

HOW YANUKOVYCH WILL USE THE SIGNING
OF THE ASSOCIATION AGREEMENT TO HIS BENEFIT

UKRAINE'S BANKING SECTOR:
ONLY FOR THE CHOSEN FEW

A YEAR AFTER EURO 2012: DEBTS, POTHoles AND
UNAFFORDABLE STADIUMS

international edition

The Ukrainian Week

№ 9 (51) MAY 2013



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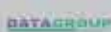


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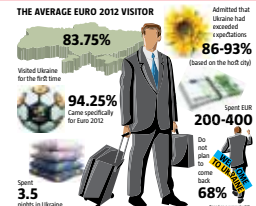
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Viktor Yanukovich signs the laws passed by the pro-government majority at the off-site session



Ukrainian cartoon *Folk Wisdom* wins an award in the Los-Angeles film festival



Volodymyr Klitschko claims his 60th win in the fight against Italian Francesco Pianeta

Pretence Integration

The Yanukovich regime is sticking to its utilitarian approach to European integration, while presenting it as the pragmatic protection of Ukraine’s interests.

Author:
Oleksandr Kramar

The Minister of Foreign Affairs, Leonid Kozhara, recently boasted that the wisdom of Ukraine’s current leader may make the nation “the only country that will have a trade agreement with both the West and the East” by the end of this year. Even if these declarations are pure manipulation, the government is taking every effort to persuade society that its multi-vector policy is a success. However, a closer look at the declarations and actions of the government shows different priorities: it is working to remain in a position to divide markets and national wealth to its benefit for as long as possible, with no competitors from the East, or the West for that matter.

All this is happening under the guise of pro-European rhetoric and an ongoing demonstration of the “accomplishments” in Ukraine’s European integration. After the last week, the Presidential Administration has two more things to add to this portfolio. On May 13, the Council of the European Union approved the ratification of an amended visa facilitation agreement. It will come into effect on July 1. On May 15, the European Commission approved the draft decision of the EU Council on the signing of the As-



The month in history

28 April 1947

Polish authorities launch Operation *Wisła*, resettling Ukrainians from the post-war Polish territories of Lemkivshchyna and Kholmshchyna to Western Ukraine



29 April 1918

Pavlo Skoropadskyi topples the *Tsentralna Rada* (the Central Council), the government of the Ukrainian People’s Republic, in Kyiv



1 May 381

The First Council of Constantinople (the Second Ecumenical Council) completes the establishment of the Christian church in the Roman Empire





The European Union Council approves the ratification of an amended visa facilitation agreement with Ukraine



The VR passes the Anti-Corruption Law but PR votes against the establishment of an anti-corruption bureau, killing the respective draft law



The Constitutional Court has two new judges. Now, 7 of the 18 judges are from the Donbas and 10 from investigating authorities

sociation Agreement with Ukraine this fall. The government-controlled media have barely mentioned the fact that this is just a preparatory step on the part of the EU, in order to be technically ready for the theoretic signing of the Association Agreement. Kostyantyn Yeliseyev, Ukraine's commissioner for foreign policy and integration processes said that the European Commission's decision signals recognition of the progress Ukraine has achieved due to the relevant decisions of the President to meet its commitments. Meanwhile, Peter Stano, the spokesman of the Commissioner for Enlargement and European Neighbourhood Policy, Štefan Füle, said in a comment for *The Ukrainian Week* in Brussels that the document should not be qualified as evaluation of the progress that has been accomplished.

Meanwhile, the Yanukovych regime is not in a hurry to accomplish it. On April 30, the European Court of Human Rights ruled that the arrest and detention of Yulia Tymoshenko was unlawful. Before Orthodox Easter, a special commission under the President turned down a number of requests to grant her pardon from Ukraine's major religious communities and NGOs. Shortly after the holiday, a scandal followed that confirmed the government's reluctance to solve the issue of political repression anytime soon. On May 7, Tymoshenko's lawyer Serhiy Vlasenko announced that the Prosecutor General had suspended the pre-trial investigation in the Shcherban murder case against her. On May 13, however, the Prosecutor General's Office reported that the pro-

ceedings were resumed. The Minister of Foreign Affairs, Leonid Kozhara, said in an interview for *The Daily Telegraph* that the government has no intention of freeing Tymoshenko by the end of May, as expected in the EU.

On May 14, right before the European Commission passed its decision on the Association Agreement, Jan Tombinski, Head of the EU Delegation to Ukraine, said that the Ukrainian government should not shelve issues of selective justice because they are a stumbling block to the Association Agreement signing process, and that it's wrong to wait until the last moment.

Still, the EU's position seems to be largely based on the expectation that Yanukovych will shift the blame for the possible failure of the signing on it. The latest publications in the *EUobserver* confirm this, citing diplomatic sources. Therefore, Germany, which has been highly skeptical about the Yanukovych regime until recently – now seems to admit that it would be helpful to promise Kyiv the prospect of future EU enlargement as an incentive for him to switch to the West's side.

It looks like the EU expects to use every stage of Ukraine's integration, from initialing to ratification of the Association Agreement by all member-states, as a tool of pressure for Yanukovych to fulfill its requirements. However, Europe should also remember that this may be futile as protraction is a goal rather than a problem for the President. The domestic component of this game is to show the voters and the pro-European part of the conglomerate in power that he is prepared to lead Ukraine to Europe. This is also a way for the

regime to undermine the “pro-European” opposition as it thus steals an important factor that distinguishes the opposition from him. Ever since the April rallies in Kyiv, the government has been blaming Ukraine's sluggish European integration on the opposition, its interference with the government's efforts, destructive activities and lately adding fascism and neo-Nazism to the lot. At the same time, progress in the signing process is an instrument of psychological pressure in negotiations with Moscow. Thus, those in power are using Ukraine's European integration potential to promote their own interests, while their real strategy is to continue the concentration of power and



YANUKOVYCH NEEDS THE MULTI-VECTOR STRATEGY TO ACCOMPLISH GOALS THAT HAVE NOTHING TO DO WITH EUROPE

the monopolization of markets by the Family and loyal oligarchs. At some point, this risks making Ukraine's ultimate progress towards Europe impossible for valid reasons.

Although Europe says that Yanukovych is wrong in talking about Ukraine's significance in the confrontation between the EU and Russia, Brussels seems to cede to the scenario that Yanukovych is counting on. Paradoxically, dragging Yanukovych into Association and the free trade area and hoping that the government in Ukraine will change for a more democratic one may be the best option for now. ■

PHOTO: AP

2 May 1848



Ukraine's first political organization called the Main Rus Council emerges in Lviv

5 May 1992



Crimean legislature declares sovereignty and a referendum is set for August 1992, to confirm this status

16 May 1648



Cossacks led by Bohdan Khmelnytsky defeat the Poles led by Stefan Potocki in the Battle of Zhovti Vody

Captive to the Great Lie

Why are Batkivshchyna and UDAR leaders celebrating a Ukrainian tragedy?

Author:
Ihor Losev

For several decades now, the same thing has been repeated in Ukraine and a greater part of post-Soviet space on May 9: the Red Army is glorified as the liberating force; praise is heaped on Stalin's marshals and generals; and the idea is inculcated that absolute good overcame absolute evil. The heroism of combatants, both surviving and killed in action, is lauded. But the familiar shadow of Stalin is still lurking in the background. His portraits are beginning to be seen in Ukrainian cities during celebratory rallies. Step by

step, the leader of one of the bloodiest totalitarian regimes in the history of mankind is being rehabilitated, and Victory Day takes the shape of a kind of abyss into which Ukraine is falling, going back into the distant past, to before the 20th CPSU Congress where Stalin's personality cult was exposed. Indefatigable government and party propagandists emphasize the "fortunate rescue", "liberation", "fruits of the victory" and so on. Such discourse is understandable in Russia, because a great national mission was indeed completed there in 1945:

the Russian empire stretching from one ocean to another was preserved, securing the status of a dominant nation for the Russian people. This was affirmed by Stalin in his famous speech on the occasion of the victory over Nazi Germany in which he called the Russians "the most distinguished of all nations in the Soviet Union" and a "leading people".

But it is quite surprising to still be hearing such things in Ukraine. Did Ukraine become a free, independent state after 1945? Did it start taking steps into the future on

The leaders of Batkivshchyna and UDAR are following the lead of the Party of Regions and the Communist Party by participating in communist-style May 9 celebrations



its own, without the watchful eye of its Kremlin supervisors? Did democracy and freedom of expression begin to reign supreme on its territory? Were human rights guaranteed? Did any opportunities for shaping Ukrainian identity arise? Was it the end of collective farm servitude, something Russian journalist Yuriy Chernichenko aptly called AGRO-GULAG? None of this happened. Moreover, just as before the “liberation”, one reckless word could earn any Ukrainian a term with white bears or behind barbed wire in any of the hundreds of concentration camps scattered across Siberia, the Far East and Russia’s North.

The “liberation” did not keep the regime from continuing its merciless destructive war against the Western Ukrainian population for a further eight years, using the whole array of Cheka-SS atrocities, the sadism of punitive squads

and special “instructional” measures such as captured OUN and UPA members being executed in public, on the initiative of Nikita Khrushchev, who is still considered to be “humanist” and “liberal” by some Ukrainian intellectuals. Their corpses were not allowed to be buried according to Christian rites for a long time, again, for “educational purposes”. To top it all, the “liberation” was also marked by a famine in 1946-

FOR EUROPEAN NATIONS, THE VICTORY OF THE ANTI-NAZI ALLIANCE IN WWII MEANS THE RESTORATION OF NATIONAL FREEDOM AND INDEPENDENCE. UKRAINE OBTAINED NEITHER

47 which again took the lives of a million Ukrainians. This is the price they paid for bringing pro-Russian communist “popular democratic” regimes to power in East European countries. Their population had to be fed, especially against the backdrop of the generous Marshall Plan for Western Europe. Stalin strictly forbade Poland, Czechoslovakia, Hungary, Romania and Bulgaria to accept this American aid. The Kremlin once again solved its political problems at the expense of Ukrainian peasants. Ukrainians lost a large part of their population during mass repressions and the genocidal Holodomor (Famine) of 1932-33, while survivors became Stalin’s cannon fodder in the Second World War, which he provoked together with Hitler. Through it, the two dictators decided to settle the question of hegemony in Europe and the world as a whole. Stalin won and rescued the Russian-Soviet empire from collapse, with Ukrainians, among others, paying the price. He used Holodomor survivors as expendable material to achieve his imperial goals. So how is it possible to talk about Stalin’s “liberation” of Ukraine or the “liberation” mission of Stalin’s army in Europe? The Russian journal *Voprosy filosofiyi* (Issues of Philosophy) made a valid point in a

The Ribbon of St. George is a black and orange ribbon used in military decorations in the Russian Empire and the USSR. A widely recognized symbol of military valour in today’s Russia and post-Soviet territory associated with WWII, it has three black and two orange stripes tracing back to the Order of St. George established in the Russian Empire in 1769. Only Full Cavaliers of St. George and those awarded the Order were entitled to wearing the Ribbon as part of the decoration. Wearing the Ribbon otherwise was criminal liability. Soviet authorities abolished the Order of St. George, just like all other orders of the Russian Empire. Shortly after, though, they used black and orange interpreted as the colours of smoke and fire in the guard ribbon awarded with the Guard decoration to navy guard units and ships. The Order of Glory established in 1943 also used black and orange for the medals of Victory Over Germany, For the Capture of Berlin and more. Meanwhile, Russian units that fought on the Third Reich side were awarded St. George’s decorations, including ribbons, alongside crosses and arms.

In 2005, a public campaign started in Russia to spread symbolic ribbons for the celebration of Victory Day in WWII. From then on, it takes place every year funded by private businesses and the government. Over 2005-2009, more than 45 million ribbons were distributed in 30 countries all over the world. According to the organizers, their major goal was “to make sure that new generations remember who won the most terrible war of the past century, and at what price, whose descendants we are, whom we should be proud of, and whom we should remember.” In fact, the campaign is aimed at keeping Russian myths about WWII and the victory of Stalin’s USSR alive in the post-Soviet territory.



PHOTO FROM WWW.BYUT.COM.UA

1995 article: “To this day, our veterans have the invariable feeling of bitterness and fail to comprehend why their personal heroism, sacrifice and sincerity, as well as their exploits, did not arouse the expected feelings in the population of the countries they liberated. The reason lay, no doubt, not in the personal qualities of the Russians, but in the attitude to the type of state which the Soviet Union represented and which was associated with the Russians. True, Russians fought valiantly for their Fatherland and liberated it from aggressors. But they were simply unable to liberate anyone else. A state that is not free itself could not bring freedom. And this is what differentiated us from our partners in the anti-Nazi coalition.” Indeed, Russian soldiers could only bring the things to Poles, Czechs and Hungarians, that they themselves had, i.e., slavery, disregard for human rights and communist dictatorship. This is the reason why East European nations celebrated their true liberation in 1989 when Soviet troops withdrew from their countries to the USSR.

Congratulations on Victory Day

So considering the return of the NKVD, terror and total surveillance to post-war Ukraine to be liberation signifies having an utterly perverse notion of freedom and imposing these unhealthy views on society. It is inadmissible to recognize Stalin’s regime as liberating. Anne Applebaum wrote in her famous book *Gulag: A History* (2003): “Stalin killed more Ukrainians than Hitler murdered Jews.” Incidentally, Raphael Lemkin, the American lawyer of Polish-Jewish background who introduced the concept of genocide, which was legitimized by the UN General Assembly in a document on the crime of genocide, wrote an article entitled “Soviet genocide in Ukraine” in which he said that everything that had taken place in Ukraine from 1918 until the 1950s fell into this category.

