

UNNERVED BUSINESS: CLAN DOMINATION,
RAIDER ATTACKS AND PROTECTIONISM
CRUSH BUSINESS INITIATIVE

LITHUANIA'S PRIME-MINISTER ALGIRDAS
BUTKEVIČIUS ON HIS COUNTRY'S
RETURN TO EUROPE

A SOCIAL, POLITICAL
AND ELECTORAL PORTRAIT
OF ODESA

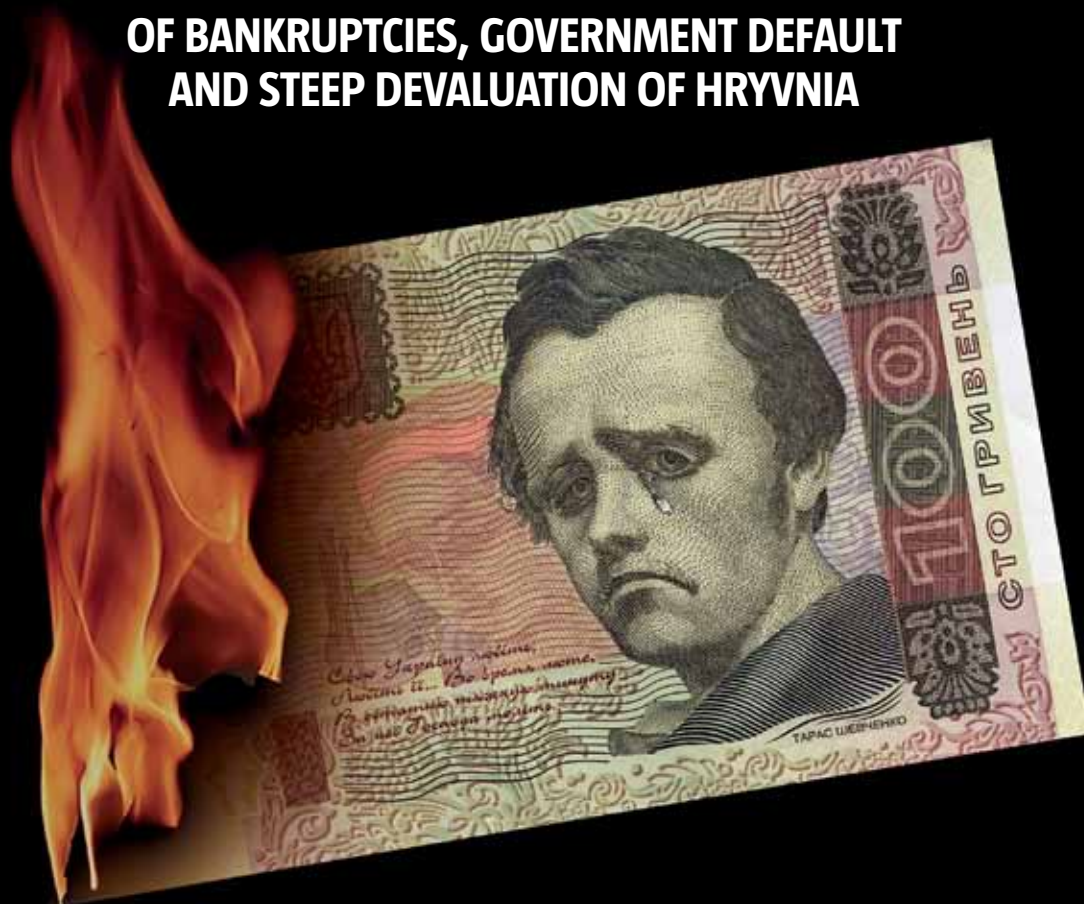
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The Ukrainian Week

№ 18 (60) OCTOBER 2013

ON THE BRINK OF CRISIS

**FINANCIAL PROBLEMS IN BUSINESS CAUSED BY INEFFECTIVE
ECONOMIC POLICY MAY LEAD TO A SURGE
OF BANKRUPTCIES, GOVERNMENT DEFAULT
AND STEEP DEVALUATION OF HRYVNIA**



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POLITICS

Bandera Non Grata:

The pro-Russian left in Ukraine may stand behind FARE's campaign against Ukrainian football "fascists" and "racists"

4

FOCUS

After Them the Deluge: Those in power focus on the short-term task of replenishing the budget deficit while ignoring the escalating economic crisis

8

**Unnerving Business:**

Discouraged by the clan-dominated environment, Ukrainian entrepreneurs are taking a break from business

12

ECONOMICS

Capital Outflow: After a steady inflow of investment in recent years, many emerging economies now see a reverse in the trend. Ukraine will be one of the first to suffer

14



NEIGHBOURS

Lithuania's Prime-Minister

Algirdas Butkevičius on his country's return to Europe and the importance of the Association Agreement for Ukraine

16



Oleksandr Mykhelson about Russia that is losing us

19

SOCIETY

Politicians as Merchandise:

The stereotypical image of Odesa Oblast as a pro-Russian region and mainstay of the Party of Regions is far from being the reality

20



HISTORY

The Undeclared: Why Ukrainian insurgents were not Soviet and Nazi collaborators

24

Historian Larysa Zarichniak

on the Holodomor, the impact of the genocide on the Ukrainian nation and politics in the modern-day study of the famine

26

CULTURE & ARTS

Inventor of the Femme Fatale:

How Leopold von Sacher-Masoch went from writer to masochist

28



NAVIGATOR

**Unpolished Authenticity:**

Remote villages in Polissia are home to the descendants of old noble families

32

Get a Life! Using the social network seems to make people more miserable

34



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ТИЖДЕНЬ

Bandera **NON GRATA**

The pro-Russian left in Ukraine may stand behind FARE's campaign against Ukrainian "fascists" and "racists"



Author:
Valeria
Burlakova

Kyiv Dynamo and Lviv Karpaty ultras have sent an open letter to FIFA where they questioned FARE's knowledge on Ukrainian history and noted that it was not FARE's competence to evaluate historical figures whom many Ukrainians see as national heroes

On September 27, Fédération Internationale de Football Association (FIFA) ordered Ukrainian national football team to play its upcoming game against Poland – decisive for it in the 2014 World Cup qualifying campaign – behind closed doors. In addition to that, the Ukrainian Football Federation has to pay a fine of EUR 45,000 and the stadium in Lviv is banned from hosting qualification tournaments with the national team through 2018. This is the punishment for the actions of Ukrainian fans at the Ukraine against San Marino match on September 6.

What caused the tough sanctions was not so much the use of pyrotechnics during the game (FIFA bans it in games under its aegis and one of its delegates reported that Ukrainian fans used it). It was the report of a Football Against Racism in Europe, FARE, delegate. FARE is

a London-based European network that campaigns against racism and xenophobia in football since 1999. In 2006, it established a “strategic alliance in the field of anti-discrimination” with FIFA. Ever since, it has been providing reports on signs of racism and neo-Nazism at football matches. Based on these reports, FIFA takes its disciplinary decisions.

The Lviv report by FARE observer said that Ukrainian fans raised the banner of SS Galizien Division depicting the Halychyna (Galician) lion on the 14th minute of the game. “The division was formed of Ukrainian volunteers and fought for the Nazi Germany in WWII,” the observer lays out his view of history. On the 15th minute, he noticed the anti-communist banner saying “Good night, left side”. On the 55th minute, he saw a man wearing a T-shirt with 88 on it. He interpreted

this number as Heil Hitler, h being the eighth letter in the English alphabet. Also, he saw signs of racism when Ukrainian fans imitated monkey sounds after a Brazilian player in the Ukrainian team scored a goal. In addition to that, the observer saw several young men making Sieg Heil moves.

He carefully recorded all these facts on video and photo cameras.

WITHOUT DECLARATION OF WAR

By contrast to FARE, Ukrainian fans did not notice their own racism. They had no idea that the symbols of SS Galizien Division were banned. They claim that they read all FFU's recommendations on effective bans, including that on the swastika, Ku Klux Klan symbols and the like. These bans never mentioned SS Galizien.

Taras Pavliv, the leader of Lviv ultras, admits that the first time he

saw the “updated” bans was on the Big Football TV show on September 21, two weeks after the game. Anatoliy Binkovsky, Kyiv Dynamo security officer, says that the Union of European Football Associations (UEFA) officially provided the updated list to Dynamo fans on September 25.

The banners of SS Galizien Division are not the only thing Ukrainian fans should be punished for according to the new list of banned symbols. These now include the red and black flag of the Organization of Ukrainian Nationalists (OUN) used by insurgents in the 20th-century liberation struggle, as well as portraits of Stepan Bandera and Roman Shukhevych, two leaders of the insurgent movement.

“Stepan Bandera and Roman Shukhevych were OUN leaders,” FARE’s guidelines explain briefly. However, neither SS Galizien Division, nor Bandera or Shukhevych were condemned at the Nurnberg Trials. Surprisingly, FARE’s bans do not cover liberation movements similar to the OUN or UPA (Ukrainian Insurgent Army) in other countries.

THE MISSING EXPERTS

FARE observers are not interested in the banners of Belgian, Latvian or Estonian SS divisions (SS Galizien Division and the Spanish Blue Division are the only ones in their sight), nor do they mention any other symbols of national liberation campaigns. It does not prohibit the banners of IRA, the Irish Republican Army, or the flags of the Russian Liberation Army. For Russia, which does have problems with race intolerance and nationalistic sentiments, especially in football, it has just one taboo on the flag of the Slavic Union which is generally banned in Russia. The black, yellow and white flag which was the official national flag of the Russian Empire and is now used by nationalists and monarchists, is not mentioned.

According to FARE’s Executive Director, Piara Powar, the organization does not have Ukrainian experts, only “organization members”. Associated members of the network (160 today) from Ukraine include the Kyiv-based Congress of National Communities, the International Foundation for Health Care and Environment in Mukacheve, Zakarpattia; the

Kharkiv-based People’s Ukrainian Academy; and a mysterious organization called Football Against Prejudices which does not even have a website in Ukraine. So far, none of these confirmed that they participated in the preparation of FARE’s report on the Lviv game. Yosyp Zisels, President of the Congress of National Communities, suggested in his comment for Radio Liberty that this looks very much like a provocation against Ukraine. He said that the Congress would take a closer look at the quality of FARE’s work: “If this was a provocation, we will not be part of it.”

As soon as FARE faced the first accusation of poor knowledge of history, the list of insulting and discriminating symbols in European football (it included the OUN red and black flag, portraits of Bandera and Shukhevych among others) that serves as the basis for FIFA’s punishment disappeared from its website. FARE described the wave of indignation in Ukraine sparked by its report to FIFA as “speculation” and stated that all observers it sent to the Ukraine-San Marino game were neutral and unbiased international experts.

This does not match FARE’s report, however. The introduction mentions “an observer” and “the observer”. This “international” observer “is a Ukrainian native speaker with a clear understanding of the broader social and political issues at play.” His name is never mentioned. However, another one is.

WHO IS WHO?

Pavlo Klymenko is FARE’s coordinator for Eastern Europe. In his interview for *The Jewish Chronicle Online* (Tjetc.com), Klymenko said that his “struggle against Nazism” began in 2004. He claimed to have been fighting against neo-Nazis in Kyiv as a teenager, and to have won the fight. “We fulfilled

our so-called role... the domination of neo-Nazis on the streets stopped,” The JC quotes him.

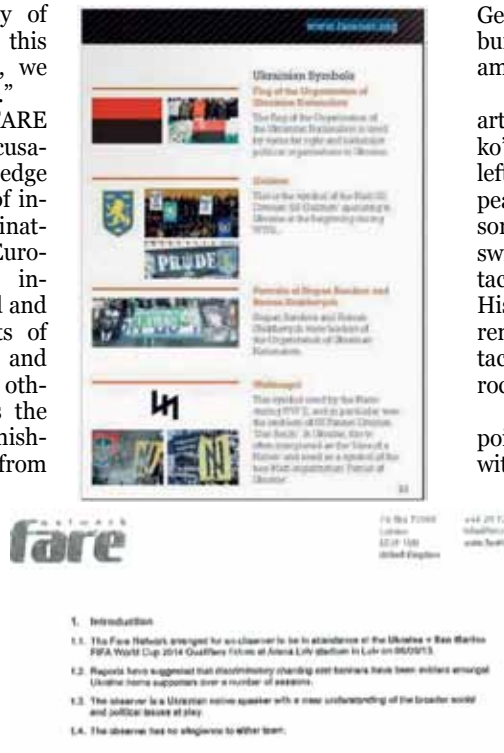
After he saved Kyiv from the fascist occupation, Klymenko moved on to the stadiums all over the country – now for grants. FARE and other organizations he was involved with provide grants on a regular basis. Also, Klymenko is one of the key people at the little-known yet fairly well funded Ukrainian Marochkina Human Rights Protection Foundation. It receives grants from the German Rosa Luxemburg Foundation, among others.

As soon as the first article about Klymenko’s ties with various leftist organizations appeared in the press, someone began to swiftly delete his contacts on the Internet. His email address was removed from the Contacts page of the Marochkina Foundation.

