support of many villagers with axes to encircle villages, towns and colonies of *osadniki*¹, neutralize their armed defenders and carry out such destruction. Surely the opposite party and the German occupation authorities would have found out about the campaign several days in advance if tens of thousands of armed people were preparing for it?

Meanwhile, Ukrainian intellectuals revert to political correctness and avoid calling a spade a spade.

They never mention the proactive colonization policy of Rzeczpospolita in Western Ukraine and Western Belarus; the attempts of the Polish government in exile to hold on to the territories where ethnic Ukrainians made up 70-95% of the population during WWII, or the acts of Armia Krajowa and other military organizations of this government – under Nazi occupation! – to implement Poland's colonial policy. Few recall that according to different estimates, Armia Krajowa units killed hundreds – or even thousands of Ukrainians in 1942 while fulfilling their commanders' orders and "instilling order" in the Chelm and Berestia provinces adjacent to Volyn. This is overlooked when, according to the official Polish version, July 11, 1943 is taken as the starting point of the conflict. Similarly, the USSR overlooked the

Molotov-Ribbentrop Pact of August 23, 1939, when it talked of June 22, 1941 as the beginning of WWII.

Indeed, for the most part, Polish colonialism was much softer than the Russo-Soviet one, but it was colonialism nevertheless. This ended with the Volyn

massacre because colonial and anti-colonial wars go beyond limits – always and everywhere. Wouldn't Poland benefit from an objective evaluation of it as well?

None of the above justifies the culprits of the Volyn tragedy, however it explains the genesis and scale of it. Moreover, overlooking the mass of Ukrainian victims of that bloody confrontation, not to mention those that went before and after, is a betrayal of their memory.

Ten years ago, I signed the letter of Ukrainian intellectuals regarding the Volyn tragedy that was based on the "we forgive and we ask for forgiveness" formula. Back then, the impression was that this bloody page of history was turned and that we had duly learned our lesson. Now, we see that the dominating part of the Polish elite has revived old grand state insecurities, rolled up in a "humanistic" wrapper. So once more, we will have to talk about events that are painful for both nations, and once more dot the i's. Today, repentance should be honest and mutual: Poland's for the long-lasting violent colonization and Ukraine's for bloody anti-colonial actions. But how is this possible with the pro-Russian and communist Group of 148 and the barren – or capitulating? – stance of part of the Ukrainian intelligentsia? ■



Author:
Serhiy
Hrabovskiy

On July 12, members of the Polish Sejm adopted a resolution qualifying the Polish-Ukrainian conflict of the 1940s as "ethnic cleansing with elements of genocide" and the Organization of Ukrainian Nationalists, OUN, and Ukrainian Insurgent Army, UPA, as the perpetrators of this massacre. Poland's Senate passed the relevant resolution on June 20

¹Settlers or colonists in Polish, *osadniki* were veterans of the Polish Army that received land in the Kresy, currently parts of Western Belarus and Ukraine, ceded to Poland under the 1921 Polish-Soviet Riga Peace Treaty



10 feature films here and coming soon



The Shadows of Unforgotten Ancestors (Tini nezabutykh predkiv)

Directed by Liubomyr Levytskyi

This is one of the few independent film projects in Ukraine today. Its director is known for *Shtolnia* (Tunnel), his debut and the first Ukrainian thriller — but one that did not claim much success — attracted private investment for his second film after previous attempts to get state funding for his first movie. A promoter of popular cinematography, Liubomyr wanted to work in the most popular genres — youth thriller and mystic film — focusing on Hollywood product and style. So he invited a Hollywood cinematographer Mark Eberle to work on his *Shadows*, and involved mystery, beautiful girls and suspense. The cast involves young unknown actors from all over Ukraine. The main actor, however, is Carpathian mysteries.

Release on September 19

The Guide (Povodyr)

Directed by Oles Sanin

Started back in the 2000s, this project involved a script rewritten over and over again, new actors, an unplanned budget increase and challenging shooting, but the result was worth it. The trailer recently posted online reveals brilliant camerawork by Serhiy Mykhalchuk, while colour correction and sound perfectly backed by the 100%-right choice of Jamala's voice and personality unexpectedly put the film about yet another dreadful page in Ukraine's history — the extermination of kobzars in 1943 — on the list of potential blockbusters.