So what are we celebrating today? In Europe, May 8 marks mankind’s victory over fascism and is a Day of Remembrance and Reconciliation for those who lost their lives during the Second World War. For the peoples of France, Belgium, Netherlands, Norway and Denmark, the victory of the anti-Nazi al-

liance in WWII means the restoration of national freedom, democratic institutes, sovereignty and independence. Did Ukraine win any of these? Did it pursue a policy of its own during this period? Did it have freedom of will rather than being a cog in the imperial machine? So why is May 9 still a holiday in Ukraine, a country which found itself under Soviet occupation immediately after the end of Nazi occupation in 1945? It was on this day in 1945 that, together with the collapse of the Nazi regime on the territory of Ukraine and later in Eastern Europe, the Russian-Soviet colonial system was established. Unfortunately, in the 22 years of Ukraine’s independence, neither the government, nor most of the opposition have had any serious dialogue with the population on this topic. The government’s inaction is no surprise, because it was post-communist with a relevant political past. It is much harder to grasp the reasons of the democratic and seemingly patriotic opposition. Tactical political considerations, no doubt, exist, but they can hardly command respect. The opposition’s actions in this area are explained by a lack of national strategy, desire and ability to work for the future and pursue higher national interests. All of its policies are focused on the here and now. Tactics, tactics and more tactics. It is all about winning (at any price, even at the cost of compromising one’s own beliefs, ideology and principles) more seats in parliament, making deals with the government about public offices and business, exchanging one thing for another and a complete lack of grand national goals. The opposition – at least as represented by *Batkivshchyna* (Fatherland) and *UDAR*, represented by *Arseniy Yatseniuk*, *Oleksandr Turchynov* and *Vitaliy Klitschko* – has a principled position of avoiding any principled stand. It shuns discussions on urgent, decisive issues, evidently thinking that such small ideological tricks can win more electoral points. In view of their Soviet nature, opposition forces are evidently convinced that May 9 is still a holiday for most Ukrainians and hence, part of their electorate. And if they go against the flow, they will lose popular support. This is the reason why they do not have their own clear views on Ukraine’s past and are unable to offer any real alternative to Russian-Soviet imperial



PHOTO FROM FACEBOOK

myths and the political propaganda of the Party of Regions and the Communists. They cannot open the eyes of those who are still held captive by these myths to the truth. In the 22 years of Ukraine's independence, it has never been driven home to Ukrainians why the Soviet period in the country's history was nothing but an occupation. Consequently, many of those who were born in the USSR still believe that May 9 is a holiday rather than a tragedy. Until the majority of Ukrainians realize that this day marks both a victory over fascism and Russian-Soviet colonization, the Ukrainian state will not be a reality.

Moreover, the leaders of Batkivshchyna and UDAR are following the lead of the Party of Regions and the Communist Party by participating in communist-style May 9 celebrations. By doing so, they hope to bite off a chunk of the ideological-electoral pie held by their opponents. When Yatseniuk mentioned the part played by the UPA in WWII at such rallies, in an effort to also please his electorate in western Ukraine, where most people never viewed May 9 as a holiday

in Soviet times, his attempts looked lame.

By joining the Party of Regions and the Communist Party of Ukraine in historical evaluations, having none of their own, Batkivshchyna and UDAR are, in fact, contributing to the communist-imperial ideology of their political opponents and boosting their standing in the ongoing political struggle. Not to mention that such lack of an ideological stand on the part of the opposition is detrimental to national interests, because situational considerations should not bring large-scale future tasks to naught.

The proposals of some opposition figures (notably Vitaliy Klitschko) to exclude all controversial issues (language, history, national identity, culture, geopolitical education) from public discourse and focus exclusively on jobs, salaries, pensions, prices and taxes, are utopian. If the opposition is silent on these issues, the current government will write about them on its banners, but it will be a different language, history and identity – and eventually a different nation in a different state. Avoiding burning, divisive fundamental problems is a

reflection of the ideological and theoretical weakness of the Ukrainian opposition, at least Batkivshchyna and UDAR, forcing one to doubt their intellectual potential and creative resources. Moreover, another question arises: Does this kind of indifference to the above issues suggest that the opposition's leadership lacks truly principled people who can defend their views in the face of political discomfort and frenzied ideological aggression mounted by

IT HAS NEVER BEEN DRIVEN HOME TO UKRAINIANS WHY THE SOVIET PERIOD WAS NOTHING BUT AN OCCUPATION, SO MANY HAVE BECOME USED TO VIEWING MAY 9 AS A HOLIDAY RATHER THAN A TRAGEDY

their opponents? Are we again dealing with nonchalant opposition bigwigs, a new “democratic” bureaucratic neomenclature and people with a Soviet mentality who are quite comfortable living in the current post-Soviet space? ■

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Break-Up Inevitable

De-Russification is crucial to a split with the Soviet past

Author:
Ihor Losev

Ukkraine's grueling progress towards Europe, whereby going around in circles alternates with plunges into what seems like the distant past, prompts people to go deeper than personalities, historical coincidences and unavoidable mistakes in the search of the sources for

these failures. While declaring its European nature, Ukraine is failing to separate from the opposite civilization and culture across its north-eastern border, both ideologically and mentally.

Belarus' Alexander Lukashenka once solved the dilemma for his nation, calling Belarusians

"Russians with a certificate of quality". Ukrainians have yet to define themselves in relation to Europe or Russia. Without this, they will never accomplish de-Sovietization or switch to democracy, statehood and independence. Just as in other former USSR countries, Sovietization in



COLLAGE BY ANDRIY YERMOLENKO

was supposed to replace the imperial and Orthodox one. “If the Third Rome failed, there will be the Third International,” Karl Radek, a Bolshevik and Comintern leader, once joked, playing on the words of the famous quote by the Russian monk, Philotheus: “Two Romes have fallen, the third Rome will be Moscow and a fourth is not to be”. Millions have grown used (and have been taught) to accept all things Russian as Soviet and all things Soviet as Russian.

This shows that de-Russification is an integral element of Ukraine’s effort to shed its Soviet and communist legacy. However, Russification is far deeper and more intricate than just the language. It involves following Russia’s model in building political institutions, such as the Prosecutor General’s Office with its overwhelming control, inherited from Soviet times and similar to that in the modern Russia; healthcare, education, the utility system, the judiciary and penitentiary systems and more. This is more dangerous than linguistic Russification. Today, the Ukrainian government is blindly following the Russian socio-economic experience – largely negative. Perhaps the most damaging aspect of Russification is that of political practices and habits. As a result, both practices and the elite are completely incompatible with those in Europe.

MENTAL INDEPENDENCE

If they have not lost their identity, ethnic communities see a clear line between their culture and traditions and those of other communities, which they respect. The twenty-year promotion and domination of Russian show business, mass media, cinema-

Ukraine was in fact a form of Russification. It proclaimed the existence of a single Soviet nation as a historical community with the domination of the Russian language, history and culture. “The sooner we all speak Russian, the sooner we will build communism,” Nikita Khrushchev said at a Belarus university in the 1960s. Thus, all things Russian officially turned into a cultural and spiritual hegemon throughout the USSR. Communism, the dream of a global socialist system based on the Moscow model and rejection of bourgeoisie were layered over traditional Russian messianism, Russocentrism and xenophobia. The new communist messianism

**MILLIONS HAVE GROWN
USED – AND HAVE BEEN
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ALL THINGS RUSSIAN
AS SOVIET AND ALL THINGS
SOVIET AS RUSSIAN**

tography and books in the independent Ukraine, after centuries of it being part of different empires, has diluted national iden-

tity in the minds of Ukrainians. Subsequently, they stopped distinguishing between Ukrainian and Russian in art, public life, historical memory and the like. Some in Ukraine realize how deeply the Russian and the Soviet is intertwined, hence the restoration of many aspects of Soviet ideology, the fueling of nostalgia for Soviet times, and the whitewashing of the most notorious figures and organizations of the Soviet past, such as Stalin, Molotov, Cheka, the NKVD, KGB and so on, poured into the minds of Ukrainians through endless Russian TV series.

What is Russian civilization? Many Western scholars, including Oswald Spengler and Arnold Toynbee, never qualified Russia as part of the European world and treated it as a stand-alone civilization. Three years ago, the Levada-Centre, the most respected sociological organization in Russia, surveyed Russians on the matter. 70% of those polled did not think of themselves, nor did they want to be Europeans. Europe has always been widely criticized in Russian political philosophy, while the advocates of Europe known as *zapadniki* or Westernizers, were far less popular than Slavic and Eurasian orientated ideological groups. Eurasian-oriented intellectuals were the fiercest opponents of Europe. After years in Europe, these one-time emperor’s professors and *privatdozents* who fled there after 1917 never accepted its culture. They insisted that Russian and European cultures were fundamentally incompatible and belonged to opposite civilizations. In their opinion, Russia was a standalone civilization (“Russo-Siberian” according to Oswald Spengler) opposite to the fundamental aspects of both European and Asian cultures: “The culture of Russia is neither European, nor of one of the Asian cultures, nor the sum or combination thereof... It should be distinguished from the cultures of Europe and Asia and viewed as a median Eurasian culture.” Supporters of the Eurasian foundation admitted the huge impact of the East, especially Turkic and Mongolian, on Russia. “How can we possibly be the descendants of Kyiv Rus? We are the successors ▶

of the great empire of Genghis!” wrote Russian writer and journalist Vadim Kozhynov in Soviet times. “... without the Tatars there would have been no Russia” claimed Pyotr Savitski. Other like-minded intellectuals believed that the Russian state was founded by Moscow tsars, the successors of Mongol khans, rather than by Kyiv princes. They believed that the collapsed Golden Horde was revived as the Moscow kingdom. Some mentioned “the miracle of the Tatar environment transforming into Russian statehood” in their publications. Pyotr Struve, a Russian liberal known for his proactive struggle against all things Ukrainian, among others, insisted that “The key factors in the rise of the great Russian nation were the Moscow State and Tatar-Mongolian influences.” “The sounder the culture and nation, the more powerful and cruel its state,” Eurasia-oriented intellectuals concluded, often referring to the Russian World concept in the same spirit now echoed by Russian Patriarch Kirill.

One may refer to Peter the Great’s reforms and take exception to the Asian nature of Russian civilization. However, that Westernization of Russia was probably purely superficial and formal. Did Turks become Europeans when they swapped their turbans and tarbushes for hats? Yuri Lotman’s Tartu-Moscow Semiotic School offered an accurate portrait of Peter’s Westernization in the *Sign Systems Studies*. It described a typical 18th-cent. Russian nobleman as someone who wore *verigi* – the rusty chains of a Moscow fool for Christ – under the fine Brabant lace of his shirt. Peter the Great, who wanted to take technical, administrative and scientific accomplishments from the West, while leaving the multi-century Russian tradition of despotism, arbitrary and undivided rule intact, himself realized how limited his reforms were. It was European worldview that scared Peter, because it could undermine if not destroy the Russian system. “Leibniz is very smart, but not in our way, not in a Russian way,” he described the outstanding mathematician and philosopher when the Imperial Academy of Sciences and Arts in

In a Eurasian civilization, the government appropriates all the functions of civil society, making it totally inert and helpless

“How can we possibly be the descendants of Kyiv Rus? We are the successors of the great empire of Genghis!” wrote Russian writer and journalist Vadim Kozhynov in Soviet times.



St. Petersburg wanted to invite him to work there. He was rejected...

Peter the Great also realized the fundamental contradiction

bridges. He stepped on one of the bridges when he saw a young boy walking underfoot, eating an apple. Pyotr grabbed the boy by this shirt and tossed him over to the other side of the canal. They boy got mad and threw the apple core in the Russian tsar’s face. Pyotr’s reaction was interesting. He wiped his face, came up to the boy and said, “I’m sorry, brother, I forgot. I thought I was walking in Moscow.” This episode shows more than the volumes of research into European and Russian civilizations. With his apology, Pyotr admitted that Holland had a completely different civilization which has very little in common with his homeland. There, even a child has its own dignity that cannot be abuse. In Moscow, there is no such thing as human dignity.

Westernization of Russia should not be overstated. It was



JUST AS IN OTHER FORMER USSR COUNTRIES, SOVIETIZATION IN UKRAINE WAS IN FACT A FORM OF RUSSIFICATION

between Europe and Russia. Aleksey Tolstoy described them in his novel *Peter I* that won him the Stalin Prize. When Peter, under the pseudonym Pyotr Mikhaylov, worked as a carpenter in a town in Holland (although all locals knew that he was actually a Russian tsar), he once went on a walk through the typical flatland, surrounded by waters, canals and

The ability to solve conflicts peacefully is a prerequisite of civil society. In Russia, the state/government tries to eliminate conflicts rather than solve them.

one of the many *perestroikas* orchestrated in Moscow and St. Petersburg. Soviet-American Professor of History and Political Science Aleksandr Yanov estimated that there were twelve, Gorbachev's *perestroika* being the thirteenth and the last. All these perestroikas had one thing in common: they brought ultimate victory to anti-European reactionary forces.

Liudmila Narusova, the widow of politician Anatoliy Sobchak, proved in her PhD thesis that any reforms in Russia are only possible when launched from the omnipotent centre and carried out with cruel anti-liberal methods. This was how reforms were undertaken in Japan after the Meiji Restoration; China; under sultans in Turkey and shahs in 20th century Iran. Otherwise, she insists, reforms in Russia will fail. All this comes from several specific features of Russian civilization: a mindset that rejects the power and rule of law, over-centralized and virtually unlimited power, the conviction that violence can be applied everywhere and solve any problem, and little respect for an individual, etc.