Some other facts point at his involvement with the Marochkina and Rosa Luxemburg foundations. The UNIAN website contained an announcement of a roundtable the two foundations held in Chernihiv. Contact persons for it were Pavlo Klymenko and Vitaliy Dudin,

a lawyer at the communist trade union Protection of Labour and a contributor to the “main analytical website of Haslo (Slogan), the leftist opposition”. The Protection of Labour is headed by a well-known Kyiv-based doctor, Oleh VERNYK. He also chairs the International Organization for Elections Observation CIS-EMO. “The president of CIS-EMO is Alexei Kochetkov, a Kremlin political analyst,” says Yevhen Karas, the journalist who wrote about Pavlo Klymenko.

Indirect evidence suggests that Klymenko is connected to the Eurasian Youth Union, a pro-Russian organization banned in Ukraine (its members destroyed Ukraine’s coat of arms at Hoverla, the highest peak in the country, in 2007). ■



FARE recommends punishing the national federation of Ukraine for the red and black flag used by Ukrainian insurgents during the liberation struggle in the 20th century and the portraits of insurgent movement leaders, Stepan Bandera and Roman Shukhevych, spotted during football matches



"In his article for a communist website, Klymenko mentions his friend Anatoliy Shekhovtsov, a researcher of political radicalism, who publicly claimed in interviews for the foreign press that Ukrainian fans "place portraits of fascist Stepan Bandera". "Shekhovtsov was, member of the Eurasian Youth Union," Yevhen Karas claims.

WHO NEEDS THIS?

Several scenarios as to FARE's attempts to ruin Ukraine's image have come up lately. Many believe that Poland may have influence on FARE since it is where it publishes its report on Eastern Europe. Poland's attitude to Ukrainian liberation movement is a complex issue. And it is Poland against which Ukraine will play its upcoming decisive qualification tournament behind closed doors in Kharkiv.

Another interpretation is that the party in power – especially the pro-Russian group within it – may be drawing FARE's attention to Ukraine and ensuring its "accurate" vision of history. This scenario is based on the Party of Regions' antifascist rallies (**see Anti-Fascism & the Yanukovich Regime at ukrainianweek.com**), the request of some of its MPs along with the Communist Party of Ukraine for the Polish Sejm to recognize Volyn tragedy as genocide earlier this year, and "internal instructions" Ukrainian fans complain about (one is

SELECTIVE APPROACH: Surprisingly, international football associations and FARE do not react to obvious signs of xenophobia and racism in other countries. They did not respond to the recent burning of the Chechen flag at the game between St. Petersburg's Zenit and Grozny's Terek in Russia (see top right photo) or the burning of the Croatian flag at the Serbia-Croatia match (see top left photo). Quite often, FARE's reports that mention clear signs of racism at football matches do not result in tough sanctions. On August 29, FARE's observers noticed an "ultra-right banner" and heard "xenophobic songs" in the sector of Spartak (Moscow team) in the game against Swiss FC St. Gallen. Ever since, there has been no news of sanctions for Spartak



the unofficial ban on pulling out red and black flags at stadiums in Eastern and Southern Ukraine enforced by the police). "The government is struggling against fascism which people don't actually see, that's why it wants to raise and fuel this issue," Taras Pavliv explains. "They say, here it is, fascism in Lviv, and once again divide East and West. International companies are involved for a stronger effect."

Most experts speak of the possible trace of the Kremlin which is taking every opportunity to disrupt the Association Agreement with the EU. For this, Moscow is now exploiting left forces in Ukraine. Serhiy Parkhomenko, Director of the Centre for Foreign Policy Studies, recalls that Gazprom is now the official sponsor of football tournaments under the FIFA aegis. It signed a multi-billion contract for this on September 14 in the presence of Vladimir Putin, FIFA President Joseph Blatter and Gazprom CEO Alexey Miller.

No matter what, average Ukrainians are concerned about new attempts to attach "fascism" and "racism" labels to all things Ukrainian, including patriotic forces that fought against two totalitarian systems in the Second World War. The government has not duly reacted to this informational campaign. Nor has the opposition despite its pro-Ukrainian rhetoric. ■

Ukrainian ultras have called on fans of all clubs to bring red and black flags to games to protest against the ban on national symbols at the stadiums. On September 29, the fans of Simferopol FC Tavria brought red and black flags to the game against FC Karpaty in Lviv from Crimea. On September 30, fans unfolded a huge red and black flag at a game between Poltava FC Vorskla and Kyiv FC Dynamo in Poltava. Many smaller red and black flags were spotted at this game



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After Them the Deluge

While the economic crisis in Ukraine escalates, the government focuses exclusively on replenishing the current budget deficit

Author:
**Lyubomyr
Shavalyuk**

A high-end boutique near the Olympic Stadium in Kyiv has had five tenants over the past year. They all sold different things but closed down after a few months. These businesses only incurred losses. 18 months ago a huge photo studio next to the boutique moved to an office that is three times smaller. The one it left stands empty.

According to the State Statistics Committee, industrial output fell by 4.9% and 5.4% in July and August 2013 compared to a 1.6% rise in July 2012 (against July 2011) and 2.0% decline in August 2012. The processing industry sank 9.0% in August; its downward spiral is likely to continue. While the recent trade war with Russia explains the 14.5% decline in the engineering sector, which sells most of its goods to Russia, the fall in other sectors, including 25.0% in the chemical sector, 11.8% in light industry and 10.3% in furniture making, has different causes. Transportation is experiencing a decline as well: freight turnover fell by 7.1% over the first eight months of 2013.

The key factors driving this economic downfall are the “improve-

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ment” and “stabilization” experiments of the current government, and the fact that it ignores the recommendations of international organizations.

Farming is currently the key driver of economic growth. Over January-August 2013, agricultural output grew 13.3% compared to the same period in 2012. However, this sector is also slowing down. This growth was 1.5 p.p. below that of the first seven months of 2013. Moreover, as world grain prices plummet, income from production will not necessarily have a visible positive impact on the budget and the balance of payments. It is unlikely to offset the decline in other sectors or boost real GDP growth above zero.

Trade has also been contributing much less to GDP growth (**see Improvement. To be continued**). Retail trade turnover grew 10.2% over the first eight months of 2013. This reflects an increase in average nominal wages (8.8% in July this year compared to July 2012). However, Ukrainians spend more and more on imported goods.

While retail trade grows in volume, it generates less income. In Q2 2013, pre-tax loss in retail trade was UAH 0.4bn, compared to a profit of UAH 3bn in Q2 2012. The total losses of unprofitable retailers grew 2.6 times to UAH 8.2bn. This will mostly likely result in retail trade's negative contribution to GDP growth, and the sector will join those currently in decline.

THE FINANCIAL SECTOR

The numbers would not look so sad if the non-manufacturing sector contributed to the development of manufacturing. This is not the case,



especially in the banking sector (**see Unreliable funding**).

So far, the banking system seems stable. It does not have exorbitant interest rates as it did last year, nor is there any news of financial troubles at individual banks. Its balance over seven months is positive at USD 1.9bn. The amount by which gold and currency reserves shrank since the beginning of this year (USD 2.8bn) came from the National Bank (NBU) to pay Ukraine's debt to the IMF. They are not included in the balance of payments nor do they affect the interbank market. Otherwise, residents would buy foreign currencies in the amount of the deficit, using the hryvnia they keep on their bank accounts. The currency would go abroad while the hryvnia would end up on the NBU's balance sheets. This would deplete banks' balance sheets and liquidity and boost interest rates.

So far, the balance of payments has been positive thanks to an artificial decrease in imports through the postponed purchase of gas for the heating season or shadow imports of oil products; high borrowings by the real sector and low outflow of foreign currency from banks. Each

of these factors may soon vanish. Then, the banking system will face a new wave of troubles. So far, banks have been taking money out of the real sector by accepting deposits and payments for loans issued earlier while hardly returning anything (**see Unreliable funding**). They do not care about the fact that manufacturing companies are facing more and more problems (plummeting income, mounting tax pressure and non-residents are as reluctant as banks to lend to them). Instead, they use the funds deposited by households and companies to repay their own outstanding debts to non-residents and patch holes in the budget. As their resources for the latter deplete, banks have been net sellers of government bonds since July. This means that they will not be able to help out the private sector or the government in times of trouble. As a result, both could have to deal with their looming financial problems alone, which will boost the risk of their default and aggravate economic decline.

PUBLIC SPENDING FOR THE CHOSEN

The worsening position of the private sector, unreliable banks as sources of funding and the lack of access to external markets would make the budget a last resort for manufacturing companies. In this case, fiscal stimulus could support monetary circulation at the present level and prevent the deepening of the recession and collapse in some sectors.

The government does indeed support business through public procurements and funding, but these companies are few.

State finance is in a very bad position. Firstly, revenues to the central and consolidated budgets in April, May and June 2013 were less than in April-June 2012. Even though the situation changed slightly in July, preliminary data in August signals that the decline is accelerating. State budget revenues in August were UAH 27.8bn, i.e. 18.7% less than in August 2012. This is the impact of the tax policy imposed by the Cabinet of Ministers led by Premier Mykola Azarov and First-Vice Premier Serhiy Arbuzov that has exhausted business, particularly over the last year to 18 months. Some experts estimate that the government will have a revenue shortfall of UAH 20-40bn by the end of 2013.

Secondly, the government is already having difficulties financing the budget deficit. It has not borrowed anything on external markets for the past five months and has been failing to raise internal debt for the past two months. Virtually all the money coming to its accounts from government bond placement is immediately spent to redeem maturing securities (**see Unreliable funding**). Unless the budget is revised, the government will have to find nearly UAH 85bn including UAH 20bn to cover the planned deficit of the consolidated budget, UAH 45.6bn to pay maturing inter-

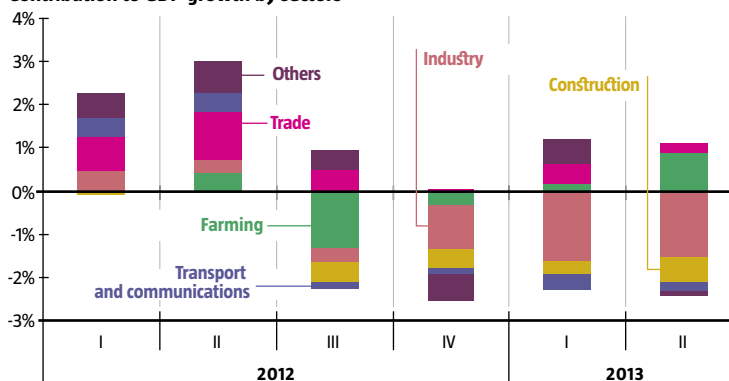
nal and external debt and nearly UAH 20bn to cover the revenues it was supposed to collect but never did. This amount seems unattainable: the government's internal reserves will not even cover half of it.

The Cabinet of Ministers seems to realize this. It is planning external borrowings in smaller amounts, at higher interest rates and for shorter terms. The market understands this as well: 4-10-year government bonds are traded with a yield of over 10%. The worst thing is that the Ukraine-2014 Eurobonds that are repayable in eight months are traded at 8.75%. Thus, the yield

Improvement. To be continued

More and more sectors of the economy are experiencing a downturn. The positive impact of this year's record-breaking grain crops is crushed by the decline in industry and construction

Contribution to GDP growth by sectors

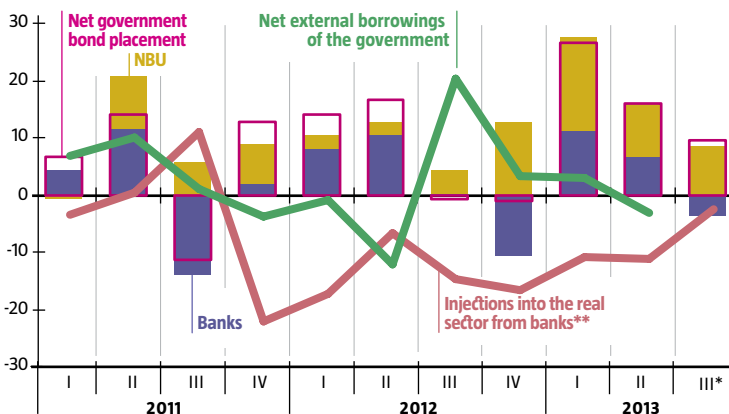


Source: State Statistics Committee, The Ukrainian Week

Unreliable funding

Banks withdraw money from the real sector to finance the budget deficit. Yet, they now have fewer resources to help the government in patching budget holes, so the NBU is forced to buy back most of the internal debt. As the government is borrowing less abroad, the NBU is becoming the only source for funding the budget deficit. If overused, it could throw Ukraine 20 years back to a period of hyperinflation

UAH bn



*Q3 data covers government bonds sold in July 1-September 15, including to banks and the NBU, and injections into the real sector made by banks over July-August

**Injections into the real sector by banks is the net growth of loans issued to manufacturing companies and households less the net growth of deposits from them

Sources: NBU, The Ukrainian Week

curve for Ukrainian Eurobonds has almost gone from normal to problematic, and may soon fall into pre-default. This will mean that the market projects a very high risk of the Ukrainian government's default in the short term.

This time, delays in some parts of public spending will not solve the problem. If postponed, the payments will only mount. Perhaps this is why the government is now talking of budget sequestration to revise public spending, in order to cut the deficit. On the one hand, it will help prevent the default and support the government's financial position. On the other, it will hit business hard and aggravate the crisis, since entrepreneurs that have already experienced difficulties will get even less money. The only chance to avoid an accelerating economic decline is to cut the part of public spending that is stolen and transferred to the shadow. However, this runs counter to the nature of the current regime. It is more likely to force the NBU to print more unsecured money, which it is actually doing already.