Released in spring 2014



Gamer

Directed by Oleh Sentsov

Released two years ago, this film has only just now been officially completed. As it often the case with Hollywood movies, *Gamer* came out in 2011 slightly unfinished. Now, the movie about cyber sport and a gamer boy has completed soundtracks, is dubbed in Ukrainian and all rights are settled with the copyright owners. This is definitely an extra bonus for the movie that already enjoyed a warm welcome from audiences at festivals. Oleh Sentsov is a former businessman, a fan of video games, and an amateur director with no professional education in cinematography.

Date of release: unknown



Strong Ivan (Ivan Sylva)

Directed by Viktor Andriyenko

This film about Ukrainian strongman Ivan Sylva — Strong Ivan — is for children. A cast of brilliant Ukrainian actors including Oleh Primohenov, Borys Barskyi, Olha Sumska, Bohdan Beniuk and Les Zadniprovs'kyi was joined by

Vasyl Virastiuk and Dmytro Khaladzi, two Ukrainian stars of power lifting. The production involved a complete digital storyboard. The budget was only UAH 15.5 million, so the 20th century film was created mostly digitally.

Date of release: unknown

Paradzhanov

Directed by Serge Avedikian and Olena Fetisova

This ambitious co-production went through fire and water before it collected the funding from Ukrainian, French and Armenian investors. Now, it is seeking promotion in the West. One of its priorities is to get Ukraine noticed: first, Paradzhanov is a well-known Ukrainian in the West. Second, director and actor Serge Avedikian is a French citizen and the winner of the Cannes Festival prize in 2010. He knew Serhiy Paradzhanov personally, so he portrays the renowned director on the screen from first-hand experience.

Released on October 3





A Cursed City (Proklyate mišto)
Directed by Vitaliy Potrukh

The story of three people played by Serhiy Romaniuk, Iryna Novak and Andriy Dzhezdzhula is a psychological drama with elements of fantasy. The dramatic component bares relations while fantasy shows a non-existing city which looks painfully familiar though. It is Prypiat, now better known as Chornobyl. The trio of the

characters – the nuclear plant director, a woman who lost her family in the foreclosed area, and an adventure seeker – reminds one of Tarkovsky's *Stalker*. But that's the only thing the two films have in common. The script by Marko Hres is about coincidences, encounters and incidents that are not incidental. *A Cursed City* with a budget of UAH 6 million is Potrukh's debut in feature films.

Date of release: unknown



Lombard (Pawn Shop)
Directed by Liubomyr Levytskyi

Another film by Levytskyi and his most difficult child: he started the shooting in the late 2000s, funding his work with his own money. When he ran out of cash, the project was frozen and only resumed after the state stepped in with aid. *Lombard* is a thriller about a robbery. A fair amount of slang in the script makes it a reflection of the modern-day young semi-criminal environment – a know-how in Ukrainian cinematography. The film is a direct analogy to Guy Richie's films with cash, big wins and smoking guns.

Date of release: unknown



Lehka mov piryinka (Light as a Feather)
Directed by Andriy Rozhen

The film was shot in 2011 for the Ukrainian and African markets, especially Nigeria which is the second biggest film producer in the world. The cast includes Nigerian actors – Omoni Oboli and Ostin Eboka – and Andriy Rozhen from Ukraine. *Light as a Feather* was the only Ukrainian film presented in full in this year's Cannes Festival. It's a music melodrama based on a universal storyline with the relationship of a Nigerian woman and a Ukrainian man as the central dramatic component.

Released in fall 2013

Kredens (Cupboard)
Directed by Valentyn Vasianovych

After Vasianovych's first film *Zvychayna sprava* (Ordinary Business) which was a flop, *Kredens* somehow managed to get 50% of its funding from the state. The script's benefit was its focus on the prose of life. Being very close to reality, the film conveys an obvious social

Liuby mene (Love Me)
Directed by Maryna Horbach

A Ukrainian-Turkish co-production, the film was one of the first state-funded projects started in 2011 and funded by the Turkish Culture Ministry earlier. The shooting kicked off in winter 2012 with the date of release planned for June-July 2013. The film is about an affair between a Ukrainian woman and a Turkish man, about two people "lost in translation" and national and ethnic discrepancies. The film may well be based on the director's personal experience: she studied in Kyiv, then moved to Istanbul where her Turkish husband lived – Mehmet Bahadır Er, who wrote the script for the film. The two have already shot a feature film called *Black Dogs Barking*.