The rejection of the power of law in Russian mentality and political practice manifests itself in the fact that the subject of law in Russia is the state/government – often despotic, not like in the West, where the state/government and individual are equal in the eyes of the law, which is why cases like “Mr. Smith vs USA” are possible there. This feature of Russian mentality has a long and strong historical background, from Ivan the Terrible to Vladimir Putin. An important component of it is the arbitrary exercise of power by those who wield it, although the process is sometimes masked under the guise of justice. The fate of Mikhail Khodorkovsky (Roman Abramovich was luckier) brings Ivan the Terrible's quote to mind: “I am the ruling tsar and the will is mine to execute or pardon my serfs”. In a letter to Queen Elizabeth he once demanded that she punishes the English journalists who wrote of him disrespectfully in their digests. Appalled, the Queen replied that not only can she not instruct journalists on what they write, but neither can parliament.

Meanwhile, Russia still lives by an unspoken rule: he who has power – or money under a more liberal scenario – is right.

Ukrainian Cossacks faced this “jurisdiction” at the Pereyaslav Convention. Prior to this significant event in Ukraine's history, they had taken a pledge to the Polish-Lithuanian Commonwealth Crown to patrol frontiers and fight against the enemies of the Polish state, while the king committed to respecting their rights and privileges. After pledging allegiance to the Muscovite tsar in 1654, the Cossacks asked the Muscovite ambassador, boyar Buturlin, to pledge allegiance to them as well on behalf of the tsar. “The tsar does not pledge allegiance to his serfs,” he replied. Overnight, the free Cossacks became serfs.

Ukraine's current legal, especially the judicial system, is a continuation of the Russian one. Yet, the nation that had some of the earliest laws in Eastern Europe, including Yaroslav the Wise's *Ruska Pravda* (Rus Truth), the Statutes of Lithuania and Magdeburg Rights, could hardly have created that, which is now referred to as law in Ukraine – something imposed externally. A fundamental element of Russian civilization is a top-down hierarchy of power, from the omnipotent centre to powerless provinces. It is mirrored in the framework of public finance where territories send almost all their money to the centre, then receive their share in the form of subventions. In this civilization, the government appropriates all functions of civil society, making it totally inert and helpless. “The Germans attempt to resolve conflicts, recognizing them as being inevitable,” notes Russian writer, Boris Orlov. “Russians prefer to stifle conflicts and reach consent through violence. Germans view a party to the conflict as a partner or competitor. The Russian concept is of friend of foe. The ability to solve conflicts peacefully is a prerequisite of civil society. In Russia, the state/government tries to eliminate conflicts rather than solve them.”

Historically, Russian society has always been community-oriented and anti-individualistic. This escalated over the decades of communist totalitarianism where

Historically, Russian society has always been community-oriented and anti-individualistic. This escalated over the decades of communist totalitarianism where individual rights were miserable compared to those of the government, society or a community

individual rights were miserable compared to those of the government, society or a community. The accusation of individualism was among the worst libels in Soviet schools. By contrast, over the centuries, Europe has evolved to respect human rights. Ukrainian individualism had long been fed by peasants who owned land, unlike Russian communities, where the peasant world was the predecessor of *kolkhozy* - collective farms. Therefore, the Ukrainian peasant community was fundamentally different from the Russian world. It was a free association of small individual land owners until Russia introduced serfdom in Great (Central) Ukraine in the late 18th century.

UKRAINE'S FURTHER GEOPOLITICAL PATH AND CIVILIZATION CHOICE REQUIRES IDEOLOGICAL AND INSTITUTIONAL SEPARATION FROM THE ONE-TIME PARENT STATE

Ukraine's further geopolitical path and civilization choice requires an ideological and institutional separation from the one-time parent state with a despotic government that ignores social sentiments; a system controlled by clans and tycoons; disregard for individuals; an omnipotent and uncontrolled bureaucracy; a mass media that is restricted and manipulated by top officials; no fair, equal and competitive elections; but with an integral *fuehrer*, from Lenin to Putin.

Ukraine has to clarify where Ukrainian society starts and ends, and where the Russian does. Based on this, it should choose its civilization model. The fact that Ukraine belonged to European state and political entities for many centuries should make the choice easier. After all, this helped the nation preserve its European intentions, as well as cultural and social priorities. However, any European aspirations that Ukraine declares, without the ultimate separation from “Moscow's Eastern despotism” (a quote of Russian philosopher and cleric Georgiy Fedotov), are merely a pretence and wishful thinking. ■

70%

of those polled in Russia did not think of themselves as Europeans, nor did they want to be Europeans

The subject of law in Russia is the state/government – often despotic, unlike in the West where the state/government and individual are equal in the eyes of the law, which is why cases such as “Mr. Smith vs USA” are possible there

Diversification or Dmytrification?

The government is replacing an alternative source of gas imports with an alternative trader

Author:
Oleksandr Kramar

In April, Gazprom signed a memorandum of intent to launch two new gas pipelines bypassing Ukraine. One is for the third branch of Nord Stream with Gasunie, a Dutch company; and the other is for the second branch of Yamal-Europe running through Belarus and Poland with Polish EvroPol Gas. Both projects appear to be tools for blackmail, yet the mere fact of the initiatives coming up against zero progress in gas talks between Russia and Ukraine indicates a stalemate. The postponement of President Yanukovich's meeting with leaders of Customs Union member states to the end of May is another sign of this stunted progress. The Kremlin's demands have no chance of being passed by the current parliament, while Putin and Gazprom are not ready to concede to Ukraine for psychological reasons. Therefore, a solution through official arrangements between Naftogaz and Gazprom or Ukraine's and Russia's leaders is highly unlikely.

Meanwhile, an alternative scenario is emerging that may satisfy the personal interests of some powerful people while adversely affecting the prospect of Ukraine's energy independence from Russia, despite hopes that the long-standing gas conflict would lead to progress in this arena. The developments in the first quarter of 2013 confirmed our earlier projections: Naftogaz may be removed from the market while the price of gas imported under its contracts with Gazprom remains high. In December 2012, Naftogaz CEO Yevhen Bakulin, who has close ties to Dmytro Firtash, said that corporate consumers should buy gas from alternative traders because that could be less expensive for them, while Naftogaz should supply gas only to individual consumers, public and community owned enterprises. This means that pri-



PHOTO: UKRAINIAN PHOTO

vate traders would get the profitable segment of the gas business (corporate customers normally pay the market), while the state would end up with the subsidized segment.

THE REARRANGEMENT OF VARIABLES DOESN'T CHANGE THE SUM

Implementation of the idea began in February-March of this year, and it continues given Energy Minister Eduard Stavvitsky's statements that Naftogaz was barely buying any gas from Gazprom in April. In January, Naftogaz bought 2.4bn cubic metres worth USD 1bn from Gazprom. In February, the amount dropped to 0.4bn cu m, the Ministry of Energy reported. This cut public and international reserves spending to USD 0.16bn, followed by another USD 0.08bn saved as Naftogaz bought only 0.2bn cu m of gas in March. Meanwhile, data from the State Customs Service suggests that Ukraine actually imported USD 3.6bn worth of Russian gas in the first quarter of 2013. This is almost the average monthly amount of Russian gas imports in the previous year. Dmytro Firtash's Ostchem Holding took over more than half of all gas imports from Russia in the first quarter (over 80%, i.e. 1.8bn cu m in February), while Naftogaz cut back on its share of gas imports from Gazprom exactly when settlements were due. This barely received any media coverage, while Vadym Chuprun, Deputy CEO of Naftogaz, explained it as "technical inaccuracy" on February 26. Naftogaz subsequently reduced imports to a minimum, while its capacity to pay for gas remains an open question—in 2012, Naftogaz reported UAH 10.3bn of net loss compared to UAH 7.8bn of net income in 2011.

In the end of February, Dmytro Firtash said that Naftogaz executives had asked him to supply gas to corporate consumers – they buy it at prices much higher than the population does. In addition to Firtash's entities replacing Naftogaz on the market, all commercial consumers in the regions, including those working with different gas traders, are now being switched to Firtash's companies.

What is the motivation behind the government's campaign to hand over all trade in Russian gas

to Dmytro Firtash's businesses? There may be more than one.

Perhaps this is an attempt to play for time until Ukraine and Russia come to an agreement and the necessary amount of gas is less expensive for Ukraine than it is now, although this scenario is unlikely. Another off-site parliamentary session – like the one the Party of Regions and Communist MPs held in April – might approve the surrender of Ukraine's gas transit system needed by Yanukovich. However, its decision will become illegitimate as soon as the government changes in Ukraine – and the Kremlin must be well aware of that. In fact, Russia essentially quit gas negotiations in early April as the parliamentary crisis in Ukraine peaked. It will hardly need Ukraine's gas transit system in a year or two anyway – it is already pumping little gas through. Without an off-site session, the current parliament is very unlikely to approve Kharkiv Deal #2. And those in power are equally unlikely to arrange a new parliament by the end of the year, even if everything plays into their hands.

Dmytro Firtash's Ostchem Holding took over half of all Russian gas imports in the first quarter of 2013. In February, it imported over

80%, i.e.
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PRIVATE TRADERS MAY END UP SELLING MOST OF THE GAS COMMERCIAL CONSUMERS NEED BY THE END OF THIS YEAR

Under another scenario, the government may be hoping to bridge the gap between the amount of Gazprom gas it buys now and what it actually needs by purchasing gas from European companies during warm seasons when spot prices are significantly lower. Government officials are already discussing changes to the limits on gas purchased and transited from Western neighbours, although they have so far been delivering insignificant amounts. For instance, Ukraine bought less than 0.05bn cu m per month from Germany over the entire period of reverse gas supply.

The most likely scenario is a quiet surrender of the gas market whereby Naftogaz buys up to 5-10bn cu m of Russian gas by the end of the year just to cover the amount individual consumers, public institutions and utility companies need. Private traders – par-

ticularly those of Dmytro Firtash, and probably those close to the Family – will sell most of the gas commercial consumers need. This seems like a win-win situation: the government ends up with an image-boosting illusion of "independence from expensive Russian gas" as the share bought by Naftogaz may indeed drop to 25-30%, while the prolific segment of gas supplied to commercial consumers will end up once again in friendly private hands. Ultimately, though, this will not decrease the amount of gas Ukraine buys annually as private traders will buy up what Naftogaz doesn't. That would help Russia save face, too: it will look like Moscow has not conceded to Naftogaz or the stubborn Ukraine, kept the amount of gas it sells at the present level and avoided losing its biggest market.

EXPORTS TO REPLACE IMPORT SUBSTITUTION

On April 12, Eduard Stavvitsky, Minister of Energy and Coal Mining, announced that investors would be able to start exporting Ukrainian gas to Europe in four to five years, and "Ukraine may become a net exporter by the middle of the next decade". This suggests that the regime is expecting domestically produced gas exports to exceed the import of Russian gas rather than to replace Russian gas with Ukraine's own. This seems reasonable, as the pursuit for political dividends would force the government to sell Ukrainian gas well below market price domestically while exports would bring good profits to the government and allow private traders to continue their equally profitable import business.

Still, Ukraine will not benefit from the prospect of becoming a net exporter. This role does not protect it from possible political influence, especially if the superficially liberalized market is taken over by entities close to Gazprom that will use their dominant position to exert pressure on other players. Ukraine's gas business will still be closely tied to Russia's state monopolist – hence to the Kremlin. This will aggravate the risk of Ukraine being dragged into the Russo-centric integration project – or make it more difficult for Ukraine to break free from Moscow's sphere of influence. ■

In 2012, Naftogaz reported

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Only For the Chosen

Instead of supporting the national economy, Ukraine's banking sector is draining its resources to secure huge profits for the privileged few

The Ukrainians who founded banks in the 1990s on US \$3,000 with main offices located in one- or two-bedroom flats and have recently sold these banks to foreign companies are now billionaires. It could not have happened any other way. Banking corporations have reaped astronomical profits in all economic circumstances and under all governments. This is not to mention the financial fraud they have resorted to (among these, financial pyramids built using citizens' money are the least criminal). The National Bank of Ukraine (NBU) has shown its regulatory impotence by issuing licences to fast-moving fraudsters. As a result, we are hearing about more and more futile high-profile investigations into bank fraud.

When the national economy was down after the hyperinflation period of 1993-94 and Ukrainians stopped being paid salaries and pensions, bankers made most of their profits by servicing budget money flows as they charged ministries, government agencies and local administrations for banking services. Corrupt links to the government were a decisive factor back then, and those with a Komsomol background were most successful. Financial institutions also did not shy away from plain resale involving ordinary goods, antiques, cars, flats, metal and petrol. Some stole money deposited by enterprises after which responsible bank employees would disappear and their institutions would resort to fraudulent bankruptcy.

Another type of unlawful transaction was the issuance of loans to insolvent government-owned companies in order to later seize their property as compensation for their debts. Ownership rights were then purchased by the nouveau riche for a pittance. One of the banks that accumulated a large amount of such debt was ProminvestBank, one of the first to get involved in schemes aimed at alienating government property by bypassing public procedures. It is quite possible that by acquiring the rights to claim the assets of a large



**Volodymyr Lanovyi,
President of
the Centre for
Market
Reform**

Ukraine is completely lacking credit market competition

The existing crediting system is perpetuating outdated means of production and is stalling new industries

number of post-Soviet enterprises, this bank made itself especially attractive to Russian capital. The Russians have always shown interest in Ukraine's strategic enterprises, and ProminvestBank was the first financial institution to be declared insolvent at the peak of the 2008 financial crisis. It was confronted with a dubious liability for debts and became the property of Russia's Vnesheconombank. Now a foreign owner received an opportunity to grab industrial Ukrainian enterprises as compensation for debts.

Ukrainian financial institutions played a similarly instrumental role in driving highly profitable government companies into large debts. To this end, their CEOs were persuaded to refuse to pay off loans and interest. This gave the crediting institution grounds to sue a company and have it declared bankrupt. Its assets were then transferred to the masterminds of the fraudulent scheme. Government property worth billions of hryvnias was alienated over millions indebted. The highest concentration of such cases was in Kyiv, Dnipropetrovsk, and Donetsk oblasts, all of which gave rise to the biggest oligarchic clans.