If the budget is not revised and access to affordable borrowings is blocked for an extended period, internal reserves will not last long. The average annual inflation rate planned in the 2014 draft budget is around 8%. Given the current low inflation rate, this will only be possible if one of the two following conditions is in place: either the 15-20% devaluation of the hryvnia at the end of 2013 to adjust prices for imported goods – this will immediately lead to the planned price rise – or the NBU will once again turn to the mint.

THE NEGLECT OF THE REAL SECTOR

Companies and households have found themselves between the devil and the deep blue sea. Banks are extracting huge sums from the market to solve their problems and finance the government. The budget is increasing tax pressure on business while returning most of the collected revenues to only a few privileged companies. The external sector is no longer lending to Ukrainian businesses, and earnings from exports are shrinking. Statistics signal that entrepreneurship is on the brink of crisis.

In Q2 2013, profitable companies in Ukraine reported UAH 40.1bn of earnings before tax which

is only 2% more than EBT over the same period in 2012. Meanwhile, unprofitable companies reported UAH 33.8bn of pretax losses, i.e. up 83% from Q2 2012. As a result, business activity declines and investment plummets. Gross fixed capital formation (GFCF) fell by 19.7%. This signals that neither long-time business owners in Ukraine nor new investors are will-

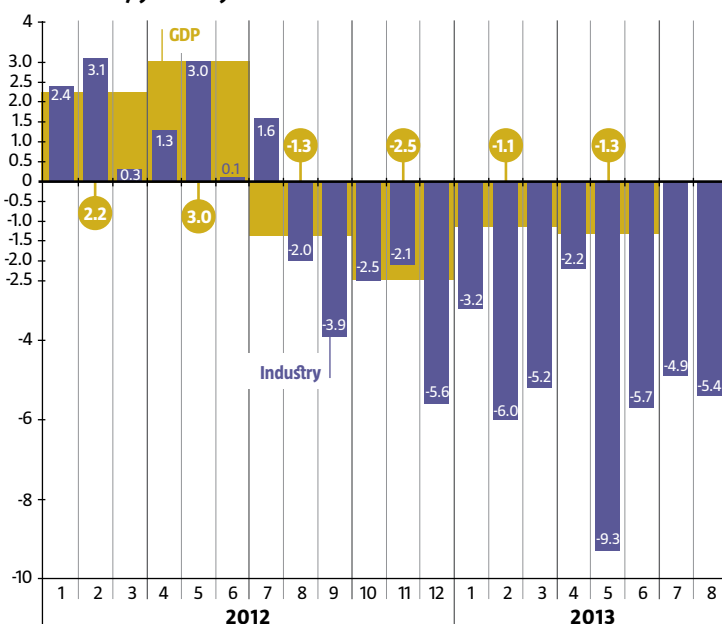
ing to invest here, nor will they be anytime soon. This makes the prospects of economic growth dim.

If the government allows the default, the likelihood of which increases with each passing month, even a deeper recession may not seem that critical. There is no other option, with the policies of the Azarov-Arbutov Cabinet leading to the destruction of business. ■

Sinking deeper

Economic statistics crush the government's positive projections and the hopes of some experts to see an improvement soon. As a result of the lengthy economic downturn, the real sector is facing more and more financial difficulties that could push the epicenter of the crisis into the financial field at any time

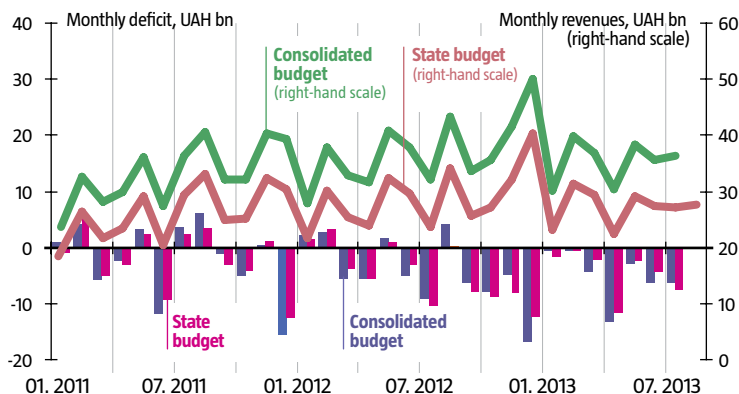
Growth in %, year on year



Source: State Statistics Committee

Budget gaps

The deficits of the central and consolidated budgets grow and financing them is becoming more and more difficult. The government is now talking of budget sequestration. It will hardly prevent a default, but is more likely to accelerate an economic decline. So those in power may well turn to the mint to print more money and accelerate inflation



Sources: Finance Ministry of Ukraine, State Treasury, The Ukrainian Week

VI International **none**Festival

JAZZ IN KIEV

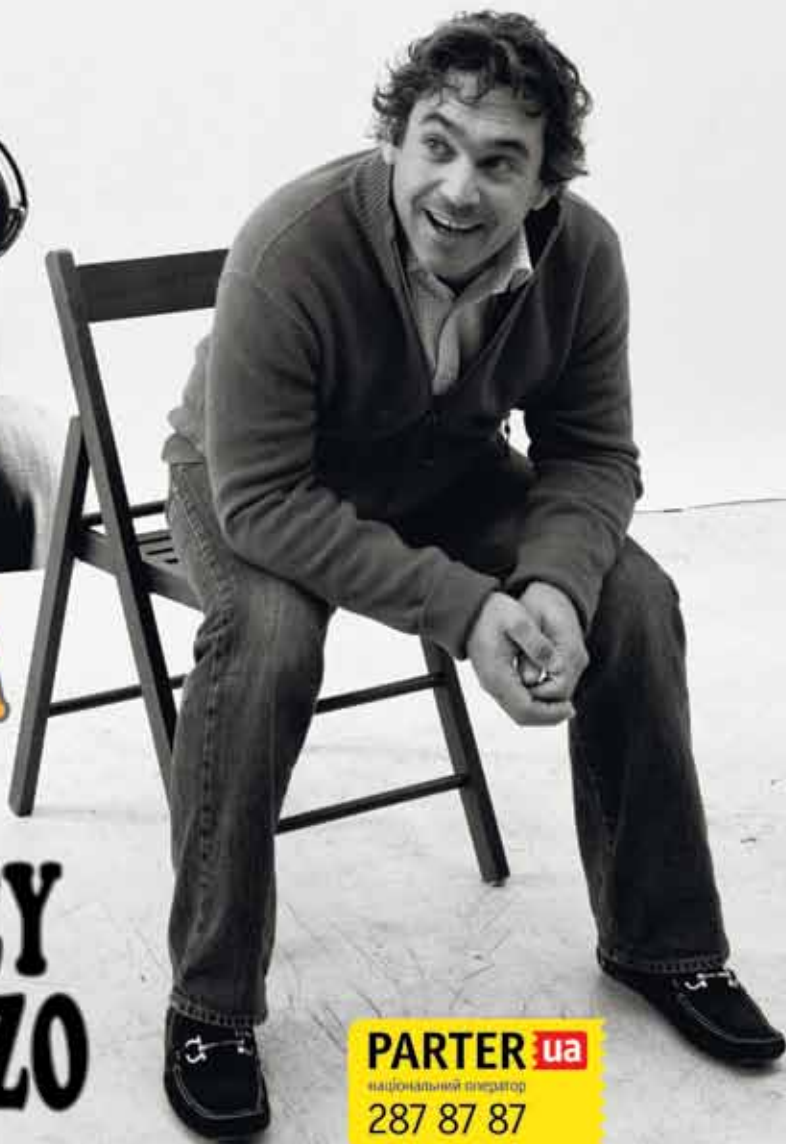
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Unnerving Business

Ukrainian entrepreneurs take a break from business

"If journalists write that this asset belongs to me and that I am evading taxes, the tax police will be here tomorrow and will simply take away my business," says Serhiy, co-owner of a big Kyiv retailer. "But that's how the entire country is working today."

The businessmen *The Ukrainian Week* spoke to admitted that the Ukrainian state machine had never been friendly to non-oligarchic business. However, repressive and aggressive domination in favour of the chosen ones has mounted since the Party of Regions came to power. Business owners not linked to those in power thus seem to be taking a detached position, often manifested in the reluctance to develop. "Why? Someone in the government will notice my success tomorrow and raid by business. The best thing I can get out of it is a symbolic "compensation" for

Author:
Marharyta Ormotsadze

Business owners are confident that, as soon as they create a valuable asset, someone will come and take it away, regardless of the scale and size

the business I built over the years. I can give you hundreds of similar examples," Serhiy laments.

In the last three years of this detachment, the most proactive Ukrainians – the middle class – have seen businesses taken away from their colleagues, competitors and partners, as well as mounting tax pressure. Still, they have not united to stand for their common interests since the Tax Maidan in 2010 (*see Protest chronicles*). As a result, business activity is abating. Recruiters say that they are getting more CVs, a signal of mass layoffs, especially in the manufacturing sector. Kruyivskyi Rail Carriage Building Plant, one of the biggest producers of rail carriages in Ukraine, recently announced plans to lay off 500 workers. According to HeadHunter, an international recruitment website, the number of new vacancies in H1 2013 compared to the same period of 2011 has halved. Uliana

Khodorovska, head of the research department at HeadHunter, says the payroll is shrinking too: "Companies are now at a stage where they hire beginners who cost them less than highly-qualified professionals." The number of vacancies in the production sector is falling, and new ones are mostly in trading companies.

Bankruptcy professionals claim that they have seen a surge in bankruptcies, most of them being genuine. Notably, business activity is folding in Kyiv. On some streets, several different-sized companies have closed down almost simultaneously since the beginning of the year. At Chervonopilska Street, a café, beauty salon, fitness centre and a store shut down within several months.

ADMINISTRATION OF CRONIES

The Ukrainian Week talked to the owners of small, medium and big business, and revealed three major trends in the local business. The first is escalating clan structures and centralization through administrative leverage. Ukrainian business owners are long used to operating in a corrupt environment and never-ending bribes. But most issues which a bribe to a civil servant could solve four to seven years became much more burdensome in 2010. "The problem is degradation, mass systematic negligence and irresponsibility of those acting on behalf of the state. There is ever less common sense in the country, turn-



PROTEST CHRONICLES

The **Tax Maidan** was a series of massive protests by business owners against the Tax Code passed by the legislature in November 2010, unofficially referred to as Azarov-Tihipko Code. The protests started on November 16, escalated on November 22 and stopped on December 3 when hundreds of police officers disrupted the protesters and wiped out their tent town at Maidan Nezalezhnosti (Independence Square) in Kyiv. As a result of the protests, part of the new Tax Code was vetoed. The Tax Maidan was the first massive anti-tax rally in the independent Ukraine.

ing into a farce,” says Valentyn Kalashnyk, Director of OS-Direct marketing group.

According to estimates by *The Ukrainian Week's* experts working with regional and local communities as well as businesses, the only SMEs operating unhampered in the provinces are the ones that have family or crony connections with local governments. Many others have temporarily shut down their businesses or sold them in whole or in part to local “feudal lords”. This feudalism now thrives everywhere, with cronies on all levels, from small business to monopolists in major sectors of the economy. It is now almost mandatory for existing businesses to integrate into the Family oligarchic mechanism built by the government. “The country has come to a sort of bureaucratic collectivism where profits are distributed amongst the party bureaucrats running the economy and the state,” says management consultant Marharyta Chernenko. According to the National Bank's (NBU) report on business expectations among Ukrainian enterprises, “representatives of big companies involved in exports and imports, in which the government owns over 25%, remain the most optimistic.”

THE FEAR MACHINE

The second trend is the ever-present fear of those in power. In an effort to adapt to the economic model that evolved in post-Soviet states, most Ukrainian business owners break some rules when running their business. Otherwise, they will not survive: some pay wages in envelopes, others have double and triple bookkeeping. One of the key components of successful business here is a protectorate, which comes at a cost. In 2010, many business owners found themselves in a situation whereby they either had to adjust to the tougher system of relations with the government or sell their assets to its representatives for peanuts. Many business owners, already hit by the economic crisis, have opted for the latter. “Optimism and faith in the prospects of a business are important for an entrepreneur. Today, there is none. Instead, business owners are confident that, as soon as they create a valuable asset, someone will come and take it away, regardless of the scale and size. First and foremost, they have to take care of protection and self-

preservation, which means integrating into the model in which formal rules are ignored and informal rules change all the time,” claims Valentyn Kalashnyk.

To show who's boss in the country, a slew of businesses have been demonstratively “executed” in the regions over the past few years. Companies were taken away entirely or in part. Few owners risked reporting these raider attacks, represented as a change of owners or the emergence of co-owners. Officially, the attack was presented as a regular or unscheduled tax inspection after which nothing seemed to change much. “The business is operating normally,” was the response of companies to *The Ukrainian Week's* enquiries, after initial reports on raider attacks or tax inspections that looked more like police raids.

At the end of 2011, Vladyslav Burda, the owner of the Antoshka chain of children's stores, had problems with tax and customs authorities. Then, in December 2011, he said that Yuriy Ivaniushchenko, a Party of Regions MP close to the Family, helped him out. Over 2012-2013, law enforcers have raided the headquarters of many well-known companies, such as TMM, a construction company, as well as online stores Rozetka and Sokil. Many business owners who did indeed operate with violations and did not come to any agreement with those in power ended up in jail. Ruslan Demchak, the owner of ERDE BANK, the Dobrobut insurance group, Business Radio and other assets, was charged with financial fraud and ended up in prison. This was before the 2012 parliamentary election where he ran as an independent candidate against the Communist Party's Hryhoriy Kaletnyk. Demchak has been released but ERDE BANK is undergoing liquidation, while most of his companies now have new owners, *The Ukrainian Week's* sources report. None of these companies have officially announced this change. Another telling fact is that Business Radio now transmits the most pro-Communist Party propaganda.