Date of release: unknown



message without being too complicated to understand. It tells the story of a Lviv-based cellist struggling with problems at work and at home. The director saw it as a combination of static scenes with dynamic episodes shot with a hand camera. The shooting is already completed and the production is scheduled to end in September.

Date of release: unknown

Racing With Time

The National Art Museum has welcomed guest contemporary art projects on many occasions. This time, it is hosting *Racing With Time* (Perehony z chasom): contemporary artists will now be displayed here on a permanent basis. The art of the 20th century takes up the entire first floor. Its three galleries display Ukrainian paintings from the 1960-2000s that were previously kept in storage. All the paintings in this collection are owned by the museum, reflecting its unique vision of contemporary art. "Nobody has seen this side of the 20th century in our museum before," says Maryna Skyryda, Deputy Director General of the museum.

The first "new" gallery presents dissident underground artists who have never been exhibited before. Soviet art was occupied by social realism for almost half a century but the urge to be modern overrode it during the thaw. It was then that interest in 1920s avant-garde art was revived, resulting in the odd spark of experimentation among the prevalent amateur grayness. They were more like an experimental laboratory because the generation of artists who created avant-garde art had been wiped out, and the iron curtain pre-

vented them from following the process in the West. Still, some managed to catch glimpses of Western art. Karlo Zvirynskiy somehow learned about Jackson Pollock and took an interest in non-art materials: his artwork is now exhibited at the museum. Pre-perestroika art used shape and traditions to confront the system. The gallery for this epoch in Ukrainian art displays some of the top artists. Ivan Marchuk's portrait of Bohdan Stupka is considered to be the best piece of the collection.

Previously, the exhibition stopped at the most interesting point – the early 1980s. It was after this that Ukraine saw an actual artistic explosion. The second gallery – the postmodernism territory – puts the spotlight on the art of a group referred to as Art Reserve which first became known in the 1990s. Tiberiy Silvashi, Anatoliy Kryvolap, Mykola Kryvenko, the Zhyvotkov brothers and Marko Heiko brought their underground



riot to the surface. In this gallery, an ironic look at totalitarianism from the Kharkiv-based conceptual artist Vahrich Bakhchanyan is displayed alongside the neo-baroque

Events

17-26 July, 12p.m.

Life in Movement
Ukrainian Culture and Art
Centre
(19v, vul. Khoryva, Kyiv)

A series of photographs taken at different times and places pictures movement as the symbol and the flow of life. The photographs have no titles or descriptions. Photographer Oleksiy Plysko wants the viewers to contemplate on what they think is happening on the picture, imagine a story behind it, and give their own name to what they see. Oleksiy began his career as a photographer spontaneously after many years in business

administration. Now, he is capturing the spontaneity of a running girl, laughing newly-weds and curious toddlers on film, putting together the puzzle pieces of everyday life around us into a complete picture.



12 - 28 July, 10 a.m. – 7 p.m.

Lavish Home
Art Vertep art centre
(11, vul. Chervona,
Dnipropetrovsk)

Ihor Bezhko, a Dnipropetrovsk-based collector, has carefully searched and restored antique rural interior elements from the early 20th century. The collection on display is mostly comprised of rural household elements from the 1920s and 1930s found in Zakarpattia and Hutsul villages. Visitors can buy the items they like the most. This could be anything, from a multicolour vine jar of the Rzeczpospolita epoch, a special honey jar from the Austro-Hungarian Empire, or a hundred-year old wheel, yokes and Hutsul horse bells which will add a sense of legend to any home interior.



18 July – 1 September

LvivKlezFest
Lviv Philharmonic, PICASSO
night club and other locations
(7, vul. Tchaikovskoho; 88, vul.
Zelena, Lviv)

The aim of the fifth international festival of Jewish music is not only to revive the lost music culture, but to bring back an integral part of Lviv life – the history of the Jewish quarter. Klezmer players from all over the world, including Poland, Germany, Israel, Russia, Ukraine and the USA, will perform on the festival stage. Gastronomes will have the opportunity to taste the best of the Jewish cuisine, while tourists will see how much fun

was to be had at true Jewish weddings in Halychyna. Staroyevreyska – the Old Jewish Street – will once again be filled with inspiring masterpieces from craftsmen and the joyful laughter of the guests.



meditation of Pavlo Makov and modernistic plastics from Oleksandr Sukholit. All this artwork expresses the desire of Ukrainians to join the global art context.