In the late 1990s, more civilized ways of making money became available. Financial institutions were allowed to work with government securities that carried annual interest of over 30% and involved minimum risk. The economic boom that began in Ukraine after 1999 and ended in 2008 permitted crediting enterprises and rising household incomes, prompting banks to vigorously enter the market of consumer services. They guarded themselves against defaults on loans by demanding extremely large collateral in the form of assets and in cases of non-payment earned on reselling seized property.

Another shameful page in the history of Ukrainian financial institutions during the period of crisis when assets lost value and lenders defaulted on loans was the involvement of collectors who unlawfully forced borrowers to cough up the money

(with the silent assent of law enforcement agencies and the NBU), thus triggering confrontations between society and banks.

After the collapse of the banking system in 2008 and the launch of the policy of centralizing available loan funds (since 2010), financial institutions again started to earn on the government's internal debt. But this has been a business for the chosen, primarily government-owned banks and bankers with close ties to the regime. The rest were allowed to purchase NBU deposit certificates for which commercial banks had to deposit money in the central bank for 1-12 months at a certain interest rate (2.5-17%). The rates were not exactly high, but the important thing was that financial institutions did not run the slightest risk or incur any costs in these transactions.

The problem is not that banks are seeking to make money in any way possible (often by walking a fine line), or that they always end up in the black and are not afraid of crises. Nor is it that they offer a wide range of services with exorbitant fees and interest rates. The problem is that they are not fulfilling the one function that no other economic entity can perform – they are not issuing enough loans to manufacturing enterprises, instead falling short of the demand in the real sector of the economy. When they do loan money, they charge unreasonable interest rates, up to 25-30%. When the NBU or government officials say that average interest rates on loans to enterprises are at 20% (the figure taken from the NBU's statistical report for 2012), they fail to explain that first, these do not reflect debt-related and non-debt-related payments—Ukrainian banks are quite skilful in pumping extra money out of their clients. Moreover, this figure includes various privileged loans to high-priority sectors and to entities that are part of oligarch-owned conglomerates. In other words, these are not market rates. Hence, the reported average loan interest rate is as meaningless as the average body temperature in a

hospital. Borrowers without good connections find loans virtually unaffordable as they are much more expensive for them (upwards of 30%). Ukraine has essentially no credit market competition.

The main function of banks is not limited to crediting as such. The national economy needs production loans because consumer loans are unproductive and inessential to economic growth. As it is now, banks are diverting resources from productive purposes. Enterprises could use them to expand their production facilities, but this is not happening in Ukraine. It seems that the suppliers of goods are artificially increasing effective demand for their products above the actual state of the market, thus distorting the true proportions. Given the existing credit system, outdated means of production are being perpetuated, while new industries are being stalled.

Not all loans issued to finance production needs are useful – only those that are given to the most advanced production companies whose products society really needs. These would be the most profitable companies. In this way, banks must fulfil a kind of sanitary mission: they extract from circulation money that is invested in outdated and uncompetitive enterprises and channel it to useful and promising production facilities. This happens when debtors—whose key creditors are usually financial institutions—go through bankruptcy proceedings.

However, when Ukrainian banks issue property-secured business loans, old Soviet-era enterprises that have large premises, infrastructure, land, etc. stand a higher chance of attracting them. The instruments of guarantees and backing are more readily available to business owners that are close to the government. Meanwhile, new companies are left out as they fail to meet the normative regulations set by the NBU. In these circumstances, banks are not looking for innovative enterprises. They are working with companies with which they have established relationships. Earlier loans keep getting prolonged, which works in favour of both Soviet-era enterprises and the banks themselves as they avoid new risks. Financial instruments keep circulating in this closed cycle. This leaves new businesses, projects and plants without sources of bank financing. In fact, crediting old enterprises carries more risk, but budget guarantees prompt

financial institutions to make even riskier (including corrupt) transactions.

The same is true of loans issued to small companies. They are virtually non-existent. There are several reasons why small companies are of little interest to banks. First, they operate on a small scale, and servicing small and medium businesses is more labour-intensive. Second, these types of businesses have limited assets and hence cannot guarantee compensation in case of default. Third, they are geographically mobile and are hard for financial institutions to monitor, which is why bankers perceive them as riskier.

This approach to crediting shows that bankers are not interested in how profitable their clients' businesses are, even though more profitable companies could be charged higher credit interest rates. On the contrary, banks are happier to credit companies that have already reported enormous profits than those that plan to make money in the future. But it is the latter that need loans. As a result, capital fails to be concentrated in promising sectors. Banks are reluctant to risk their money only to credit fledgling businesses. They are, in a way, quite content with the status quo: no economic growth, competition, or business fluctuation, no searching for new clients or offers of new services. This is a life without risks or the desire to open new markets for banking services – only fake activity. Meanwhile, the most promising, innovative companies are crying out for loans. The economy needs to become more profitable. The structure of capital needs to be modernized. But the current banking system is incapable of fulfilling these functions. It is stalling the transition of the entire national economy to market conditions. Of course, not all banks and bankers are the same, but this generalization is, by and large, valid.

UKRAINE'S BANKING MARKET: DIVIDE AND CONQUER

Ukraine's banking sector is quite heterogeneous. The key distinguishing factor is the predominant type of crediting. It is the main kind of banking activity and, unlike payments and other banking services, defines economic growth.

Common to all financial institutions working in Ukraine is the non-market nature of their operations. They usually fill certain niches in the

The bankruptcy of large financial institutions may create systemic risks for the entire economy

monetary-credit system and find ways to obtain advantages from administrative and regulatory bodies, while at the same time becoming dependent on them. These groups of banks have certain distinct qualities.

Operators on the market of government bonds and government order crediting (including government purchases, contract work, budget-financed loans, etc.) are making piles of money on large-scale transactions with high interest rates and without any serious competition at that. They have the highest profit margin and the lowest overhead and risks of default. Their credit funds are often replenished with money freshly issued by the National Bank. It is the cheapest money available – the discount rate is 7.5% and the rate on transactions by the NBU on the open market is 8.5-10.5%, which is 4-5 percentage points lower than the market value of monetary resources.

Operators owned by oligarchic financial-industrial groups are the key creditors of enterprises that are part of oligarch-owned conglomerates. They have no problem obtaining financial resources, as they receive money from the budget and funds emitted by the central bank for purposes of refinancing at privileged

IN THE 1990S, CORRUPT LINKS TO THE GOVERNMENT WERE A DECISIVE FACTOR, AND THOSE WITH A KOMSOMOL BACKGROUND WERE MOST SUCCESSFUL

and discount rates. They attract additional resources through an extensive network of local offices by luring citizens with high deposit rates and various special officers. These banks are not, of course, financially liable for the unsuccessful placement of capital: their credits are knowingly unproductive as they cover holes in the balance sheets of outdated plants, while the state always comes to the rescue if necessary.

Creditors financing the import of goods and services are content with having huge volumes of commercial operations in their sector. The guaranteees of repayment are, above all, the established standing of their clients – import companies that have found ways to pass border and customs checks without any problems. Second, importers enjoy a mo- ▶

The current banking system is stalling the transition of the entire economy to market conditions

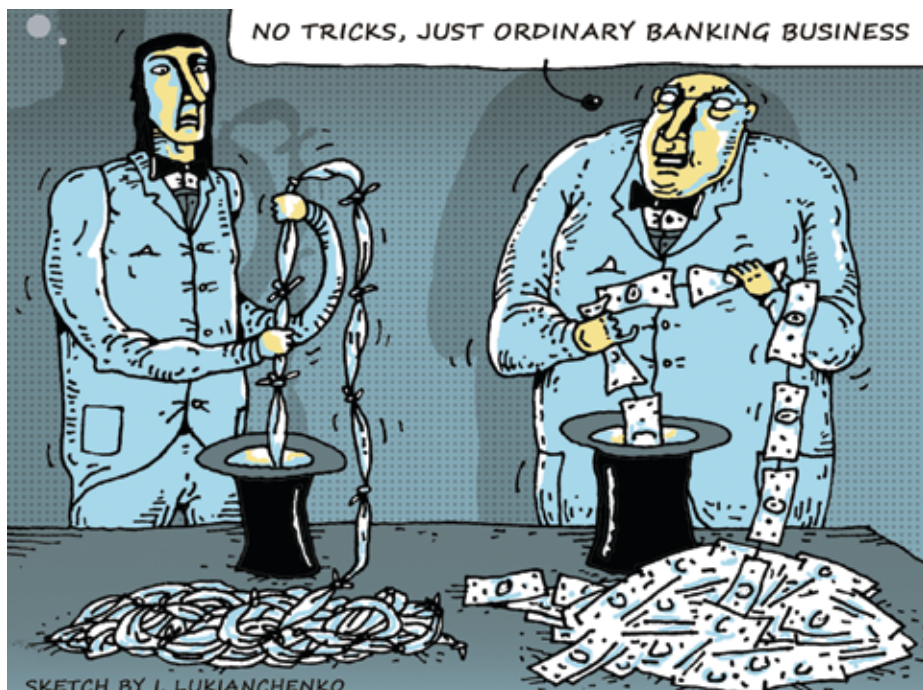
nopoly on the domestic market of consumer goods, energy or raw materials. Sources of financial resources are surplus balances of companies and individual bank deposits, as well as loans from foreign financial institutions at a 5-10% interest rate in foreign currency.

Crediting domestic wholesale commercial transactions is attractive to bankers because these transactions are secured with stocks of goods, have relatively low risk, and rapid turnover. In this sector, short-term credits are issued, which reflects the structure of bank resources. Money comes from individuals who deposit their savings at a 10-20% annual interest rate. Exorbitant loan interest rates are paid with monopolistic profits reaped by suppliers on markets with varying degrees of integration and scale.

Providers of retail banking services include both national and foreign financial institutions, usually large organizations with extensive networks of local branches. They are drawn to this sector because of extremely high effective interest rates (up to 25-35%) on consumer and mortgage loans. Another reason is the lack of restrictions on fees charged for money transfers, payments, card servicing and even information provision, as is the case with PrivatBank. Also, citizens are eager to deposit their savings, especially in US dollars. This especially attracts foreign banks that, due to the financial crisis and high risks of operating in Ukraine, have focused on pumping hard-currency reserves out of the country to the West.

Ukraine's banking sector also includes extra-large companies that operate in several segments of the crediting market at the same time. They are special not only in their multifaceted activity but also in their treatment of clients: they tend to be more arrogant, violate the terms of contracts, steal certain sums by exploiting loopholes in legislation, and charge exorbitant rates and fees. The reason for such liberties is their monopolistic grip on certain financial and geographical markets, especially in their dealings with physical persons.

However, the main threat posed by such monsters lies elsewhere. They have unjustified competitive advantages over smaller banks due to concealed state guarantees: the state will pay for their failures. The bankruptcy of large financial institutions



creates systemic risks for the entire economy. For example, the bankruptcy of a top-10 bank may well undermine the currency exchange rate and the fake stability of the national monetary system. And this is a fairly likely event, considering that some of these banks are owned by oligarchs who may at any moment find themselves out of favour with the current government—a regime that lets only the most loyal players come close. In these confrontations, tycoons may use their banks for blackmail: either you leave me alone or I bankrupt my bank and undermine the financial system. Something along these lines took place in the conflict between Ihor Kolomoisky—one of the owners of PrivatBank—and the government in early 2013. The bankruptcy of his AeroSvit company caused a several-week-long collapse on the air transportation market.

Insolvent financial institutions that are “too big to fail” have rarely come to bankruptcy until now. They are just too big to vanish from the market without any consequences. That is the reason why large banks feel overly confident and assume excessively high risks without due regard for consequences. As a result, the entire monetary-credit system of the country becomes weak and unstable.

Thus, banks in Ukraine are not operating in market conditions and are not financing companies with the biggest competitive edge. They have

unequal, non-market access to sources of financing and face different levels of risk. Moreover, a large part of their operations would not be profitable in market conditions. Due to the way Ukraine's banking sector works, their profits come largely not from the fastidious selection of promising borrowers but from their ability to access sources in which certain types of income are artificially created.

Ukraine's banking sector is administratively segmented – joining a certain group without government assistance is an impracticable dream. Banks are strictly divided according to where they obtain the financial resources that they make available for crediting. They are focused at meeting subjective needs that have nothing to do with economic growth, but are aimed at enriching bureaucrats and their partner oligarchs. Ukrainian banks are looking to attract money flows of non-market, non-economic, non-entrepreneurial and often very dubious origin, for example, privileged loans issued by the government or the central bank, monopolistic profits, etc. In many cases, they are tuned to force oppressive crediting conditions on their clients, which is grossly at variance with providing socially useful services. Not only is the banking sector failing to support the national economy, it is draining its resources to secure huge profits for a restricted circle of the chosen. ■

Jean-Luc Gréau:

Global economy will face a major relapse of the 2008-2009 downturn if developed economies do not deal with obvious risks

Jean-Luc Gréau is one of the few analysts who predicted the 2007-08 financial crisis in the US in the book, *L'Avenir du Capitalisme* (The Future of Capitalism) published in 2005. At the end of April, *The Ukrainian Week* invited him to a panel discussion on ways for developing countries and Ukraine to achieve economic growth in the global context. In his interview, he projected a new wave of financial crisis – this time coming from Europe and China.

UW: In your opinion, what are the key risks for the global economy in 2013?

- Significant short-term risks are obvious for the world's leading economies. The first one comes from the deepening decline of the EU economy, ruining companies and productive employment. This makes public finance very vulnerable, weakened by decreased tax revenues and threatens to leave banks with more bad debt. Economic decline is caused by the EU's decision to support the unviable Eurozone and austerity policies. All Eurozone countries have now switched to tough measures: none can rely on assistance from its neighbours to improve their situation.