Many business owners were forced to leave the country. They claimed to have faced direct political or business pressure. These include



Denys Oleynikov
After persecution of his company ProstoPrint for making T-shirts with the anti-president “Thank you, people of Donbas...” slogan and accusations of illegal use of the Euro 2012 logo, Denys Oleynikov and his family were granted political asylum in Croatia in early December 2012

Denys Oleynikov, the owner of ProstoPrint; Viktor Romaniuk, the rival of Tetiana Zasukha, a pro-government candidate in the 2012 parliamentary election; as well as Volodymyr Nemyrovskiy, the owner of the steel cable factory StalKanat-Silur and Ihor Liski, a Luhansk-based businessman – both headed the oblast offices of Front Zmin (Front of Change) in the 2012 election campaign. Companies that manage offshore planning claim that more and more Ukrainian business owners are now ask them for help in getting residence permits. The fear machine seems to go beyond just raider threats: the murder of entrepreneurs and government representatives linked to business in one way or another has become as frequent and violent as it was in the 1990s.

UNCERTAINTY

The third trend in Ukrainian business is uncertainty.

“The future looks dim right now. The choice between migration and continued struggle at home is now in the minds of most people, valued as “social drivers” in the world. Many choose a third option. They take a few years off to get another degree or start teaching somewhere to preserve and expand their intellectual horizons,” says Valentyn Kalashnyk.

These developments in business are already affecting the economy and its competitiveness on the macro level. “One of the primary competences for executives in international practice is values and behavioural skills. In Ukraine, such details are not even considered,” Marharyta Chernenko admits. “The result is the long-term decline in the quality of Ukrainian goods and services, as few players get a privileged environment for their business. We can expect protectionist measures to stifle imports and support domestic producers soon.” Some, such as higher customs duties and the newly-introduced vehicle utilization fee, are already in place.

However, the manual support of chosen domestic producers will have no positive effect on their ability to produce high-quality goods and services. Moreover, it is likely to further crush the competitiveness of Ukrainian companies, which will end up in the hands of the Family, oligarchs and those in power. ■



Viktor Romaniuk
A United Opposition's candidate in the parliamentary election, Viktor Romaniuk was the main rival of the pro-government candidate, Tetiana Zasukha, in district No. 94 where a re-election is scheduled for December 15. He was forced to leave Ukraine under pressure

Capital Outflow

Emerging economies have enjoyed a steady inflow of capital in recent years. It boosted their development and stock markets. This flow is now reversing, hitting many of them hard. Ukraine is one of the first to suffer

Author: Lyubomyr Shavalyuk

Capital travels across the globe in the blink of an eye in pursuit of profit. A country that offers plenty of options for more efficient business or the production of new goods or services is the perfect destination. As soon as new ideas run out and managers relax – which is inevitable sooner or later – capital disappears. Emerging markets are going through this right now. Their economies are slowing down and there is no motive for capital to remain there.

Earlier this month, the business magazine, *The Economist*, published the Capital-Freeze Index (see **The Turkish syndrome**). Its 20-point scale assesses the vulnerability of emerging economies to an abrupt halt of capital inflow based on four variables. These including the current account balance, the ratio of short-term external debt and external-debt payments to government reserves, credit growth and the Chinn-Ito measure of financial openness. Ukraine scored 12 points and landed fourth to seventh of 26, together with Brazil, Argentina and Venezuela. Its risk for a sudden stop of external financing is among the highest.

MISLEADING IMPROVEMENTS

Most experts note two negative aspects in Ukraine's balance of payments. The first is the huge current account deficit. It seemed to decline slightly in the first half of 2013, but this improvement was orchestrated and temporary. The latest trade conflicts with Russia will already have a palpable negative impact

on Ukraine's trade balance by the end of 2013.

However, a bad deficit can always be covered with borrowings and the inflow of foreign investment. It does not necessarily signal that there are real problems. Countries can live with current account deficits for years, and many do.

The other negative factor is the outflow of foreign currency in cash from the banking sector, as Ukrainians buy it up. However, this, too, does not look all that critical: the leak of foreign currencies from banks in the first seven months of 2013 fell by 36% compared to the same period in 2012.

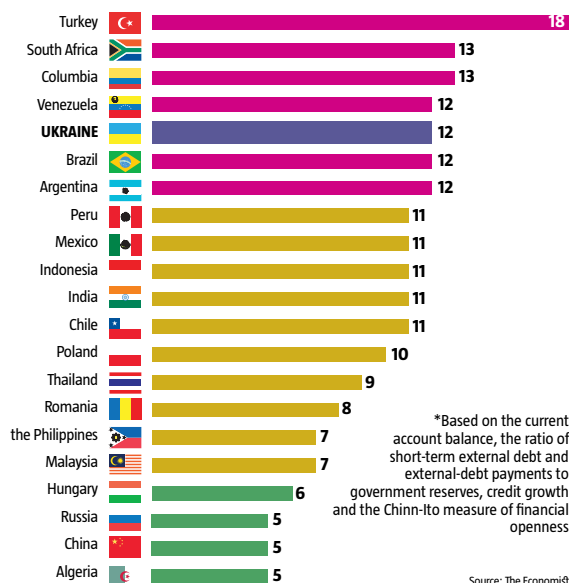
With the abovementioned positive trends, many could have the impression (quite a few analysts actually do) that Ukraine's balance of payments is in good shape. They ignore the fact that the government stopped borrowing from abroad five months ago or that Ukraine's international reserves have dropped 12% since the beginning of the year to USD 21.7bn as red flags. Many expect the window of liquidity to open later and boost both borrowings and reserves. This is a misleading illusion. They fail to take into foreign borrowings of the private sector into account, which make the illusion of stability widely promoted by those in power null and void.

The taken loans and issued bonds by the real sector are a key element of Ukraine's balance of payments (see **Shaky pedestal**). In 2011, net inflow of foreign currencies in the form of loans and bonds for the real sector covered 41% of the current account deficit. In 2012, it covered 47%. Ukraine was living in debt, but this was largely incurred by businesses.

The Turkish syndrome

Ukraine is one of the top emerging countries that are most vulnerable to an abrupt end to capital inflow. The state of the BoP in emerging economies and the situation on global financial markets signal that a painful deficit of external financing is just a matter of time

Capital-freeze risk index
Maximum risk = 20

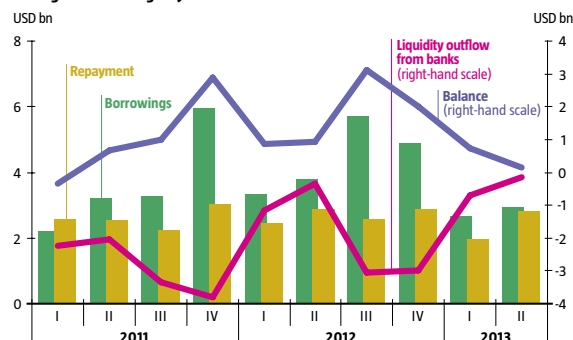


Source: The Economist

Shaky pedestal

The real sector is borrowing less from abroad. Despite Ukraine's image as one of the riskiest investment destinations, this is largely due to the sluggish development of the local economy and the outstanding liabilities of Ukrainian companies that do not match their performance

Foreign borrowings by the real sector



Source: NBU

But this year, things have changed. The non-financial sector has been borrowing less from abroad. Yet the volume of its repayment is not falling, as loans taken earlier are due. As a result, the net inflow of foreign currencies from corporate non-bank borrowings was negative in three of seven months in 2013. It covered only 11% of the current account deficit over January-July. The situation would be even worse if, on the orders of the government, state-owned companies and banks, including UkrZaliznytsia (the Ukrainian Railway), UkrAvtoDor (Ukrainian Roads), OshchadBank (Savings Bank) and UkrEximBank, had not gone to global markets as intermediaries seeking borrowings to support the budget. Some of them do not need funds for development. They mostly had UAH 8-10bn in cash on their bank accounts during the past three years. In December 2012, their balances grew to UAH 20bn but dropped to UAH 18bn by early August 2013. This signals that state-owned companies borrow abroad, then deposit the money in banks chosen by the government. These banks then buy government bonds. So far, statistics for borrowings abroad have looked good, but this will not last.

GLOOMY PROSPECTS

Manufacturing companies will have to repay more and more principal of the debt accumulated in previous years, but will be unable to continue to borrow in the amounts to which they have become accustomed. The first reason for this is the situation on the global financial market. While trillions of dollars still circulate there, searching for profitable businesses, the investment trend has been sustainably negative since the beginning of 2013. Capital is flowing out of developing countries on a massive scale, including from a number of Asian economies that had enjoyed rapid sustainable development and provided a lucrative return on investment in recent years. As a result, their currencies become devalued to adjust their financial systems to the new reality. The hryvnia is not following suit, so the expectation of devaluation may speed up capital outflow from the real sector. Economic decline, the sluggish development of the financial system, the huge current account deficit and openness to capital outflow will not make things better.

Ukraine could avoid this global outflow trend, since its appetite for foreign capital is meager on the global scale. But domestic business would need good fundamentals to stop it, which sadly, it doesn't have. On the

one hand, Ukrainian non-financial business had an adequate leverage ratio, i.e. the level of internal and external borrowings from banks with interest to equity, at the beginning of 2013. It was nearly 60% a normal standard of less than 100% and over 200% being critical. The interest-bearing external debt of the real sector that does not include trade loans and intercompany debt was USD 43.9bn at the end of 2012.

On the other hand, the ratio of internal and external debt to the operating results of Ukrainian enterprises looks much more depressing. In 2012, the debt to EBIDTA ratio was 3.1 for all non-financial companies with up to 3 being normal and over 4-5 being critical. Their interest coverage ratio (EBIT to interest payments), which shows how easily a company can pay interest on the outstanding debt, was 1.9 with over 1.5 being normal and less than 1 – critical.

Since Ukrainian enterprises reported 74% less gross earnings in H1 2013 compared to the same period in 2012 (down from UAH 29.2 to UAH 7.6bn), the abovementioned ratios may already sink to the critical point this year. As a result, Ukrainian banks and non-resident financiers will stop lending to local business. So, a halt in capital inflow to the real sector may be accompanied by a surge of bankruptcies in private business. Some red flags already signal this. This is hardly surprising: if it could develop, business would earn the income to repay its mounting loans. This would encourage financiers, including international ones, to lend money to business. Capital inflow would boost economic development. However, the government is hampering the development of entrepreneurship, so the impact of its policy is yet to be seen, particularly for the balance of payments.

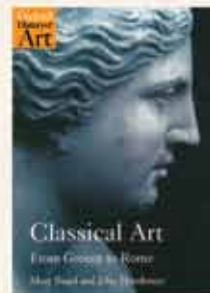
It appears that the net borrowings of the non-financial sector that compensated the outflow of foreign currency in cash from banks in recent years (**see Shaky pedestal**) will inevitably plummet. Coupled with the current account deficit that will grow again after a temporary improvement and the massive buyout of foreign currencies by Ukrainians (in August, for the first time in the past five months, Ukrainians bought more foreign currency from banks than they sold), this could tip the hryvnia exchange rate. Manual methods will not work here. The only option for the government is to develop business. But to do so, it should admit its mistakes, reverse its budget and fiscal policy, and learn patience. ■



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Back to Europe Project

In his exclusive interview for *The Ukrainian Week*, Lithuania's Prime-Minister Algirdas Butkevičius talks about the importance of the Association Agreement for Ukraine at the Vilnius Summit and the impact of European integration on his country



Lithuania as the host of the Eastern Partnership Summit in Vilnius is a strong lobbyist of Ukraine's European integration. Its current Prime-Minister Algirdas Butkevičius is not just a top politician of his state – this year's President of the EU Council – but an advocate of Ukraine in the EU. Lithuania's major task for the presidency is to draw the attention of all 28 EU member-states to Eastern Partnership and Ukraine. Lithuanian government believes that the success of the Vilnius Summit and the signing of the Association Agreement is the test for the EU: if the agreement is not signed, it will damage the EU's image while East-

ern Partnership programme will prove inefficient and unpromising. It is essentially the stance and proactive actions of the official Vilnius that determine whether Ukraine will remain in the grey zone turning into a buffer zone between Russia and the EU, or whether it will soon gain more or less equal rights among European states.

Lithuania is a good example of how consolidated socio-political will becomes one of the major pillars for de-Sovietization and modernization in a country. Hopefully, several more post-Soviet states will soon return to Europe thanks to Vilnius which understands them and Europe equally well.

UW: Russian propaganda in the Baltic States repeats over and over again that the union with Russia would guarantee thriving for them. In the EU, they are turning into depressed peripheral countries while their citizens migrate in search of better jobs on a massive scale. Such clichés are used to discourage countries that want European integration. But they are easy to overturn. Lithuania's example can do that thanks to the progress it made after just ten years in the EU. Is that right?