The third gallery displays the latest art that the museum has only recently started to collect. Oleksandr Hnylytskyi, Oleh Holosiy, Viktor Marushchenko, Oleksandr Roitburd, Ar-

sen Savadov and Andriy Sahaidakivskyi develop the themes of memory, identity, social and cultural responsibility. In addition to paintings and photography, the gallery features the media art projects recently displayed at the museum itself: a video recording of *Sleeping Beauty*, a performance by Taras Polataiko that the museum hosted last year; and a special art project by Ivan Svitlychnyi that shows visitors the life of the museum from outside in real time.

Oksana Barshynova, the exhibition curator and head of the 20th Century Art Department, describes *Racing With Time* as a project of generational significance. The basic concept behind the entire exhibition is the display of how complementary the rational and irrational are – how the search for absolute harmony intertwines with unbounded energy and spontaneity in Ukrainians. Ukrainian art has always balanced between these poles, and contemporary artwork continues this tradition. This is how curators emphasise that the museum collection is a classic one, which is constantly updated.

19 – 21 July

Pidkamin Pidkamin village (Brody Region, Lviv Oblast)

The seventh annual festival, just like all the previous ones, focuses public attention on architectural sites and promoting Ukrainian folk music, dance, clothes and more. This year's programme features some of the top Ukrainian bands, including Tartak, Komu Vnyz, OtVinta, KoraLLit, LosColorados and many more. SvjataVatra will come all the way from Estonia to present their traditional music. In addition to three days of gigs, the festival offers workshops, art events and sports competitions.

Afterwards, guests can take a trip around the oblast to see more neglected yet charming architectural masterpieces.



23 – 28 July

Wiz-Art 2013 Lviv Philharmonic, Communa anti-café, Palace of Arts and other locations (7, vul. Tchaikovskoho; 32, vul. Murovana; 1, vul. Halytska, Lviv)

The motto of this year's short film festival speaks for itself: The Universe is not made of atoms; it's made of short stories. Overall, the audience will watch 110 films from 39 countries during the festival. The programme of screenings that do not take part in the competition called Goodbye to Vinyl is a pleasant surprise. It will present nostalgic films by young Ukrainian directors. Another equally interesting programme will present Ukrainian cinematography. Special guests this year include film artists from the UK, Switzerland, Germany, Lithuania and Austria.



From 25 July

FUTURE SHORTS: SUMMER 2013 Kyiv movie theatre (19, vul. Velyka Vasylkivska, Kyiv)

FUTURE SHORTS is a summer collection of the best short films from all over the world. This year's programme features 6 films with different genres and storylines. *38-39°C* is the graduation film of a South Korean animator. A fusion of puppets, cardboard walls and watercolours, the animation reveals the depth of relations between father and son. American film *Chair* is a mysterious and murky

story about an explosion, a boy and a chair. And the wonderful life story of a 100-year old woman in the documentary entitled *Mickybader*.

CROWNING THE OPERA HOUSE
is the sculpture over the main
entrance



BETWEEN HEAVEN AND EARTH

THE CHTONIC WORLD:
Tunnels and pipes in
underground Odesa



Author: Vladyslav Vozniuk

A stereotypic set of Odesa's tourist attractions that includes sun, sea, beach, beer and jokes is small enough to fit into the tiniest luggage of memories of any traveler. In addition to this, the port city has a different side that few locals, let alone tourists, know about. Underneath Odesa, there is a, for the most part, manmade labyrinth – the biggest in the world, twisted, confusing, and absolutely chaotic. Underground corridors extend for an unthinkable 3,000km. Abandoned limestone mines alternate with former bomb shelters, vast underground rooms, drainage galleries and natural caves that are millions of years old. Rumour has it that these served as shelters for smugglers in the early 20th century and guerillas during World War II. Odesa's diverse underground world seems like another city. But be careful: a walk through the labyrinths without an experienced guide could be fatal, because there is no uniform system of tunnels. Getting a bird's-eye view of Odesa is quite a challenge as well, but urban explorers don't mind: they often travel here to crawl along the underground tunnels or roofs and take pictures. This opens the popular holiday destination from a totally new and different perspective. ■



BROKEN BARRELS
in the abandoned cellars of a ruined cognac factory



NO CLAUSTROPHOBIA:
An underground urban explorers' camp



A MASSIVE OBSTACLE:
A broken mine cart in the drainage system near the Langeron beach



ANGELS ABOVE THE CITY:
Odesa from the roof of the Opera House

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