The economic media is ever more abuzz about the second risk. China is struggling with the bubble caused by the lending boom that has burdened territorial communities and construction companies working as government subcontractors. These obstacles are rooted in China's economic stimulation policy, launched in 2008 and based on public and private investment. As a result, investment makes up half of China's GDP today, creating disproportions. Many provinces see no solution to their financial problems and take out new loans to repay old ones. It is anticipated that these loan bubbles will start bursting in 2014 or later.

These are significant risks that lie on the surface. If they material-

ize, the aftermath will hit equipment producers, including the US, Germany and Japan, as well as suppliers of raw materials.

UW: What measures can prevent the second surge of the global financial crisis?

- As regards European countries, preventive measures are as follows. First of all, they need to reconstruct the Eurozone around four or five currencies. This would be more realistic than having just one currency, the world's most overpriced one. Secondly, the most efficient economies, such as Germany and Netherlands, should establish the highest pay for work.

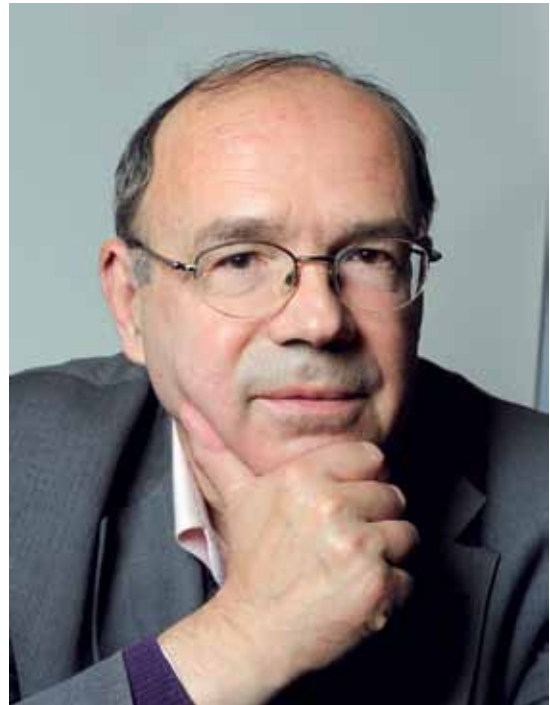
To deal with China's risks, its government has to declare the bankruptcy of insolvent provinces and take over their debt, in order to avoid banking and stock market collapses. Its responsibility is to gradually switch the direction of the Chinese economy to facilitate consumption with higher wages that will make work much more productive.

UW: How do you see the development of the global economy over the next 3-5 years if developed economies do not change their policies?

- Then, unfortunately, the two risks I mentioned will soon become a reality. They will lead to a major relapse of the 2008-2009 downturn if nothing is done to prevent them.

UW: What should developing economies do to have sustainable economic growth amidst global instability?

- Developing economies should take efforts to build their own development models. To do so, they need to find their unique strong points and the advantages generated by one type of production over another. Even countries that are at not yet highly developed can find unique niches into which to channel their efforts. The biggest risk here,



however, is to prevent excessive focus on just one industry.

Two other issues that deserve more detailed attention are a sound banking system, oriented at funding both old and new production, as well as measures to boost the capitalization of companies to guarantee their independence and stability.

UW: What could prevent a second recession in the past five years in Ukraine?

- This will be a challenge for Ukraine, given the economic drama unfolding in Europe. The Ukrainian government should have foreseen this and come up with measures in advance, to support an adequate level of business activity and cushion the blow of the downturn in Europe.

UW: Ukraine's government talks about state support for national producers as virtually a panacea against all economic problems. Can protectionism facilitate the growth of the Ukrainian economy?

- None of those who mention protectionism is an advocate of borders that are completely closed. Still, reasonable commercial protectionism forces local producers to act in such a way, as to become competitive. One example is the preference of foreign investors to organize production in Ukraine over the export of their products into the country. ■

Wall Street Is Back

American investment banks dominate global finance once more. That's not necessarily good for America

FOR a few tense weeks in 2008, as investment-bank executives huddled behind the imposing doors of the New York Federal Reserve, Wall Street seemed to be collapsing around them. Lehman Brothers filed for bankruptcy, Merrill Lynch collapsed into the arms of Bank of America. American International Group (AIG) and Citigroup had to be bailed out and the rot seemed to be spreading. Hank Paulson, the treasury secretary at the time, recalled in his memoir that: "Lose Morgan Stanley and Goldman Sachs would be next in line—if they fell the financial system might vaporise."

Across the Atlantic, European politicians saw this as the timely comeuppance of American capitalism. Angela Merkel, Germany's chancellor, blamed her peers in Washington for not having regulated banks and hedge funds more rigorously. European banks saw the crisis as their chance to get one up on the American banks that had long dominated international finance. Barclays quickly pounced on the carcass of Lehman Brothers, buying its American operations in what Bob Diamond, the head of its investment bank at the time, called "an incredible opportunity" to gain entry to the American market. Deutsche Bank, a German giant, also expanded to take market share from American rivals. The dominance that American firms

had long exerted over global capital markets seemed to have come to an abrupt end.

Almost five years on it is Europe's banks that are on their knees and Wall Street that is resurgent. Switzerland's two biggest banks, UBS and Credit Suisse, which were expanding fast before the crisis, are still shedding assets. Royal Bank of Scotland, which for a brief time broke into the ranks of the world's ten-biggest investment banks, remains a ward of the British government. The share of the investment-banking market held by European banks has slumped by a fifth since the crisis (see our special report), with many of the gains going to Wall Street's surviving behemoths. JPMorgan Chase, Goldman Sachs and Citigroup alone account for a third of the industry's revenues. Two European outfits, Barclays and Deutsche Bank, have managed to share in some of these spoils since the crisis. Both, however, face hostile regulations at home and abroad that seem likely to crimp their global ambitions. And although HSBC has increased its share of some investment-banking markets, it is still well behind Wall Street's titans.

WHAT AMERICA GOT RIGHT

The industry over which Wall Street is reasserting itself is very different from the one it dominated half a decade ago. Revenues glob-



ally have fallen by about USD100 billion, or almost a third. Employment has plunged, with London alone shedding 100,000 jobs. Pay has fallen too. Higher capital requirements and other regulations, including America's absurdly complicated (and still unfinished) Dodd-Frank act, are likely to erode the profitability of the industry. The stellar returns earned by banks before the crisis and the massive rewards paid to their employees are unlikely to recur soon, if at all.

One of the reasons that American banks are doing better is that they took the pain, and dealt with it, faster. The American authorities acted quickly, making their banks



The share of the investment-banking market held by European banks has slumped by

1/5

since the crisis

JPMorgan Chase, Goldman Sachs and Citigroup alone account for

1/3

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The first approach is foolish. It will drive up the fixed costs of Europe's banks and reduce their flexibility to cut expenses in downturns. They will therefore struggle to compete in America or fast-growing Asian markets with foreign rivals that have the freedom to pay the going rate for talent. The second approach is sensible. Switzerland and Britain are making progress in ending the implicit taxpayer subsidy that supports banks that are too big to fail. The collapse of Ireland's economy is warning enough of what happens when governments feel compelled to bail out banks that dwarf their economies.

Some European bankers argue that the continent needs investment-banking champions. Yet it is not obvious that European firms or taxpayers gain from having national banks that are good at packaging and selling American subprime loans. Indeed, it is American taxpayers and investors who should worry about the dominance of a few Wall Street firms. They bear the main risk of future bailouts. They would benefit from greater competition in investment banking. IPO fees are much higher in America than elsewhere (7% vs 4%), mainly because the market is dominated by a few big investment banks.

Wall Street's new titans say they are already penalised by new international rules that insist they have somewhat bigger capital buffers than smaller banks because they pose a greater risk to economies if they fail. Yet the huge economies of scale and implicit subsidies from being too big to fail more than offset the cost of the buffers. Increasing the capital surcharges



EUROPE'S BANKS ARE ON THEIR KNEES AND WALL STREET IS RESURGENT

write down bad debts and rapidly raise more capital. Those that proved unwilling or unable, and even those, like Goldman, that claimed they didn't need it were force-fed additional capital. As a result America's big banks have been able to return to profitability, pay back the government and support lending in the economy. This has helped them contribute to an economic revival that in turn is holding down bad debts.

European banks, in contrast, are continuing to shrink their balance-sheets and limp along with insufficient capital. Citigroup alone has flushed through USD143 billion of loan losses; no euro-zone bank

has set aside more than USD30 billion. Deutsche Bank, which had insisted it did not need more equity, has at last faced reality and is raising almost USD3 billion (USD4 billion).

WHAT EUROPE GOT RIGHT

European regulators have also contributed to their banks' decline, in two ways. First, they are specifying how much banks can pay in bonuses relative to base pay. Second, they are trying to force banks to hold more capital and to make it easier to allow them to fail by, for instance, separating their retail deposits from their wholesale businesses.

for big banks would do more for the stability of the financial system than the thicket of Dodd-Frank rules ever will.

Five years on from the frightening summer of 2008, America's big banks are back, and that is a good thing. But there are still things that could make Wall Street safer. ■

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Euro 2013

A year after the championship: broken roads, empty airports and unprofitable stadiums

After what was advertised as significant renovation before Euro 2012, Ukrainian roads were supposed to last for at least a few more years. However, the snowy winter has left most full of potholes. The government has not yet paid for some of the repairs done before the championship, while some roads were already being patched in some oblasts, such as the Donetsk Oblast, in February 2013.

The Euro 2012 Department still exists and functions at the Lviv City Council. On April 1, it signed a contract for taxi services worth UAH 97,000 with a local company. A helipad in Pekari, a village in Cherkasy Oblast, that cost taxpayers UAH 123mn and was built as part of Euro 2012 preparations, has operated 14 flights over almost a year according to the Infrastructure Ministry's reply to an inquiry from MP Oleksandr Bryhynets. One flight to the helipad cost the state almost UAH 10mn.

Hyundai high-speed trains are another notorious symbol of Euro 2012 preparations. While the government has admitted that they are "completely unprofitable", it is launching new ones, including the Kyiv-Ternopil service at the end of May, instead of replacing them with domestic trains that are cheaper and more reliable in cold weather.

THE FAILED PLAN D

The Audit Chamber of Ukraine recently accused Boryspil, the international airport in Kyiv, of the inefficient use of UAH 3.7bn allocated for the Euro 2012 programme. It found that the doubling of Terminal D's capacity and the construction of a VIP area that boosted Boryspil's outstanding loans by UAH 2.6bn was unjustified.

According to the government's plan, Terminal D, built specially for Euro 2012, was supposed to accept all leading international airlines. However, many attempts to put this into effect failed miserably last year. Airlines simply refused to switch to

Author:
Valeria Burlakova

the new terminal that lacks a transit area, has ramps that are too small to accommodate a large number of airplanes at the same time and the location which is too far from other terminals and infrastructure facilities. As a result, Terminal D was barely accepting ten flights per day by the end of 2012. By the end of March 2013, airlines were eventually forced to switch to the inconvenient terminal albeit with the promise that there will be transit area there.

The annual capacity of the country's main airport today is 25 million passengers, including 15 million in Terminal D, while actual passenger traffic is 33% of the projected capacity at peak times. In 2012, Boryspil serviced 8.478 million passengers, up 5% from 2011. In 2013, passenger traffic is unlikely to increase as Q1'2013 saw a decline in the number of passengers arriving at Boryspil.

The bankruptcy of Aerosvit is one of the reasons for this. In January-March, all Boryspil terminals serviced 1.24 million passengers compared to 1.58 million over the same period in 2012, i.e. down 21%.

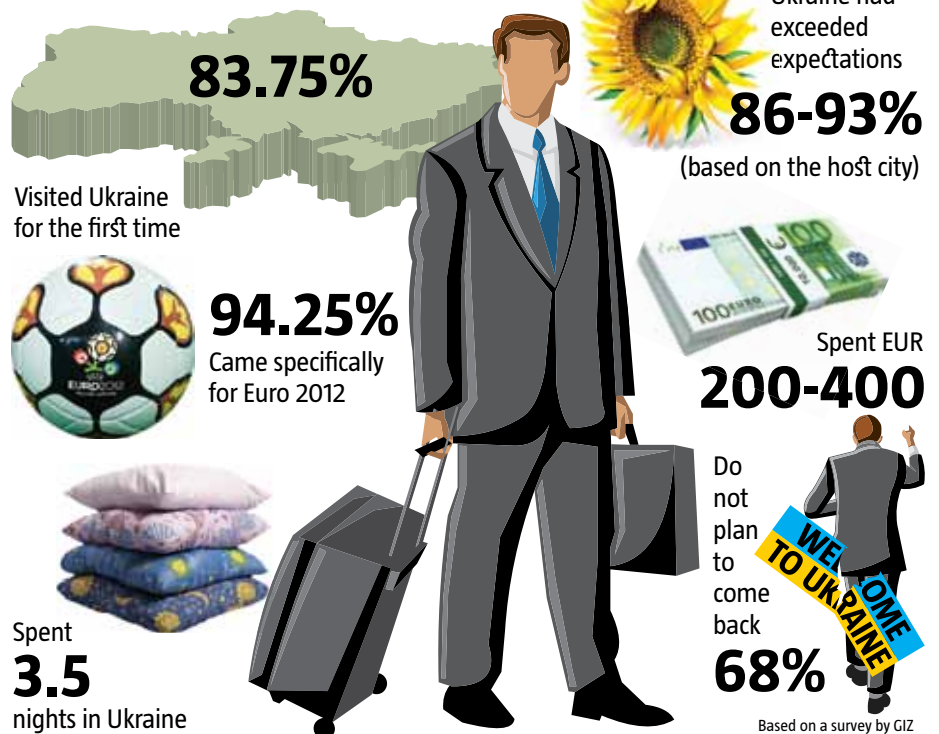
In Q1'2013, the airport reported a net loss of UAH 60.6mn while the same period in 2012 saw a net profit of UAH 167.5mn. The Audit Chamber's concern today is that the airport will be unable to meet its loan commitments, estimated at nearly UAH 4.3bn, leaving taxpayers to foot the bill.