Following the restoration of independence, the next natural step for Lithuania was to return to the

European family. Geographically, historically and culturally Lithuania belongs to Europe, we share the same values of democracy, freedom of speech, human rights, the rule of law, solidarity, etc. So it was only natural for us to seek membership in European and Euro-Atlantic institutions. Another key factor in support of EU membership was the awareness that the legal, economic and other reforms were carried out for the benefit of our people. European integration was the process where all major political parties, businesses and society joined efforts for the same goal that united Lithuania – the prospect of membership in the EU.

The reforms did cause some difficulties, but in the long run they turned out to be beneficial. Today, all the citizens of Lithuania can live, work and study where they want, setting up a business has become a relatively easy task anywhere in Europe. We fully share the benefits of being part of the single market: our businesses can export their products or services freely to a market of half a billion consumers. Some prices of daily services have dramatically decreased. For instance, due to the single European market, prices of mobile calls have dropped by nearly 70%. As a matter of fact, Lithuania enjoys the lowest call rates in the EU. In addition, the membership in the EU is a quality catalyst for national economies.

Lithuanians have – and have always had – a positive attitude towards the EU. According to the latest Eurobarometer survey, 65% of Lithuanians (62% in the EU) feel that they are citizens of the EU, and 70% of Lithuanians (EU-average is at 56%) think that the most positive result of the EU is free movement of people, goods and services within the EU. Furthermore, 64% of Lithuanians (49% in the EU) are optimistic about the future of the EU and 72% (67% in the EU) think that EU voice counts in the world. Another Eurobarometer poll from May 2011 showed that 67% of Lithuanians believe that our country has benefited from the EU membership. There can be no doubts that there are solid reasons for such confidence.

UW: Lithuania has received almost EUR 9bn under various programmes of EU funds. This is significant financial assistance for Central and Eastern Europe. Would

Lithuania manage to conduct all transformations without this aid?

We are delighted to know that according to the new data of the European Commission, Lithuania is a leading member state with regard to the share of the allocated EU structural funds. More than EUR 4.2bn have been paid to Lithuania out of all the EU structural funds, i. e. 63.4% of the EU structural funds allocated for the entire period of 2007–2013. Lithuania is ahead of all other EU member-states by the share of interim payments from all funds allocated by the European Commission. Also, Lithuania received a title of the Region of Excellence, which is established by the European Commission and awarded to regions that are most advanced and the best in terms of making use of the EU funds and pursuing the aims of the Cohesion Policy.

Assistance of the EU structural funds offers the country opportunities to implement the national long-term objective: to ensure the continuous growth of the country's economy and reduce disparities of economic development between Lithuania and the EU average. To this end, Lithuania seeks to improve its GDP growth and create more and better jobs.

Long-term economic effects (the supply side) were primarily observed in the general economic infrastructure (78.6% of the overall assistance was attributed to this sphere), 18.8% was given to the human resources development, and 2.6% went to R&D.

We already know that the EU structural assistance for 2004–2013 led to an increase in the average annual growth of the real GDP by 1.57p.p. in terms of comparable prices in 2005.

A total of LTL 66.36bn of additional nominal GDP is projected to be created in the period of 2004–2015, while the integrated return is to reach 1.97, i. e. every invested lita is to bring a return of LTL 1.97 in the nominal GDP. Financial engineering instruments, introduced during the programming period of 2007–2013 provided an additional impetus for both the real GDP growth and a higher return in the nominal GDP, as they prompted a relative reduction in the cost of investment and indirectly stimulated large private investment.

EU structural fund investments significantly help to address the un-

employment problem in Lithuania. At the end of 2011, the number of jobs that were newly created and/or retained due to the EU structural assistance accounted for 115,500, i. e. 9.1% of all jobs, and reduced unemployment rate by 7.4 p.p. It is projected that by the end of 2013, 154,000 new jobs will be created and unemployment rate will drop by 10.1 p.p. as a result of the assistance.

UW: Is there a high risk that the November summit will fail and the EU-Ukraine Association Agreement will not be signed? Does the EU realize the possibility of outright provocation from Russia which has leverage both in Ukraine and in several European capitals?

Negotiators of the EU and Ukraine did a huge work: the text of the Agreement was agreed (it took six years) and all our efforts have been consolidated for the final aim: signature of the EU-Ukraine Asso-

THE EU DOESN'T HAVE ANY PLAN B – AND DOESN'T NEED ONE – FOR UKRAINE

ciation Agreement and Deep and Comprehensive Free Trade Agreement (AA/DCFTA) during the Eastern Partnership Summit in Vilnius. The EU doesn't have any plan B – and doesn't need one – and I strongly believe that the end of November is the best time for the signature of AA/DCFTA. Russia has to respect sovereign choice of Ukraine. Economic threats and pressure is harmful not only for Ukrainian economy, but also for Russia and its business operators. It is clear that the earliest possible start of provi-

BIO:

Algirdas Butkevičius has served as Lithuania's Prime-Minister since December 2012. In 1996–2008, he was member of the 7th, 8th, 9th and 10th Seimas, elected as candidate of the Lithuanian Social Democratic Party. He served in a number of parliamentary committees, including the Committee on Budget and Finance (Chairman in 2001–2004), Committee on European Affairs (2005–2006) and Committee on Economics (2006–2008). In 2004–2005, Mr. Butkevičius was Minister of Finance in the 12th and 13th Governments of the Republic of Lithuania. From 2006 to 2008 he served as Minister of Transport and Communications. In 2009, he became the leader of the Social Democratic Party of Lithuania (SPDL). During the 2012 parliamentary election, Mr. Butkevičius was among the few candidates who were elected in the first round of the popular vote. On 22 November 2012, he was elected by the Seimas to be Prime-Minister-designate. He was appointed as Prime-Minister by presidential decree on 7 December 2012 and his cabinet was sworn on 13 December, following the approval of the governmental program by Parliament.

sional application of AA/DCFTA is within the best interest of everyone.

UW: There have been talks of energy diversification in Ukraine for a while now. This issue is equally important for Lithuania which buys Russian gas at the highest price in Europe. However, Lithuania has initiated and implemented the project to build an LNG terminal and implemented the EU Third Energy Package. How has Vilnius accomplished this?

Lithuania, although an “energy island” within the EU, is one of the most active promoters and supporters of the 2011 EU Council decision to create a fully functioning internal EU energy market by 2014 and to eliminate energy isolation by 2015. To increase security of supply, competitiveness and sustainability in the energy sector, Lithuania is implementing a number of strategic energy projects: power interconnections with Poland and Sweden, gas interconnection with Poland, and LNG terminal. The 2009 European Commission’s initiative to deliver the Baltic Energy Market Interconnection Plan (BEMIP) (a comprehensive Action Plan on energy interconnections and market improvement in the Baltic Sea Region) provided clear steps and concrete measures to be taken to better connect the Baltic countries to the wider EU energy networks. Therefore most projects that are currently under implementation are of regional significance and must be carried out in close cooperation with our regional partners.

On the other hand, having necessary gas and electricity interconnections is not enough. Establishment of necessary legal basis to promote transparency and competitiveness in the energy sector is equally important. Successful implementation of the 3rd EU energy package also highly depends on cooperation and talks with energy companies, and of course in Lithuania’s case the European Commission’s support has been extremely important throughout the whole process.

UW: What are primary differences between post-communist transformations in Ukraine and Lithuania? Why are the two former Soviet countries in very different positions now?

More than twenty years have passed since Lithuania and Ukraine gained independence, but new challenges are emerging. I am convinced that the future and prosperity of Central Europe inevitably depends on our commitments to build democracy, develop liberal society, and follow common values.

Following the restoration of its independence, Lithuania immediately declared its choice: integration into the EU and NATO; and adopted the policy of restoration of historical justice, better known as the slogan “back to Europe”. All political parties reached a consensus on the membership in the EU and NATO as the principal foreign policy objective. And this strategy was successful: Lithuania became member of the EU and NATO in 2004.

The abovementioned elements show the importance of a clear choice - or determination - and consensus.

Obviously, this is a long-term process that requires both strong will and resources, but Lithuania, being one of the closest friends, encourages Ukraine to use all the opportunities provided by the Eastern Partnership initiative. It is the right moment once more to demonstrate how partnership between the EU and its neighbours can bring changes to the societies in transition.

UW: The problems of the Ukrainian economy stem from its oligarch model. How did Lithuania manage to avoid this? In your country, this problem is not as dominating as it is in Ukraine, although scandals about the influence of business on the government sometimes erupt?

In order to enable constructive cooperation between the government and the business, which is very important, Lithuania seeks to make the legislative process and decision-making more open and transparent. Last year saw the adoption of the Law on Legislative Framework, which provides for a possibility of making legislative procedures public in electronic space, thus ensuring their transparency and timely consultations with the public. The law also contains an important provision stating that if the initial legislation has been drafted by a lobbyist, it should be made public (i.e. placed in the Legislative Information System). This enables closer control over lobby-

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ing activities, which, although governed by a special Law on Lobbying Activities, is not yet sufficiently effective, in our opinion.

The relevant legal acts provide for an obligation to publicize information about official meetings of state and municipal authorities and decision-making bodies, as well as planned legislative initiatives, legislation promoters, and non-civil servants that are participants in the legislative process; they also provide for a liability for the submission of knowingly misleading information that can have an impact on the proposed legal regulation.

Another important step taken in the early 2012 is provisions of the Law on Funding of, and Control Over Funding of Political Parties and Political Campaigns, which abolished the right of individuals and legal entities to donate to political parties, and legal entities to donate to political campaign participants.

The fight against corruption is among the priorities of the 16th Government of the Republic of Lithuania. The Government Programme provides for a range of anti-corruption measures that should further strengthen the system of fight against corruption and



MEMBERSHIP IN THE EU IS A QUALITY CATALYST FOR NATIONAL ECONOMIES

ensure efficiency of fight against corruption, also on the basis of recommendations for implementation of international anti-corruption documents, which Lithuania has ratified, provided by the Group of States Against Corruption (GRECO) and UN experts during the evaluation period.

At the end of August, the government submitted to the Seimas a draft bill amending and supplementing the National Programme of the Fight against Corruption for 2011–2014, which is the main national anti-corruption framework that brings together the state’s anti-corruption efforts. This amends and supplements the action plan for the programme implementation, seeking to ensure an effective fight against corruption in the spheres of public procurement, health, determination of disability, etc. ■

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The Russia That is Losing Us



Author:
**Oleksandr
Michelson**

My Ukrainian-born grandfather is visiting from Russia. “Kyiv is developing nicely,” he says as we tour the city. “Beautiful. But if you listen to our, Russian, TV stations, you get the impression that everyone here is starving to death – especially lately. They just hate the idea of Ukraine joining Europe!”

“You’re all going crazy about this association,” a friend from Russia wonders in a Facebook chat. “I get it: that’s all you write about because that’s your job, but what about all other Ukrainian users! And it’s always Putin who is making life difficult for you. But here, no one is interested in your association or in Ukraine.”

The people I talk to live in two different worlds. My grandfather gets his information about the world from the TV and *Rossiyskaya Gazeta* (Russian Newspaper); my friend – from social networks and serious weeklies if he wants to know something specific on geopolitics.

A quick look at the Russian mass media shows that on the public level, it’s not so much a war against Ukraine becoming closer to Europe, but the formation of a blackened image for both Ukraine and the EU. How else would you explain the fact that state and government-controlled TV channels buzz of the inevitable troubles for Ukrainians from EU association, the cunning Yanukovich and so on, while serious publications hardly mention this?

This means that Ukraine-EU association does not pose any serious threats to Russia – only phantom ones. They are provoking hysterical statements from Putin’s adviser Sergei Glazyev, Russian MPs and others. In turn, this hysteria fuels the phantom threats.

Indeed, not everything is smooth in the Association Agreement, and Polish apples could actually, in theory, sneak onto the Russian market as Ukrainian fruit. But is that a reason to restrict the imports of Ukrainian crushed stone and rolled steel, not to mention locomotives or helicopter engines?!

The last time something like this happened was with the notorious law prohibiting the adoption of Russian children by U.S. citizens. Indeed, Russian

diplomats should probably take better care of the rights of adopted children. Instead, one Russian MP laments that adoption should be banned, because Russian children are being made into zombie-like soldiers, who will subsequently fight against Russia!

People buy it. For Russia, the “we are surrounded by enemies” concept has long been the general propaganda line, a major railway track. The problem is that it’s impossible to come off a railway track. The hate campaign against Georgia did not begin on August 8, 2008. It started immediately after Saakashvili insisted on the removal of Russian military bases from his country’s territory. 2006 was the highest pre-war peak of this campaign, with the

mass deportation of Georgians from Russia under the pretext of the battle against illegal immigration. At least three people died then as a result of detention conditions and the overcrowding of special detention centres. It is almost sure that shortly after the end of Sa-

kashvili’s term in office Georgia will turn out “not friendly enough”. This will happen soon, so keep an eye on this.

There is a law in economics, that when the share of a country’s military industry goes beyond a certain level, war becomes inevitable. Otherwise, profitability falls and an economic crisis ensues. The same applies to propaganda. When profoundly designed to fuel hatred, it is hard to switch to a different track.

Therefore, it is futile for Mykola Azarov to publicly expect that Russia will calm down after association between Ukraine and the EU becomes a fact. There is also no purpose for some top Ukrainian and Russian journalists to express the hope that closer ties between Ukraine and the EU will turn out an ideological benefit for Russia – and eye-opener to the fact that there is nothing bad in the association with the EU, and Ukraine itself will be viewed as a “bridge between East and West”.