MEGALOMANIA

In 2012, passenger traffic at Lviv Danylo Halytsky International Airport was 570,000 – a record-breaking number due to the championship and up 94% from the previous year. The airport's press-service reported that it was expecting as many or more visitors in 2013, which may well be the case. In Q1'2013, passenger traffic hit 108,100, 55.76% up on the same period in 2012.

Yet, the increased passenger traffic in the renovated airport does not justify the extent to which the airport was expanded. 108,100 passengers divided by the 90 days of a quarter will give an estimated 1,201 passengers daily. The airport was able to handle this number before Euro

THE AVERAGE EURO 2012 VISITOR



2012 when it had a capacity of 250 passengers per hour. For the championship, it increased eight-fold to 2,000 passengers per hour. This means that the expanded airport is working at 50% of its daily capacity.

UEFA's recommendations regarding the construction of the Lviv airport were exceeded by more than a third. According to the Audit Chamber's estimates, its current traffic is 8% of the projected annual capacity of 7.3 million passengers. The explanation for this "slight exaggeration" is the Infrastructure Ministry's unjustified decision to increase the capacity of Lviv airport. The thirst for large-scale construction probably comes from the desire for bigger kickbacks stemming from a larger cost-estimate for a more ambitious project. Meanwhile, relevant authorities are turning a blind eye to corruption here.

Government officials pledged that the Donetsk airport was to become a transit point for flights from Europe to Asia. A year later, new airlines are not exactly rushing to the airport, while old ones, such as Czech Airlines and Polish LOT leave, claiming unprofitability.

The airport in Kharkiv, where the government paid for the airdrome and private investors built the rest, proves that not only did the latter spend much less than the government, but have also been more successful afterwards, as passenger traffic at the Kharkiv airport grew by 46% over the first quarter of this year.

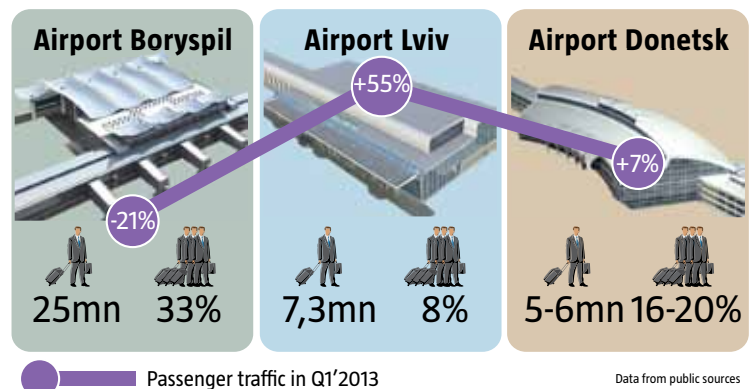
THE LIGHTS ARE GOING OUT

The stadium in Lviv cost taxpayers UAH 2.9bn, including over UAH 83mn from the city budget. Today, Lviv taxpayers are paying off both the principal and interest – the latter alone totaling UAH 18mn per year.

The stadium's miserable financial position is easy to explain: the government has refused point blank to provide any funding for it this year, while last year, FC Karpaty – the local football team and the stadium's only hope – said that it brought bad luck. Now they admit it is also economically unfeasible. According to Karpaty's estimates, the maintenance of Karpaty's current home stadium, Ukraine, costs UAH 3mn annually compared to UAH 20mn for Arena Lviv. The football club has suggested taking over 17 hectares of land and a neglected field near Lviv where it could build a shopping mall and an entertainment complex to pay

FADED EXPECTATIONS

Airports built at taxpayers' expense are half-empty



The thirst for large-scale construction probably comes from the desire for bigger kickbacks stemming from a larger cost-estimate for a more ambitious project

for the maintenance of Arena Lviv. Local authorities say that this is blackmail. They may have a point, but while they wait, the local media suggests that the new stadium in Lviv may soon be dismantled for construction materials.

One way to have avoided this scenario would have been to invest in the renovation of Ukraine, the old stadium, before Euro 2012, not build a new one out of town. FC Karpaty supported this, and investors were eager to participate in the project. It would have been much cheaper – 25% of the new stadium budget was spent on new communications alone. Notably, there is still no state order for the facilities to be put into operation.

However, it appears that Arena Lviv has already performed its key function. AltcomKyivBud, with clear links to the party in power, has earned UAH 1.85bn, i.e. more than half of Lviv's annual budget, on the construction. One of its two owners is Serhiy Pavlichev, a Party of Regions' MP in the Donetsk City Council.

PLAY FOR YOUR HEALTH

NSK Olimpiysky in Kyiv manages to support itself thanks to concerts, parties, conferences, "contributions from partners" and FC Dynamo. The club does not pay rent for use of the stadium. Its administration claims that the stadium gets 50% of box office revenues from national championship games and 25% from European cup games.

Things look good at first glance: Olimpiysky covered all of its expenses in 2012 (Infrastructure Vice Premier Borys Kolesnikov says the stadium's budget is UAH 120-125mn) and even managed to earn an extra UAH 1.5mn. This suggests that Dynamo games earn the stadium nearly UAH 60mn annually. Borussia Dortmund,

for instance, used to pay EUR 17mn annually for the rent of the similar Singla Iduna Park stadium. This is UAH 177mn more than what Dynamo is paying. Borussia subsequently bought the stadium.

While Dynamo President Ihor Surkis uses the stadium, rebuilt at the taxpayers' expense almost for free, officials openly admit that Olimpiysky will never pay back the UAH 5bn invested in it. The net profit of UAH 1.5mn (apparently, the huge stadium, with its plans to train "professionals for stadiums abroad", is earning UAH 125,000 monthly) will be spent to upgrade mobile communications at the stadium and the online ticket sale system.

TOURIST ATTRACTIONS

So far, Lviv is the only city that has seen an increase in tourism: it grew by 20% during the Christmas holidays compared to 2012. Based on a survey of foreigners by GIZ, a German federal foundation, and volunteers, 32% of those polled said they would visit Ukraine again. 68% said they would definitely revisit Lviv; 54% would come to Kyiv again; 41% of those who went to Donetsk would also give Ukraine a second chance. Only 17% of the fans who visited Kharkiv would go there again.

Given the inefficiency of the facilities built for Euro 2012, many say that the only benefit from the championship was its contribution to Ukraine's image as a tourist destination. But how long will this last? According to Olena Shapovalova, Head of the State Tourism and Resort Agency, the average annual increase of tourists to Ukraine is 10-12%. "We expect this to hit 15% thanks to the championship," Shapovalova says. It appears that a tourist boom is hardly an option. ■

VETERANS IN THE MAKING

The cult of WWII veterans was created under Brezhnev to instill the official version of the war into people's minds and mask the fact that the state had neglected them in the first decade following the war

Author:
Mykola Borovyk

The consequences of the war, referred to as the Great Patriotic in the USSR, are mostly measured by the number of the dead – sometimes that of the crippled and the sick – the destruction of property and lost cattle. Some speak of broader frontiers. Living survivors are barely mentioned in this context. However, the more than 20 million war veterans that appeared in society, sharing a common experience in the global bloodshed that changed them for life, were probably the most significant and lasting consequence of WWII.

Paradoxically, the first academic study of veterans as a separate social group in Soviet society

appeared in 2008, written by Mark Edele, an Australian historian of German origin with a US degree.

FROM STALIN WITH LOVE

In reality, demobilization brought an explosion-like burst of violence. On their way home, former soldiers frequently looted and raped – something they had grown used to in Germany, Austria and Hungary. They often stole war trophies from each other. Some got involved in armed clashes with NKVD units.

Soviet authorities had to act delicately during demobilization. Their strategy was to return former soldiers to industry as soon

as possible, shut down any claims of reward for the military service, and prevent veterans from turning into a distinct social group.

During disarmament, the propaganda machine glorified the victorious warriors and celebrated them as model citizens while encouraging them to join the reconstruction campaign and attain new feats, but now on the industrial frontline. Sometimes, it reminded them of the Motherland's gratitude to its saviours. The June 23, 1945 Demobilization Law was a manifestation of this gratitude. It guaranteed employment for veterans within a month of demobilization, in positions that were equal or higher



than those they had before the war, based on their experience and the skills gained during military service. In addition veterans were allowed to keep their military uniforms and a pair of boots. For many years to come, these were the only clothes that millions owned, hence the forced military style of the 1940s. Veterans were also given food to last them until they got home and a small lump-sum of money, based on rank and length of service, plus the government covered their traveling expenses. The law required local authorities and directors of enterprises where former troops worked, to provide them with a place to live and any other affordable material support. A great bonus to this humble list of benefits was the June 14, 1945 decree exempting demobilized troops from customs control. As a result, they were free to bring home their trophies, often much more valuable than any bounties offered by the state.

Red propaganda tried to present this as Stalin's father-like welcome of the veterans and the benefits of socialism over capitalist countries where demobilized troops joined the army of the unemployed. However, this was not the case in the US. The Servicemen's Readjustment Act of 1944 known as the G.I. Bill guaranteed affordable mortgages, cheap loans to start a business, degrees – often government-sponsored, and other social benefits to over 15.7 million WWII veterans, i.e. almost 11% of the population – about the same percentage as in the USSR. The bill proved to be one of the most successful social reforms in US history. It allowed more than half the veterans to get a better education as 2.2 million gained college degrees. Meanwhile, of the funds allocated for unemployment benefits, less than 20% was used. Cheap mortgages allowed war veterans to move to the suburbs and raise the baby boom generation. US authorities clearly invested in its citizens – the nation's key asset. Soviet strategy was quite different. Seeing the defeat of Germany as proof that the model chosen in the 1930s was efficient, Stalin launched the complete reconstruction of the pre-war social model. Once again, the USSR found itself in a global confronta-

tion that drained its capacity to invest in human capital and forced it to rebuild and develop industry instead – a process always based on the overexploitation of the workforce in the USSR.

At home, the veterans were welcomed by the “joys” of Soviet bureaucracy. They had to exchange their temporary passports for permanent ones and get certificates for their war orders and medals. Those who were severely injured had to establish their disability. All this involved contact with Soviet red tape - inefficient, heartless and often absurd. They soon saw the real meaning of the government's promises. Some veterans had to go through another war to return to peaceful life. The only thing the government provided eagerly was a job, but it was often far from what they hoped for. As for the rest, they stood in long lines and pleaded with local officials, mostly swivel-chair warriors disdained by those who fought.

From 1948, when demobilization was over and, despite fears, did not cause any serious political turmoil, the benefits and privileges guaranteed by law were stopped. The last group of demobilized veterans comprised of the conscripts born in 1925, received nothing but a lump-sum. In 1947, the government passed a decision to abolish all benefits and privileges for veterans who had been awarded state decorations. Bolshevik bureaucrats estimated the total amount needed to cover at least some of the benefits for decoration holders at almost 3.5bn karbovantsi. This proved too expensive, and the benefits were cancelled. Until 1978, veterans, other than the disabled, did not legally exist as a separate category in the USSR.

Writers later described frustration with this Soviet “gratitude” as war nostalgia. “They promised us a good life after the war,” Mark Edele quotes a veteran. “Instead, they are raising taxes and life is becoming more and more difficult. We have no idea what we fought for.”

A DANGEROUS CASTE

The reluctance of Soviet authorities to give a special legal status to WWII veterans was based on more than just economics. The

According to various estimates,

20 to 25 million

Soviet citizens had been in the Red Army by the end of the war in 1945
Former Soviet war prisoners were rehabilitated



UNTIL 1978, VETERANS, OTHER THAN THE DISABLED, DID NOT LEGALLY EXIST AS A SEPARATE CATEGORY IN THE USSR

desire to prevent the rise of a special privileged group – ideologically unpredictable and politically dangerous – was equally important.

The veteran community was too numerous and diverse. Historians, including Mark Edele, divide them into three or four generations. They had very different pre-war experiences, hence different perceptions of WWII and social adjustment. The least dangerous generation was the one born from 1923 to 1927, i.e. almost 25% of all veterans - the youngest conscripts. Growing up, they witnessed the “developed” part of Stalinism and had no traumatic firsthand experience of the campaign to crush the spirit of the people. For most of them, the famine and collectivization was a childhood memory or something they knew about from their parents. These young men went to

Soviet schools and universities before the war, their mindset was shaped by communist propaganda. They had greater faith in Soviet myths and were more accepting of military patriotic rhetoric.

Soviet propaganda did not encourage veterans to feel as a separate, let alone privileged group. All efforts were focused on the glorification of Stalin's role and making light of war losses and suffering, hence the role of average veterans. An important part of this was the decision in late 1947 to treat Victory Day as a regular workday. Some veterans, especially those who used their status to get into administrative offices, accepted the Stalin cult and the official bravado of the happy victorious return of war heroes to the duty of building socialism. Most stayed quiet as there were no other options.

UNACKNOWLEDGED RECOGNITION

The overall liberalization of the Soviet regime after Stalin's death brought veterans new opportuni-

In 1956,
1.8 million
Red Army fighters returned from German captivity



ties. Although the government did not change strategic policy towards them, it did introduce some innovations. 1956 was the turning point: the USSR congress of war veterans founded the Organization of Soviet Veterans chaired by the Soviet Committee for War Veterans, although it did not have the right to establish local branches. The pension reform of that same year unified legislation on different categories of the disabled, raising pensions for some, yet leaving the basic pension calculation formula unchanged. Pensions for disabled veterans increased two more times under Khrushchev, in 1959 and 1964.

In 1956, former prisoners of war underwent rehabilitation. 1.8 million one-time Soviet troops returned from German captivity. Their future ranged from reenlistment in the Red Army after thorough NKVD checks at filtering camps, to criminal sentences. Some, especially officers, were sent to penal units with little chance of survival. Others found themselves rebuilding Soviet industry.