The opposite will happen. The supporters of association should be aware of this. “We are surrounded by enemies” is the national idea of today’s Russia, and even Putin will hardly be able to change it. Even if he wanted to. ■

“WE ARE SURROUNDED BY ENEMIES” IS THE NATIONAL IDEA OF TODAY’S RUSSIA, AND EVEN PUTIN WILL HARDLY BE ABLE TO CHANGE IT. EVEN IF HE WANTED TO

Odesa: Politicians as Merchandise

The stereotypical image of Odesa Oblast as a pro-Russian region and mainstay of the Party of Regions turns out to be far from reality

Author:

**Bohdan Butkevych, Kyiv–Odesa–
Liubashivka–Balta–Illichivsk–
Ovidiopol–Bilhorod-Dništrovsky**

The socio-political situation in Odesa Oblast has its own nuances, covert subtleties and purely local features. The region is best described as multifaceted, multi-ethnic and multi-zonal, composed of three dissimilar electoral and intellectual groups.

THE ODESA MYTH

“Odesa Oblast is not, has never been and never will be a politically monolithic entity,” asserts Anatoliy Boiko, head of the OPORA NGO and chief of the Ukrainian Voters’ Committee in Odesa Oblast. “Odesa may have the biggest number of electoral districts and over 700,000 of the region’s 1.8 million voters, but it stands in stark contrast to other parts of Odesa Oblast. There are three sub-regions in the oblast: the city of Odesa and two

northern areas—the historical Odesa region and Bessarabia, which was added to the oblast as late as 1940.”

The oblast’s electoral sentiments characterized by a love of freedom, a penchant for private entrepreneurship and detachment from the all-Ukrainian context can largely be attributed to its historical and intellectual past. The region did not endure serfdom under the Russian Empire and suffered relatively little damage in the Sec-



WINDOW DRESSING. The popularity of Odesa Mayor and Party of Regions MP Oleksiy Kostusiev is plummeting following last year’s financial scandals. He was evidently hoping to whiten his image by, among other things, granting special status to the Russian language. However, this tactic misfired even in Russian-speaking Odesa

ond World War due to Romania's relative leniency as an occupying regime (in comparison to the strife of German-occupied regions). Moreover, ethnic minorities residing in Odesa Oblast (Bulgarians, Gagauz and Greeks) were not eligible for the Red Army. Thus, the gene pool of the local population did not eventually suffer as much as elsewhere in Ukraine. Another important formative factor was the extremely advantageous geographical location of the region and especially of Odesa, which is essentially Ukraine's commercial gateway to the Black Sea.

Odesa is one of the few cities in Ukraine that still retains a clearly defined myth. It is rooted not so much in Soviet times as in the pre-revolution era—the imperial ideological concept of Odesa as the “empire's fourth city”. In fact, this may explain the city's Russophilia, visible in the wary or surprised way locals react when spoken to in Ukrainian. However, this reaction is far less aggressive than that of the local leaders, many of whom are indeed Ukrainophobes. Odesa Mayor Oleksiy Kostusiev is a good example: he doesn't even attempt to conceal his disdain for all things Ukrainian in the city. At one point, he ordered to have all future paperwork submitted to him exclusively in Russian rather than in the state language, which is Ukrainian. Local teachers also say that it was on his initiative that Ukrainian-speaking schools were transformed into bilingual institutions, while many Ukrainian-speaking classes were closed.

The political worldview of Odesa residents must have also been shaped by the ideology of this “free port” of entrepreneurs, a special and unrivalled “state within a state” for which the guiding principle is to do business and never burn bridges with anyone. This worldview comes through in electoral preferences: on one hand, Odesa votes only for its own and, on the other, it is extremely loyal to the current authorities, whoever they may be.

For a non-local-born candidate to be elected mayor of Odesa is unthinkable. Ironically, however, Eduard Hurvits, former Odesa mayor of long standing and a local political leader for the past 20 years, was born in Mohyliv-Podilsky, while Kostusiev, the current mayor, hails

from the distant Russian island of Sakhalin. However, both lived and worked in Odesa since childhood and are thus perceived as “Odesa's own”—otherwise, they would not have had the slightest chance of success in local politics. “For Odesa to be ruled by a stranger is simply impossible,” Oleksiy Katiuzhonok, a local pensioner, says. “Some time ago, I would have said that we need a Jewish mayor, but nearly all of them have emigrated by now”.

This important electoral mindset sends every new government in Ukraine on a mission to find their own point man in Odesa through whom to rule the region. Even the Party of Regions, when it came to power and divided all top-level administrative offices exclusively among people with Donbas backgrounds, did not risk sending their own “Varangian” to the Black Sea coast. Initially, they tried to assert themselves there by choosing between popular local leaders who represented different generations. First, they tapped former Odesa Mayor Ruslan Bodelan, who was in hiding in Russia during the Yushchenko presidency from 2004 to 2010. Then came Leonid Klimov, one of the biggest local tycoons, owner of the Prymoria Financial Group and Chornomorets football team. Their current appointee is Odesa Oblast Governor Eduard Matviychuk, former Nasha Ukraina (Our Ukraine) member and political renegade. Tellingly, one of his first moves in the new office was to cut off state financing for the region's only Ukrainian-language newspaper Chornomorski novyny, while budget allocations for Russian-language periodicals were increased.

In general, Odesa residents are very sceptical of politics. “Let them fight all they want,” Serhiy, an entrepreneur who has three sales points on the famous Arkadiya beach in Odesa, says. “Practice shows that you can find common ground with everyone. It's important to always find benefits for everyone. We are a city of trade and any political extremities are out of place here. This is precisely why the locals vigorously oppose both the *Svoboda* (Freedom) party and pro-Russian radicals. True, many people here want to speak Russian, but if you want to speak any other language, you're most welcome. We've always had many ethnic

2,388,300
people, amounting to
5.2%
of Ukraine's total
population, lived in
Odesa Oblast as of 1
January 2012

UAH
3,041
was the average salary
in Odesa Oblast in July
2013, compared to UAH
3,429
nationwide

26.3%
of Odesa Oblast
residents are employed
in commerce,
14%
in agriculture and
9.4%
in industry, according
to the State Statistics
Committee



THE MORE OPPOSITION-MINDED NORTHERN PART OF THE OBLAST IS MORE INERT THAN THE SOUTHERN PART, WHICH IS MORE LOYAL TO THE GOVERNMENT

groups here and they all have found their place under the sun”. With 133 ethnic groups residing in its territory, Odesa Oblast is indeed one of the most multi-ethnic regions in Ukraine. The Ukrainian population is in the majority (62.8%), while other groups are smaller: Russians (20.7%), Bulgarians (6.1%), Moldovans (5.0%), Gagauz (1.1%), Jews (0.6%), Belarusians (0.5%), Armenians (0.3%), Roma (0.2%); Poles, Tatars, Germans, Albanians (0.1% each); Czechs, Greeks and others.

Despite the fact that the Party of Regions holds most of the top offices in the executive and local governments and the party won the 2012 parliamentary elections in the region with 41.9% of the vote, the oblast is not at all a mainstay of the ruling party. In 2007, it polled 52.22% here and has lost over 10% of its base since then. Contributing to this slide were last year's corruption scandals involving Kostusiev and the fact that the party failed to nominate a single consensus candidate in many election districts, resulting in superfluous rivalry. The best-known example is Ihor Markov, head of the pro-Russian *Rodina* (Fatherland) party, who was recently stripped of his MP status after he went against the party line. Although a member of the Party of Regions faction, he had refused to vote for the European integration bills. In the 2012 parliamentary elections, Markov ran in district No. 133 and beat Oleksiy Honcharenko, the Party of Regions' official nominee and Kostusiev's son, by picking up more than 26% of the vote and winning by a margin of some six%. By and large, Party of Regions membership means nothing in Odesa except that a certain

businessperson finds it convenient to cooperate with this political force at a given moment.

“We turned a blind eye to Yanukovich's criminal past because we believed that he would be able to put things in order so that every-

one could earn their money normally”, says Andriy Hlushchan, a private entrepreneur from Bilhorod-Dnistrovsky. “But he turned out to be the same idle talker as his Orange predecessors. I don’t even know whom I will vote for in 2015. The main thing is that they let us do business and stay away from our local affairs. We will sort things out ourselves one way or another”. This is the quintessence of the prevalent electoral attitudes in Odesa Oblast, which would gladly support a party with centrist views and social slogans. Voting here betrays a certain class structure: intellectuals and private entrepreneurs sympathize with the opposition, while the government sector and workers back the Party of Regions.

“Odesa Oblast in general is peculiar for its detachment from the ideological war between Western and Eastern Ukraine,” Boiko says. “Southern Ukraine – and especially our region – is more pragmatic and indifferent to lofty theoretical issues. Instead, people vote here with their wallet; they calculate things based on profit and personal comfort. The only important ideological factors are the heroic pages of the ‘Great Patriotic War’ and the Russian language. However, this is more typical of Odesa

itself, while the northern districts are somewhat different”.

POOR NORTH VS. RICH SOUTH

“Another huge electoral sub-region of Odesa Oblast is its northern part,” Boiko explains. “This is a Ukrainian-speaking territory and quite supportive of the opposition. These are the districts to the north of Odesa, especially those that are closer to Vinnytsia and Kirovohrad oblasts.” The majority of the 15.5% of votes that Batkivshchyna (Fatherland) garnered in the 2012 elections in the oblast came from this area.

However, these districts are statistically the poorest and most

The Party of Regions lost more than
10%
of its support base in the Odesa Oblast in the period from 2007 (52.22%) to 2012 (40.9% in the parliamentary elections)



ODESA RESIDENTS ONLY VOTE FOR THEIR OWN, BUT ARE MAXIMALLY LOYAL TO ANY RULING GOVERNMENT

agricultural: 45% of their population work in the agricultural sector, compared to 14% oblast-wide. Moreover, they are landlocked and thus unable to utilize one of the oblast’s key advantages.

“I supported *Nasha Ukraina* back in 2006,” a village teacher in the Balta district told *The*

Ukrainian Week. “And in the most recent elections, I voted for *Svoboda*. There are quite a few people like me here – opposition-minded, you might say. We are Ukrainians – my grandfather was born in the Cherkasy region and moved here in the early 20th century. In the village, we speak what may be a mixture of Ukrainian and Russian, but it’s Ukrainian all the same. But our people are poor and underprivileged and the villages are small. Young people escape to Odesa, where they quickly become Russified. Those who stay are easy to control. And in general, I get the impression that Odesa is more interested in the rich southern districts, while we seem to be something like a fifth wheel”.

Because the population of the pro-Ukrainian belt in Odesa Oblast is paralyzed by poverty, the level of protests and civic activity is very low here, amounting to little more than support for the opposition at the polls. But there are some nuances; northern districts bordering on Moldova are densely populated by ethnic Moldovans, a minority that usually votes for the Party of Regions. The rich southern part (historically called Bessarabia) stretching along the Dniester Estuary with up to 50% ethnic minorities in some districts (for example,



HUMOR AS A MEANS OF PROTECTION. Odesa Oblast residents largely take an ironic approach to politics and become involved only with their own benefit in mind

PHOTO BY PHIL



47% Moldovans in Reni district) is very active socially, rather than politically—primarily in defending its own interests. There are, however, traditional “white-and-blue” (Party of Regions’ colours – **Ed.**) enclaves, such as Bulgarian district No. 142, the city of Artsyz, which gave the Party of Regions 51.21% of its votes.

Southern districts stand out through constant political competition and livelier civic processes, especially in environmental protection. In important ways, this has to do with the resort industry, which is a substantial source of income for the locals, and the proximity of two national borders—one with Romania, i.e. the EU, and the other with Moldova. Another factor is the proximity of the break-away Moldovan republic of Transnistria, a political black hole that generates income for many local smugglers.

Thus, paradoxically, the more opposition-minded and pro-Ukrainian northern part of Odesa Oblast is more inert, while its southern part, which is more loyal to the authorities, is more active, even if in a non-political sphere.

COMMERCE = COMPETITION

The region also has an unusually large number of influential local mass media owned by businessmen and politicians. This results

in constant political competition and thus relatively balanced coverage. More than 800 printed mass media outlets, over 100 local TV channels and at least 100 Internet publications are registered in the oblast. All of them are focused on local topics, which makes it possible to see the intensity of civic-political life in the region.

“Odesa has traditionally had a great deal of business activity, which requires information support,” Boiko explains. “Therefore, every influential clan and public opinion leader has its own media holding here, which ensures a wide plurality of thoughts, evaluations and angles of presentation.” For example, according to sources consulted by *The Ukrainian Week*, Party of Regions MP Hennadiy Trukhanov owns the Glas holding; Matviychuk controls the state television; UDAR MP Eduard Hurvits has the Krug Television and Radio Broadcasting Company in his portfolio; President of Odesa Law Academy Serhiy Kivalov controls the Akademiya Television Company and the Third Digital channel; Fatherland MP Serhiy Faiernmark owns the Nova Odesa channel; the ATV channel belongs to Markov, and so on. This supports the idea of Odesa Oblast as a land of many options and goes some way in explaining why the Party of Regions

has never had real or even seemingly autocratic power. In Odesa, everyone is used to making money, seeking their own benefit, so fitting into a strict vertical of power is something these people are neither capable of nor willing to do. However, the opposition forces are essentially missing out on this opportunity – as in all south-eastern regions, the party brands were offered here on a franchise basis until recently. Local clans exploited this tactic in fighting their opponents, while doing nothing to win over the electorate. The opposition had its greatest success here in 2004 when Viktor Yushchenko collected 27% of the vote in a presidential election. Since then, the situation has remained almost unchanged – Fatherland and UDAR together polled roughly the same percentage. The only surprise in the 2012 parliamentary election was due to the Svoboda, which received 3.3% of votes compared to almost zero back in 2007.