During the Khrushchev thaw, the memory of war became more democratic. As veteran memoirs were published en masse, people

began to develop their own opinions on the war. This had been unthinkable under Stalin. Regular meetings of veterans from different units became a new phenomenon – something that had not existed before.

THE PRAETORIAN GUARD

The reinstatement of the Victory Day holiday in 1965 symbolized a new era in the attitude towards veterans. Leonid Brezhnev is considered to be the most effective orchestrator of the veteran movement in the USSR. Changes in veteran policy are often referred to Brezhnev's personal sentiments and his earlier military experience. He obviously liked seeing himself as a war hero, but this bonhomie of authorities towards veterans was largely based on rational motivation. Brezhnev's "conservative evolution" needed a social foundation. The more years passed after the war, the better the community of former fighters suited the role. "The victors either died on the battlefield or drank themselves to death, crushed by post-war hardships," wrote Red Army veteran Nikolai Nikulin. "It wasn't just the war, but the rebuilding of the state at the expense of their life. Those who survived are crushed and quiet. Those who

WAR HERO: Leonid Brezhnev is considered the major creator of the veteran cult in the USSR

stayed in power and preserved their energy are different people: they sent people to concentration camps and pointless bloody battle. They did so in the name of Stalin, and still talk about it openly."

In the early 1980s, the leaders of the Soviet Committee for War Veterans reported having nearly one million activists. However, the Communist Party watched this closely to keep the expansion of veteran groups under control. In 1976, with Brezhnev in charge, the



SOME VETERANS HAD TO BATTLE BUREAUCRACY TO RETURN TO A PEACEFUL LIFE

Central Committee passed a strict resolution on the veterans' very specific place in the Soviet system and their actual propaganda-oriented role. It disbanded some veteran communities, while others came under the direct control of party functionaries.

In 1965, pensions for disabled veterans were raised once more, followed by three more raises in 1967, 1973 and 1975. In 1975, on the 30th anniversary of victory, this category was granted new benefits for public transport, healthcare, housing and utilities, as well

as access to specially equipped cars.

Veterans finally got their special legal status in late 1978. Many of them had died by then, and benefits and privileges would not overburden the budget. Besides, they were reaching retirement age anyway. By then, most surviving veterans represented the first “socialist” generation. Brought up at the peak of the cult of Stalin, they carried the worldview qualified as Stalin’s culture of the gift by Western researchers. Taught to view any preferences from the state as a gift and care rather than the execution of its function, these veterans were grateful. Moreover, Brezhnev’s care was far better than Stalin’s.

On November 10, 1978, the USSR Council of Ministers and the Central Committee of the Communist Party passed a decree to grant “participants of the Great Patriotic War” – the first legal recognition of their status – a number of humble privileges. They could travel to any destination in the USSR with a 50% discount once a year; take out an interest-free loan to build a private home; and take their annual leave at any time they wanted, plus two weeks of unpaid leave. Veterans also had priority access to treat-

ment in sanatoriums, dachas, private telephones and once they retired, medical treatment based on where they worked. Meanwhile, their leaders took every opportunity to highlight their favours to the state, i.e. the role of veteran organizations in domestic and international propaganda and assistance to Soviet authorities in

SOVIET AUTHORITIES PREVENTED THE RISE OF A SPECIAL PRIVILEGED GROUP – IDEOLOGICALLY UNPREDICTABLE AND POLITICALLY DANGEROUS

A TOOL OF PROPAGANDA: Festive Victory Day parades have become an integral element of the Soviet commemoration tradition in the time of the Brezhnev era real socialism

the enforcement of party and government decisions.

Initially, the veteran category was exclusively for servicemen in the army. Later, the state expanded the group of veterans entitled to more benefits. Virtually every Victory Day anniversary entailed additional preferences, such as pension raises, free use of public transport and the like. Gradually, almost all people who survived the war as adults gained veteran status. The climax came with the September 25, 1986 decision to establish the All-Union War and Work Veterans Organization. It came into being in

December that year at a conference in Moscow where the charter was adopted and the All-Union Council of War and Work Veterans was elected. Unlike the Soviet Committee for War Veterans, the new Council was designed as a vast network of local branches confirming the party’s limitless confidence in veterans. The 1988 constitutional reform essentially integrated the Council into the state system. It was one of the NGOs that delegated 75 deputies to the convention – the top authority in the USSR.

By the end of the Brezhnev era, veterans had turned into a major status group in the state, but Soviet society was not unanimous in its attitude towards them. The privileges veterans enjoyed – especially access to goods and services – irritated many, especially the young. This often led to conflicts of interests in a country with an extreme deficit of goods and inconvenient daily life. Most likely, this was a manifestation of social selfishness and ingratitude. However, it could also have been a rejection of the way in which tragic memory was exploited for political purposes and a reluctance to glorify people for being part of a social group rather than for personal decisions and deeds. ■



Maple Leaf and Trident

Service in the Canadian army during World War II helped Ukrainian immigrants integrate into Canadian society and saved many from return to a certain death in the USSR

Author:
Larysa
Zariczniak,
Canada

There were 45,875 Ukrainian-Canadians fighting in the Canadian armed forces during World War II – they were represented in the army, navy and air force and in all theatres of war: from Europe (including the failed Dieppe assault to the invasion of Italy and D-Day in France) to the Southeastern Asian front. They had their own chaplains – one for the Greek Catholic Ukrainians and one for the Orthodox. And in 1943, they organized the Ukrainian-Canadian Servicemen Association which not only allowed these men and women to interact with each other during their stay in England but was instrumental in helping the thousands of Ukrainian displaced persons after the war.

BECOMING A TRUE CANADIAN

The ethnic Ukrainians who joined the Canadian armed forces represented the best of Canada and the very best of Ukrainian-Canadians. Many of these Ukrainian-Canadians grew up in a traditional Ukrainian household in settlements all around Canada. Brigadier-General Joseph Romanow (b. 1921, d. 2011) recalled that he “was very, consequently, Ukrainian conscious and very much involved in the work of the Ukrainian church in Saskatoon...We became very active, all 5 children, in the Ukrainian National Youth Federation (Ukrainian organization dedicated to preserving Ukrainian-Canadian history and Ukrainian cultural heritage – Ed.) and it was this background that I joined the forces with a

very strong cognisance – through the family – of my Ukrainianism.”

Ukrainian-Canadians joined the armed forces for various reasons – however, most of them had to do with their ethnicity and nationality. General Romanow, the first Ukrainian-Canadian to be promoted to the position of General, for instance, recalled his motivations: “There seemed to be a very good justification because we were very cognisant of Nazi Germany and the order Hitler was establishing, not just for Germany but for the world...It gave us a social justification to go and try to defend Canada as we knew it.” However, he and William Kereliuk both agree that it was their desire to be seen as equal among other Ca-

Left to right:
Flight
Lieutenant
Bohdan
Panchuk,
Captain Peter
Smylski,
Lieutenant
Joseph
Romanow
and George
Klyuchevski,
1946



CHURCH PARADE:
Canadian-Ukrainian servicemen
at Sussex Gardens, London. November, 1945

nadians that was also a driving force: “There’s a number of reasons. One of them of course, as most young people, there is a desire to get out and see the rest of the world. But the main driving force for me was because being in a completely Ukrainian area, settlement, and in those days, it wasn’t all rosy. There was an element of discrimination and I didn’t realize at the time, that I wanted to get out and show them that I was every bit Canadian as everybody else could be.” Other veterans such as Dr. Peter Smylski (b. 1915, d. 2002) took a more worldly approach to the issue of joining the Canadian armed forces: “I think that their (Ukrainians’ – Ed.) position was that maybe there was something happening, that this was a crucial moment in history. Europe will be rearranged and hopefully there will be Ukrainian independence and you want to be participants in what was going on. And I think there was a feeling of duty...that you were better Canadians if you were great Ukrainians.”

These servicemen saw battle in various forms and in various years. William Chmiliar was recruited into the Intelligence Division of the 1st Canadian Army in 1943 because he could speak, read and write Ukrainian, Polish and Russian (thanks to his father’s love of Slavic languages). Although he never witnessed the invasion of France in June 1944 himself, he did recall that “on the

These oral sources can be found at the Ukrainian-Canadian Documentation Center in Toronto, Canada (www.uccd.org). Additional information was provided by Thomas Prymak’s work: *Maple Leaf and Trident*, (1988)



UKRAINIAN-CANADIANS JOINED THE ARMED FORCES FOR VARIOUS REASONS – MOST OF THEM HAD TO DO WITH THEIR ETHNICITY AND A FEELING OF DUTY

morning of D-Day we stood and watched thousands of planes go overhead.”

General Romanow was stationed in Southeast Asia on the India-China-Burma front with his Ukrainian friend Paul Yuslo. When they went out on a night mission in Romanow’s plane one evening they began reminiscing of the old Ukrainian songs they sang in their local choirs in Saskatoon: “We were singing away merrily then and what I didn’t notice was that the transmit button was on...This singing was broadcast over all of Burma...as a

result, when we got back to base, intelligence already had word that some strange language and singing was taking place over the operational zone. Paul and I never, ever admitted it was us and fortunately, we were never found out.”

There were also many Ukrainian-Canadians in the Medical Corps working either as doctors, nurses or dentists. Dr. Melnyk, for example, finished his Bachelor of Sciences in 1941 and enlisted with the infantry. “Due to the Italian campaign (summer-fall 1943 – Ed.) the Canadian army lost many doctors and there was a great demand so the government had us sign up to the army,” he recalled. “Some of the students weren’t very happy because they wanted to go into the navy or air force.”

A POST-WAR MISSION

After the war ended in 1945 and the rebuilding of Europe was taking place, many Canadian-Ukrainian servicemen used their positions to help save thousands of lives. Due to the agreement between the Western Powers and Stalin at the Yalta Agreement, millions of Ukrainians were forcibly repatriated back to the USSR – many against their will and most in brutal and oppressive

ways. This dilemma was not lost by the Ukrainian-Canadian servicemen.

When Dr. Peter Smylski was in Rome, he recalled meeting seminarians at St. Josephat’s Seminary in Rome, led by Archbishop Ivan Buchko known as the “Archpastor of the Refugees”. He is the one that told Dr. Smylski about the thousands of Ukrainian Galician Division veterans who were being held in camps in Rimini, Italy. Dr. Smylski set out to help them get a DP (Displaced Persons) status that made their lot a little bit better.

The servicemen did everything in their power to help all their fellow Ukrainians – they did not discriminate between east and west or between political ideologies. Dr. Paul Kit (b. 1917) describes his first encounter with Ukrainian DPs: “They were so far from home and they treated us like brothers. And that was very nice. I met Dr. Kapusta, he was a dentist in the unit, so he could get a hold of a truck on the weekends...Any help that came from Canada came through him and we distributed it.” A similar experience occurred to Dr. Michael Lucyk (b. 1916), who knew about the Ukrainian DPs before he was posted to Germany and immediately tried to locate these camps. He recalls that “a number of other Ukrainian officers discussed every means possible to see what we could do to assist the people in the camps and to let the authorities know that this cooperation with Soviet forces was not the right thing to do because repatriating these people against their will was sending them to a certain death.”

Those Ukrainian-Canadians who served in the Canadian army made a real and determined impact not only in the history of World War II but also in the cultural milieu of Canada. They were instrumental in helping liberate Europe from Nazi Germany but were equally important in saving thousands of Ukrainians from forced repatriation to the Soviet Union and subsequently the GULAG system. Their work influenced the way Canadians viewed their Ukrainian brethren, they were no longer of the lower class; seen only as the alien sheep-skin wearers from Eastern Europe. ■

Anna Cherniawska and Bohdan Panchuk are getting married in London. February 2, 1946



SOURCE: L. LUCIUK'S 'SEARCHING FOR PLACE', 2000



SOURCE: L. LUCIUK'S 'SEARCHING FOR PLACE', 2000

From May 16 to 21, the Kyiv film theatre will host the Fourth Annual Festival of Contemporary Hungarian Cinema. The programme will include five romantic comedies. The selection may surprise the usual film festival audience, since it is light and entertaining. However, that is contemporary Hungarian cinema today. Earlier, it was long known as heavy, intellectual and serious. This led to stagnation in the 1980-1990s, as the Hungarian audience stopped watching domestic films. The switch to light genres has saved the Hungarian film industry. This does not mean

that cinema art has disappeared altogether in Hungary – the Silver Bear from the Berlin International Film Festival for Bence Fliegau's *Just the Wind* last year proves the opposite. So does Berlinale's Gran Prix for *The Turin Horse* by Béla Tarr in 2011. Yet, the epic films Hungary has long been known for, are a thing of the past.

Most middle-aged Ukrainians remember Hungarian films from the 1960-1980s, mostly by István Szabó and Miklós Jancsó. In the late 1980s, as the premonition of the USSR collapse was in the air, the audience saw Andrew Vajna, a smart and adventurous

Hungarian-born Hollywood producer who worked on blockbusters, such as *Rambo* and *Terminator*, and the best intellectual movies, such as Oliver Stone's *Nixon* and Alan Parker's *Angel Heart*. In 2011, the Hungarian government invited Vajna to chair the national film commission. His responsibility was to essentially develop new cinema in the country. The first thing he did was to establish a system of public grants for film production, backed with the support of film distribution abroad - France and Poland have similar systems. This brought Hungarian cin-



Events

16– 18 May

NextSound

Proštir Club, Architects' House, Dovzhenko Film Studio (5A prov. Cheslava Byelinskoho; 7, vul. Borysa Hrinchenka; 44, prosp. Peremohy)

The NextSound international festival of advanced music and digital arts will present a selection of the most daring modern experiments in audio and video. One of the main conceptual principles of the project is the creative synthesis of different art forms for the purpose of creating new artistic technologies. The event will also feature the premier performances of world-renowned artists. This year's participants include Radian (Austria), Kammerflimmer Kollektief (Germany), Tape (Sweden) and many others.



23-26 May

Wiz-Art 2013

Art Palace (17, vul. Kopernyka, Lviv)

Towards the end of May, Lviv traditionally sees the start of the festival's programme covers more than 100 of the latest short films. The competition programme will screen short films from all over the world. The reels that will be screened in the non-competition programme, are equally interesting. Wiz-Art 2012 was memorable for the Cry but Film slogan of the non-competition programme. In 2012, the festival committee received 667 films from 49 countries in Europe, Asia, America, Africa and Australia. This year's surprises, just like the names of the participating films, are currently being kept secret by the organizers. Go to the festival's website for more information on films screened in Lviv all year round, and video reports from previous festivals.



28 May – 4 June

Days of Polish Cinema in Ukraine

Kino Palace Cinema (1, vul. Instytutska, Kyiv)

For the eighth consecutive year, the project presents Ukrainian film buffs with the best films of modern Polish cinema. This year's programme is made up of eight films of different genres and subject, which will be shown in 6 cities of Ukraine. The festival will open with a moving family tragi-comedy called *My Father's Bike* by Piotr Trzaskalski, the winner of numerous international awards and prizes. Viewers will also see the melodrama *Imagine!* by Andrzej Jakimowski and the drama *In Darkness* by Agnieszka Holland. The festival will close with

the historical drama *Syberiada Polska* by Janusz Zaorski.

ema out of the crisis, caused partly by corruption in the domestic cinema budget. In 2012, however, a scandal broke out as Béla Tarr accused Vajna of designing the film system to suit his interests. No matter what, the Hollywood producer would never have been able to implement crucial transformations without government support: in 2012, legislature passed a new law to channel 80% of national lottery revenues to the film industry. Now, Hungary produces up to thirty feature films annually, plus short and animated films, with an annual budget of up to EUR 535,000. Most films at the Fourth Annual Festival of Contemporary Hungarian Cinema had private investor funding before Vajna's changes. ■

A TYPICAL FILM AT THE FESTIVAL

Nine and a Half Dates, 2008

Directed by Tamás Sas

The romantic comedy is based on two popular stories. Stuck with writer's block, a handsome macho author is trying to write a book on what single and lonely women want. This is accompanied by all sorts of clichés from similar films. Still, the director managed to offer an interesting mix to the average audience relaxing after work.

Visions Festival

The debut independent international festival of visual arts will kick off on May 24 in Kyiv and last through July 2. "The programme will prepare the audience for a new level of perceiving and understanding art through the direct experience of facing the unknown," Anna Haidai of the organization committee shares. "An important aspect of this festival is that it is the cause of a handful of enthusiasts who do this with zero support from the government, hence no censorship." Visual Archive, the umbrella theme, covers photography, video art and installations, experimental films and media performances. The festival will present 20 photo projects from Ukraine, Germany, Canada, the Czech Republic, Lithuania, Georgia and Russia. Exhibitions and performances will take place at Lavra, Kamera, ArtPrychal, YA Gallery, Kvartrya 57 and Minus 4 galleries, as well as the Kyiv Fortress Museum, Kavaleridze Workshop Museum and Dream Museum. The festival also includes three competitions: The Space of Memories for site-specific installations, the City of the Future for photography and Memory for multimedia projects. Young photographers will have the opportunity to meet renowned artists, including Oleksandr Kadnikov, Oleksandr Liapin, Koštiantyn Smolianinov and others.



30 May, 7 p.m.

Joe Cocker

Ukrayina Palace
(103, vul. Velyka Vasylkivska,
Kyiv)

The legendary Joe Cocker will visit Ukraine as part of his world tour, *Fire It Up*. The British musician will present his new 2012 album to every fan. *Fire It Up* is Cocker's twenty second studio album featuring a wide range of instruments and brilliant musicians. The album includes soulful blues ballads and new hits filled with energy and rhythm. Fans hope that Joe Cocker will also perform his most famous compositions:

My Father's Son, Unchain My Heart, You Can Leave Your Hat On and others.

This music cannot be boring – with his performance, Joe Cocker makes each song special.



2 June, 7 p.m.

The Killers

Palats Sportu
(1, pl. Sportyvna, Kyiv)

Headliners at major world festivals, some of the most popular musicians of their time and untiring experimenters, The Killers will give a long-awaited concert in Kyiv.

The power and fullness of sound is one of the main characteristics of their music. Since it came together, the American indie-rock band has released four studio albums, which were snapped up at an amazing rate. The last album *Battle Born* was released in 2012 after an extended hiatus. During

this break, the band's musicians released solo albums, worked on different projects and spent some time with their families. After a year, they got back together to make the new record. Songs from this album will be included in the concert in Ukraine.

Until 9 June

Virtuosos

Lviv Philharmonic
(7, vul. Tchaikovskoho, Lviv)

Ukraine's art capital is hosting its annual International Music Festival for the 32nd time. Those who appreciate good sophisticated music have a unique opportunity to enjoy masterpieces of world classical music, performed by the best musicians from all over the world. The works of the most renowned composers can be heard at the festival. The festival opened with music in honour of the Italian composer Giuseppe Verdi, and its finale will honour the 200th birthday

of the German composer Richard Wagner.





HOPELESSLY ROMANTIC

A walk through the symbols, dreams and melancholy of Sokyryntsi-Trostanets

Author:
Oleh Kotsarev

The word “romanticism” brings to mind the cliché image of a lover reciting poems under a full moon next to a lake full of mermaids. But romanticism is far more than simply passion. Among other things, romanticism describes a style of 19th century parks and manors that look like they had been designed for walking meditations. The noble manors of Trostanets and Sokyryntsi in Chernihiv Oblast, Ukraine have the charm of an emotionally soothing journey.

THE SECRET GARDEN

Nestled among the green hills, an elegant white gazebo rises as a symbol of the manor in Sokyryntsi once owned by the Galagans, a noble Ukrainian Cossack family (**photo 2**). The alternating elements of the romantic park landscape symbolize the fleeting metamorphoses of human and world sentiment as sunlit lawns flow into dark overgrown ravines, vast horizon lines end in maze-like alleys, and joy flows into melancholy and sadness.

It all begins at the traditional entryways. The one at the So-

kyryntsi Architectural Park is a narrow path where a gap in the trees offers a peak at the palace, an amazing yet neglected building in the Empire style. The surrounding foliage adds mystery and solemnity to the view until the visitor has nearly reached the façade, and the beauty of the noble manor is revealed (**photo 1**).

The entrance path to the Trostanets Arboretum is equally intriguing. Unfortunately, the palace

HOW TO GET THERE

Both manors can be reached from the Kyiv-Pryluky-Sumy highway. The easiest way to get there is by car or a bus from Pryluky.



PHOTO: IRYNA BRAZHNYK

1

NTIC



PHOTO: IRYNA BRAZHNYK

3



2

PHOTO: OLEH KOTSAREV



was demolished in January 1918 – this date leaves little doubt as to who executed or authorized the act – and replaced by a new bust of Ivan Skoropadsky, the park’s founder **(photo 7)**.

Vast ponds with swans and ducks **(photo 8)** divide the Trostianets park into different sectors. Natural and man-made hills rise from their banks. Thanks to the thoughtful system of alleys and paths, the visitor encounters both major and minor objects in the park several times, seeing them from different angles. Each angle offers a different perspective plac-

ing emphasis on various exotic and native plants that thrive in Trostianets **(photos 6, 9)**.

The pond in Sokyryntsi is much bigger and, unlike the Trostianets ponds, forms the centerpiece toward which the entire park gravitates. In summer, many people swim in the pond despite its emerald green waters. According to the founder, the surrounding landscapes and colours consist of harmonious forms meant to evoke love, friendship, memories and emotions – integral ingredients of romanticism. As a result, the ▶



PHOTO: IRYNA BRAZHNYYK

photographers and artists who flock to this site return with nearly identical images.

COLUMNS AND RUINS

Both parks have “pillars of sadness” inviting the traveller, guest or resident to reflect on the fleeting nature of life and the surrounding world. While the Trostianets pillar crowns a hill next to the bench for solitary meditation, the one in Sokyrntsi

INFO

Make sure you find the right Trostianets – Ukraine has several places with this name

A town in Sumy Oblast is also a tourist attraction with several churches, a palace where Pyotr Tchaikovsky once stayed, a picturesque mini-fortress and a mansion called Neskuchne – the name translates as “not dull”. It is the hometown of writer Mykola Khvyliovyi

A town in Vinnytsia Oblast is known for the violent battles that took place here in the 17th century and a sugar plant founded by magnate Potocki in the 19th century.

A village in Volyn Oblast is mentioned in chronicles from as early as 1593. It has an old church and a mill. Its sad history includes episodes of violent revenge by the landlord Chetvertynsky on the local peasants after the Khmelnytsky Uprising, a Cossack and peasant war against Poland and Polish serf-owners

A village in Ternopil Oblast has a 19th-century church and Trostianets spring waters

A village in Cherkasy Oblast is located near two discovered settlements of the Trypillian culture

A village in Chernihiv Oblast is close to the Skodopadsky’s Trostianets

There are more villages with the same name in Lviv, Zakarpattia, Rivne, Odesa, Khmelnytsk, Ternopil, Ivano-Frankivsk and Vinnytsia Oblasts



PHOTO: IRYNA BRAZHNYYK

has a sentimental story. It stands over a tiny quiet lawn where the duke’s favourite dog was buried – just another place to reflect on friendship, love and death. Indeed, few styles apart from Romanticism add so much charm to things that seem trivial and obvious in everyday life.

Half-ruined elements from different historical periods symbolize the owners’ nostalgic and idealistic visions of the past. In Sokyrntsi, the Galagans built a Gothic bridge (photo 4). It is hard to find now, and many visitors miss it. But the park map sold at the entrance will lead you there – just take it to the right from the gazebo. In its neglected state, this nevertheless pretty bridge is a test of one’s dexterity and sense of balance.

In Trostianets, the archaic elements include a replica of a Scythian bába, a stone statue of a woman, and the tombstone of the park founder, Ivan Skoropadsky. “Dear passer-by! I planted the garden in which you stand. It was the joy of my life. If you happen to notice a mess leading to its destruction, let the garden keeper know. You will do a good deed,” says an inscription on a light rectangular stone devoid of religious symbols. According to a legend, Skoropadsky’s coffin is down below, in an underground vault, hanging on four chains.

After he died, both the garden and the manor fell into disarray—

apparently, the garden keepers were not very effective. The turbulent 20th century turned all of the adjacent outbuildings into romantic ruins, and new ones, suspiciously ill fitting, are now being built next to them. Sokyrntsi lost its churches, while the main palace – once grand and beautiful – now looks worn out. Today, it hosts an agrarian lyceum and several museum rooms for kobza music and culture, ethnography, local history and the Galagans (photo 5). On the broad alley from the palace to the gazebo in front of an old sycamore tree is the lyceum sports ground.

SKELETONS IN FAMILY CLOSETS

Everyone who visits a romantic manor like this expects to learn something mysterious, strange or shocking about its former landlords. The one in Sokyrntsi has plenty of such rumours. A guide in the local mini-museum will tell you a sentimental story often mentioned in books and online sources. “The Curse of the Galagans” is about Cossack colonel Hnat Galagan. He was among the Cossack commanders who betrayed Ivan Mazepa in the Great Northern War and switched to Moscow’s army. He earned his ill fame for the violent attack on the Cossacks who remained loyal to Ivan Mazepa. The Cossacks cursed his family to the seventh genera-



tion, the legend says. Indeed, Pavlo, who was the seventh generation and the last descendant of the colonel, died at 16. His grief-stricken parents founded the College of Pavlo Galagan, now well known in Ukraine, in his memory. Apart from its legends, the Galagan mansion also offers the remnants of the family's art collection, including a beautiful nativity scene, a collection of weapons, and statues that survived earlier turmoil.

The Trostianets mansion also has a sort of a family curse. The Skoropadsky family gave Ukraine two hetmans, and both came to power at hopeless times when they had no chance of changing anything for the better in their homeland. Ivan Skoropadsky was proclaimed hetman right after Cossack commanders betrayed Mazepa in the 18th century only to fulfil the orders of the ruthless Peter the Great. All he could do was quietly disapprove of his most notorious initiatives. In 1918, hetman Pavlo Skoropadsky tried in vain to deal with the revolutionary chaos but his efforts were as effective as petrol in a fire.

MEMOIRS OF THE ARTISTS

A wealthy, respected and romantic manor was unthinkable without frequent visits by artists and outstanding figures of the time. Both Trostianets and Sokyryntsi enjoyed plenty of such visits. The well-



known historian, writer, ethnographer, poet and composer Mykola Markevych stayed at the Skoropadsky's place. Painter Mykola He also visited from time to time. The house theatre saw performances by composer and pianist Vladyslav Zarembo. The Galagans often hosted the renowned Taras Shevchenko, writer Panteleimon Kulish, composer Mykola Lysenko and painter Lev Zhemchuzhnikov.

Ostap Veresai (photo 3), a famous kobzar (kobzars were traveling bards, often blind, who sang ballads to their own accompaniment on kobza, a traditional lute – Ed.) of his time, lived in Sokyryntsi and performed there on a regular basis. The life of this uneducated yet talented musician from the poorest class whom the landlords were eager to support is a reminder of the gap between the poor majority and wealthy minority of the time. Today many say that they cannot enjoy the beauty of old mansions built by the hands of serfs. Indeed, the luxury Ukrainian nobility and Cossack commanders enjoyed was largely based on the oppression of the peasantry. By this same reasoning, however, we would have to reject the entire legacy of the Roman Empire or Ancient Greece, let alone the wonders of ancient Egypt. ■

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