Like all parts of Southeastern Ukraine, this region now has a palpable void in the political sphere because the majority of voters no longer want to vote for the Party of Regions but are lacking an alternative. “We treat politicians like merchandize at the Privoz Market,” says Odesa resident Olha H. “We pick them out like goods, choosing the best or the cheapest. Of course, sometimes we get cheated, just like in the marketplace. Yanukovych



LIKE THE REST OF SOUTH-EASTERN UKRAINE, THERE IS A PALPABLE POLITICAL VOID IN ODESA OBLAST: THE MAJORITY OF VOTERS NO LONGER WANT TO VOTE FOR THE PARTY OF REGIONS BUT DO NOT SEE A VIABLE ALTERNATIVE IN THE OPPOSITION CAMP

palmed off rotten goods on us, but those self-styled opposition members are selling nothing but air. Let them first show that their goods are better, and then we'll vote for them. Taking someone's word for it is out of the question here in Odesa.” ■



PHOTO FROM SBU ARCHIVES

The Undeclared

Why Ukrainian insurgents did not become Soviet and Nazi collaborators

Author:
Oleksandr
Pahiria

The movement that German special services characterized as an insurgent one in autumn 1942, started in Volyn, in the part of Ukraine where the Nazi occupation was most violent, with numerous raids on the local population for the deportation of young Ukrainians for work in Germany, the systematic requisitioning of food and cattle, the burning down of villages, political terror and genocide. It was in Volyn that the powerful armed resistance against the occupiers emerged, headed by OUN, the Organization of Ukrainian Nationalists.

It played a major role in the emergence and further development of UPA, the Ukrainian Insurgent Army: UPA's insurgent units were set up based on OUN's bunkers, while its underground network served as a chain for the coor-

dination of the "forest army". However, there is a clear difference between the two organizations. The UPA was an army with its own military structure; discipline enforced by the Military Political Police (MPP); a chain of non-military services for healthcare, administration and communication; training centres for commanders; and its own oath, honours and medals. It fought under the blue and yellow, rather than the red and black flag, and as of July 1944, reported to the Chief Ukrainian Liberation Council, the highest political and military authority of wartime Ukraine. Meanwhile, the OUN was an underground organization with its rules of conspiracy, branched illegal structure, hierarchy, judiciary, training, oath, flag and so on.

Obviously, OUN and UPA were closely linked throughout their en-

tire struggle, as OUN leaders held command positions and many OUN members fought in the UPA. There is no clear division between them, but they were never one organization: not all insurgent fighters joined OUN or became nationalists ideologically.

A NATIONWIDE CAMPAIGN

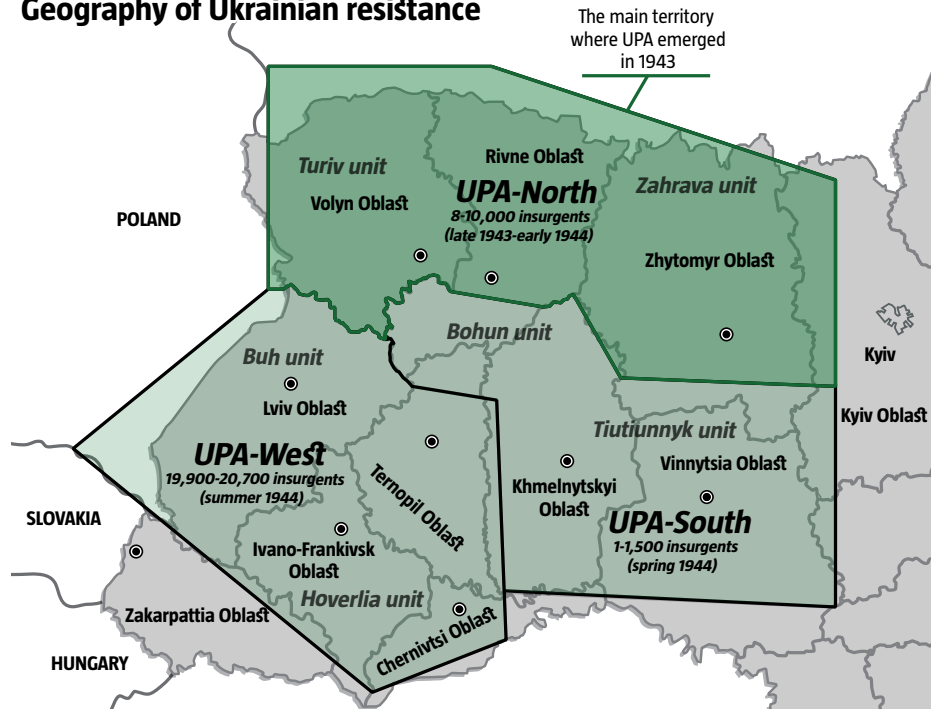
The emergence of UPA in early 1943 and the fighting until the order for its cessation by the Liberation Council in September 1949, was a new stage in the history of the Ukrainian liberation movement that combined national goals and social objectives, as well as the anti-colonial and anti-totalitarian struggle against two tyrannical empires: Stalin's USSR and Nazi Germany. Those who fled to the forest included patriots seeking the revival of Ukraine's independence on

the one hand, and those who protested against whatever the occupiers wanted to do to them, searching for social and economic freedom and the protection of human rights. It was when people from all over Ukraine, including Eastern Ukrainians, different social classes and political groups, ethnic minorities and foreigners started joining the UPA that the scope of the Ukrainian liberation movement expanded.

The insurgent movement was not purely regional, limited mostly to Western Ukraine, as is widely believed, only because it emerged in Volyn which, when talking about its historical significance, embraced the modern Volyn and Rivne Oblasts, northern parts of the Ternopil Oblast and most of the Zhytomyr Oblast, from the point of view of higher patriotic and resistance sentiments. It did not extend to Halychyna until summer 1943, while UPA's structures only gained their ultimate shape in early 1944, when UPA-South units emerged and began to operate in what are now the Ternopil, Khmelnytsk, Vinnytsia and Kyiv Oblasts. Along with the eastern units of UPA-North, they were the avant-garde that managed to more or less spread the insurgent movement across Right Bank Ukraine for a short period of time, reaching as far as the Dnipro River. UPA was an all-Ukrainian resistance that was not limited to a handful of regions and seeking to gain nationwide levels. The Bolshevik regime, the Famine, forced collectivization, Stalin's repressions and the shameful retreat of the Red Army in summer 1941 forced many people from the territories along the Dnipro, which comprised essentially the entire territory of modern Ukraine, with the exception of the Crimea and Halychyna, into the "forest army". German estimates reported a total of 100,000 people joining the UPA, while in actual fact, at its peak, the "forest army" was comprised of up to 35,000 soldiers.

After it reached its highest number and scope in summer-autumn 1944, UPA's geographical range began to wane under the harsh pressure of the Soviet military and police machine. Eventually, the "forest army" was forced to switch to acting in smaller units and ultimately, join the ranks of the armed underground resistance. Despite the

Geography of Ukrainian resistance



myths about post-war resistance only being limited to Western Ukraine, it actually sparked just as intensely throughout Ukraine until the mid-1950s. One of the last OUN bunkers was destroyed in the Zhytomyr Oblast in 1955.

WHEN UPA BECAME A FACT

Virtually all anti-colonial movements in the world history of the first half of the 20th century were radical and conducted an uncompromising armed struggle, using violence against all their enemies. No insurgent movement, from the Irish IRA to the Jewish fighters in Palestine, wore white gloves or had spotless reputation. The crimes committed by UPA fighters can be viewed from different perspectives, but one fact remains: if not for their struggle, the modern Ukrainian state would not be possible today. Despite the change in the political situation and single-minded attempts to demonize this movement, the historical memory of it has returned to Ukrainian society over the years of independence, becoming an element of mass culture and civil identity.

UPA's phenomenon lies in the fact that unlike similar resistance movements that occurred at the same time, it emerged from a very well organized local population, from which it drew all of its strength and resources. Unlike the Soviet

guerilla movement and other Communist resistance campaigns in Europe, funded and supplied with human resources by the Kremlin, and national resistance movements, such as Poland's Armia Krajowa (Home Army), Charles de Gaulle's France Libre (Free France) or Draža Mihailović's Jugoslovenska vojska u otadžbini (Yugoslav Army in the Homeland), all supported by their émigré governments in London and Western allies, the UPA emerged on its own, being more popular and Ukrainian by nature and composition than Soviet guerilla units, for instance. Without systemic material, staff and financial support, it nevertheless succeeded in building its own structure, establishing fighting detachments, arranging a material supply system and training for its staff, within a very short period of time.

In the 1940s-50s, Ukrainian insurgents demonstrated the highest level of resistance against two totalitarian regimes. Some were forced to collaborate with the occupiers who had quite a range of tools to achieve this, but most UPA fighters preferred to die and not surrender to the enemy. They all knew that they would die sooner or later and viewed their death in an evangelical, rather than an apocalyptic sense, like a seed which, having fallen onto soil, has to germinate, thus continuing the liberation campaign. ■

At its peak, the "forest army" was comprised of up to
35,000 soldiers

Contextualizing the Holodomor



Author:
Larysa
Zariczniak

The Holodomor was genocide. This was the conclusion on the first annual scholarly conference of the Holodomor Research and Education Consortium. The conference was attended by some of the most well-known researchers, not only in Holodomor studies, but in general Ukrainian studies: David Marples, Norman Naimark and Roman Serbyn are only three scholars that can be mentioned. All of them agree that the debate over whether the Holodomor was genocide has been resolved – it was and we should treat it as such – this fact has now become an academic given. However, there are still plenty of other debates and unknowns about our understanding of the Holodomor and its effects. One of the more interesting debates occurred between Francoise Thom from Sorbonne University in Paris and Mark von Hagen from Arizona State University in the USA: the issue of collaboration and blame. Who is included in the role as villain in the story of the Holodomor – surely Stalin for it is without doubt that he knew about the famine but did not care – but what about the others in the elite Soviet party or the party representatives in the villages? Who is to be blamed for this atrocity on the Ukrainian people? Overall, even with this debate – one conclusive fact remains: Stalin knew.

This issue over Stalin's role was brought up among other scholars. Many expressed their opinion – mainly through Andrea Graziosi from the University of Naples – that the findings from new archival sources shatter the myth that the Holodomor was Stalin's necessity for an industrialized Ukraine that would act as a buffer zone in his paranoid delusion of an upcoming war with Poland. Historians now know that the Holodomor occurred only a few months before the formal signing of a peace pact between the Soviet Union and the Second Polish Republic and more importantly, several questions were brought up as to the rational discussion about this 'war myth'; namely: who exactly was this war scare from? Certainly not Poland that was crippled by the Great Depression not only economically but also politically and militarily. Andrea Graziosi ex-

pressed himself exquisitely when he stated that to modernize – and industrialize – does not mean to collectivize. Stalin destroyed a whole people not for the industrialization of the Soviet Ukraine but rather to destroy the very soul of the Ukrainian people. We must stop insisting that Stalin saved Ukraine from war – there was no war to be saved from, there was only Stalin himself and his party. Industrialization should not be equated to the starvation of millions of innocent people.

Serhii Plokhii from Harvard University stated that the Holodomor should be seen as Stalin's attempt to create a borderland of communist utopia: "it

would be the fortress of socialism". This subtle idea that the Holodomor was an intrinsic act of Soviet colonialism (or even Stalinist colonialism) was punctuated by various historians – and debated by others. There are still questions that need to be addressed more categorically however: was Mark von Hagen and Liudmyla Hrynevych correct in their assessments that colonialism was an in-

trinsic part of Stalin's communism or was the Holodomor a show of power as Serhii Plokhii says, in order for Stalin to gain even more control of the party leadership and cast out the old elites with ones that grew up in his communist utopia?

One of the more interesting talks of the conference came from Olga Andriewsky from Trent University in Canada. She discussed how the Holodomor has impacted the understanding of Ukrainian history but also showed the attendees the impact that politics has on the study of the Holodomor. For her, the greatest triumph of Viktor Yushchenko's presidency was the proclamation that the Holodomor was genocide. This not only allowed the spread of Holodomor education but also the legacy of the Holodomor to become part of Ukraine's national memory. Olga's proclamation that the Holodomor was 'uniquely ruinous' was evidenced by her examination of the blacklisted villages and what that exactly meant: all stores were closed, bank accounts frozen, party members purged, cattle and other farm animals taken away, grain seized and travel restricted. This blacklisting was also more wide-

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GIVEN**



spread than previously thought and was more persistent towards villages that resisted (either in the past or present) to Soviet indoctrination. She also presented a copy of the 22 January 1933 decree, Preventing the Mass Exodus of Peasants who are Starving, which basically allowed the arrest of anyone trying to flee the famine but also closed off the borders. The decree was signed personally by Stalin himself – a man known to read everything before he signed his name.

Stanislav Kulchytsky from the Institute of History of Ukraine remarked that the Soviets “did not just take away the potatoes and the meat, but they took away everything”. This can be linked not only the physical starvation of a whole people but also the destruction of their cultural and social understandings. This was another important topic throughout the conference – the effects of genocide on a whole people and their history. Questions were raised on the genetic effects of malnourishment, the Ukrainian population’s inability to reproduce itself naturally and the

destruction of Ukraine’s cultural ethos - its peasantry.

The conference ended with a special presentation by Roman Serbyn from the University of Quebec in Montreal on the evolution of understanding the Holodomor from a simple famine to genocide. Roman Serbyn was also awarded for his lifetime contribution for his active

service in promoting the Holodomor as genocide by Frank Sysyn and personally thanked for his service in the Ukrainian-Canadian Diaspora by the president of the Ukrainian-Canadian Congress, Paul Grod. It brought together the expert minds of Ukrainian history and showed that the future generation of Ukrainian academics - both from Ukraine and outside of it - were willing to explore Ukraine’s tragic yet interesting

history. While it is true what Roman Serbyn has opinionated: the Holodomor is one of the saddest episodes of Ukraine’s history however, it has also shown that the Ukrainian spirit and will to survive has and can endure. ■

THE SOVIETS DID NOT JUST TAKE AWAY THE POTATOES AND THE MEAT, BUT THEY TOOK AWAY EVERYTHING. THIS CAN BE LINKED NOT ONLY TO THE PHYSICAL STARVATION OF A WHOLE PEOPLE BUT ALSO TO THE DESTRUCTION OF THEIR CULTURAL AND SOCIAL UNDERSTANDINGS



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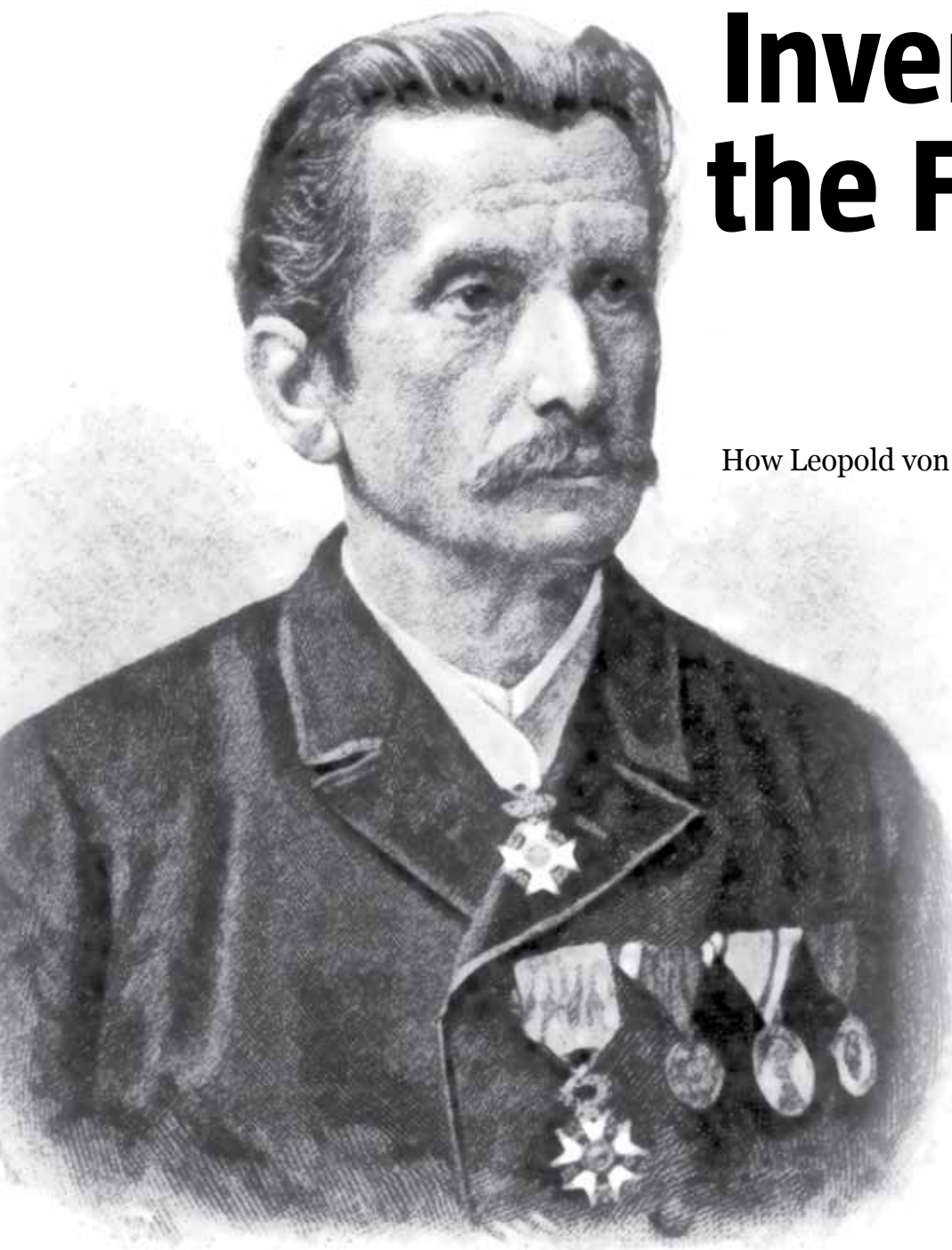
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Inventor of the Femme Fatale

How Leopold von Sacher-Masoch went from writer to masochist



Author:
Ivan Kolomiychuk

Some writers have paradoxical fates in literature. A staunch republican, Niccolò Machiavelli described the principle of government division into branches long before John Locke. He treated Brutus as a hero of republican Rome and Caesar as a despot and betrayer of republican ideals whose death was well-

deserved. Eventually, the name Machiavelli came to describe a doctrine that justifies any means to obtain undivided power. It was apparently much easier to read his scandalous *The Prince* than bother with the less sensational *Discourses on the First Decade of Titus Livius*.

A similar fate befell the once renowned Austro-Hungarian writer Leopold von Sacher-Masoch. In his lifetime, the presi-

dent of the French Republic decorated him with the Legion of Honour for his literary activity. Today, the first thing an average reader thinks of when hearing his name is handcuffs, whips, latex costumes and other sex toys. Paradoxically, there is barely anything of the sort in Sacher-Masoch's books. "If Leopold von Sacher-Masoch wanted to dress his Venus in rubber – technically he could do that – he would have", Belarusian poet Elina Voitsekhovska rightfully noted. Of course he didn't, nor did he intend for his books to be interpreted the way they are today.

EXPLORING SENSUALITY

Sacher-Masoch's image as a provocative pervert that overshadowed his fame as a writer in the centuries after his death largely came from his equally famed compatriot, Richard von Krafft-Ebing, the father of sexual pathology and criminalist psychiatry who came up with the term "masochism". Since Sacher-Masoch was best at describing the phenomenon that earned a special place in Krafft-Ebing's system of human perversions in literature, the psychiatrist found that he should name it after him. In his principal work *Psychopathia Sexualis*, Krafft-Ebing immortalized Sacher-Masoch's name by attaching it to the sexual deviation whereby "based on sexual feelings and desires, an individual is guided by a fantasy that he/she should be completely and absolutely subject to the will of another individual".

However, there are many reasons to claim that the experienced psychiatrist only saw what he wanted to see in Sacher-Masoch's works, especially as many patients mentioned Sacher-Masoch in their letters to Krafft-Ebing as one of their favourite writers. Perhaps it was readers like these that Marquis de Sade, another writer made famous through psychiatry, once referred to: "Who knows, maybe even reading Seneca would defile them".

The first thing a reader will notice in Sacher-Masoch's most famous novel, *Venus in Furs*, is not masochism as many may expect. It is a defence of happy sensuousness, a typical component of the Classicist 19th century. "The ideal which I strive to realize in my life is the serene sensuousness of the Greeks - pleasure without pain. I do not believe in the kind of love that is preached by Christianity, by the moderns, by the knights of the spirit. Yes, look at me, I am worse than a heretic, I am a pagan", the main heroine, Wanda, declares passionately to her beloved Severin.

At times, Sacher-Masoch's apologia for sensuousness becomes a hymn to free love: "We are faithful as long as we love, but you demand faithfulness of a woman without love, and the giving of herself without enjoyment... You talk of duties where there should be only a question of pleasure," Wanda proclaims. Incompatible with Victorian morality, these things were written in the conservative 19th century. This incompatibility explains the contemptuous silence that soon fell over Sacher-Masoch in the German literary criticism of the late 19th and early 20th centuries. French critics, by contrast, put him third after Goethe and Heine in the German pantheon.

Wanda often contemplates aloud in *Venus in Furs*, but it is Severin that encourages her to do so. Emancipation is another of Sacher-Masoch's strong points. The novel ends with a feminist manifest – this time articulated by Severin who learned many lessons from Wanda, including through physical punishment: "A woman can only become a man's companion when she has the same rights as he, and is his equal in education and work".

BIO

Leopold Ritter von Sacher-Masoch was born in 1836 in Lviv. His father was a police chief and his mother was the daughter of a university professor. Leopold had poor health as a child so his parents sent him to live with a Ukrainian peasant woman named Handzia in Vynnyky, a town that is now a suburb of Lviv. She was the one to instil a love for Ukraine in the young Leopold. He later invented a Ukrainian genealogy for himself, which he boasted everywhere. In 1848, his family left Lviv when his father was transferred to Prague. Leopold visited Ukraine just once as an adult, yet he always returned to it in his writing. In 1865, he became famous as a writer, discovered by the Viennese writer and critic Ferdinand Kürnberger who wrote a foreword to Sacher-Masoch's *Don Juan von Kolomea*. From that time on, top German publishing houses printed his books. In 1886, Richard von Krafft-Ebing published *Psychopathia Sexualis*, where he introduced the term "masochism". In 1967, French philosopher Gilles Deleuze published *Présentation de Sacher-Masoch* (Masochism: Coldness and Cruelty) where he smashed any association between Sacher-Masoch and Marquis de Sade, another writer famed through psychiatry. The book later became a classic of philosophy.

It is Leopold von Sacher-Masoch who should be considered the inventor of the femme fatale, not his Romantic predecessors with their overbearing mysticism who created the female "vamp", or Marquise de Sade whose libertines, including Juliette, are essentially genderless mechanisms in their practices. Severin falls under the spell of Wanda's charm. And in a way he is like Pygmalion who creates her, reveals the potential of her strong will, and falls in love with her. Sadly, the story does not have a happy ending. Wanda breaks up with her creator and ruins his life because she wants a relationship of equality, not domination and submission—that is the main lesson to be learned from Sacher-Masoch.

A WRITER OF TWO WORLDS

Venus in Furs was not the only thing that made Leopold von Sacher-Masoch famous in his contemporary Europe. He was also known as a writer from Ukraine. His *Don Juan von Kolomea* (Don Juan of Kolomyia) unveiled for 19th-century Europeans the exoticism of Galicia (Halychyna), the easternmost region of the Austro-Hungarian Empire. The French president awarded him the Legion of Honour for this work.

As a figure in literature, Sacher-Masoch was like Nikolai Gogol: both found Ukrainian culture very important but neither wrote in Ukrainian. Still, it is impossible to imagine their books separated from Ukraine. Even the introduction and ending of *Venus in Furs* take place in Halychyna. This non-

linguistic inclusion is not the only thing in common between Gogol and Sacher-Masoch. The former revealed Ukraine to St. Petersburg, the capital of the Russian Empire at the time. The latter revealed it for Western Europe. Both writers had their own mythical visions of Ukraine. It is no surprise that Ivan Franko once wrote bitterly in his correspondence that Sacher-Masoch "was making up nonsense about Halychyna".

Eventually, this "nonsense" played a cruel trick on Sacher-Masoch. "He never found a homeland for his talent. He never became part of something whole. In fact, it wouldn't have been that easy for him. Where is that whole of which he could have become a part? He wasn't rooted anywhere. He couldn't turn to the grand legacy of Austrian literature since he was a stranger to it. He hated the Germans and outgrew Slavic culture," Hermann Bahr, the father of Vienna Art Nouveau, commented upon Sacher-Masoch's death in 1895. ■

THE FEMME FATALE IN LITERATURE AND FILM



Malva Landa, Yuri Vynnychuk

Malva Landa embodies the image of the femme fatale in this eponymous novel. The protagonist only sees her in his dreams and just once in person – at a ball, but he does not know that it is her. Even though the woman is a dream from the very beginning, it is she who leads the protagonist into the phantasmagorical and grotesque

kingdom of the Lviv dump. Both Leopold von Sacher-Masoch and Yuri Vynnychuk dig deep into the atmosphere of Halychyna, both preaching their own exotic versions of free love.



Basic Instinct, Paul Verhoeven

Catherine Tramell (played by Sharon Stone) is the quintessential incarnation of Leopold von Sacher-Masoch's femme fatale in contemporary cinema. While investigating a murder, protagonist Nick Curran (played by Michael Douglas) falls in love with a writer of detective novels. Just as Wanda

does what she says in Sacher-Masoch's novel, Catherine in *Basic Instinct* not only writes detective stories, but brings them to life. At the end of the 20th century, she directs her own productions and no longer needs men to instruct or educate her. The fact that the film instantly generated a multitude of quotes, allusions and parodies in the world of cinema shows its cultural importance.

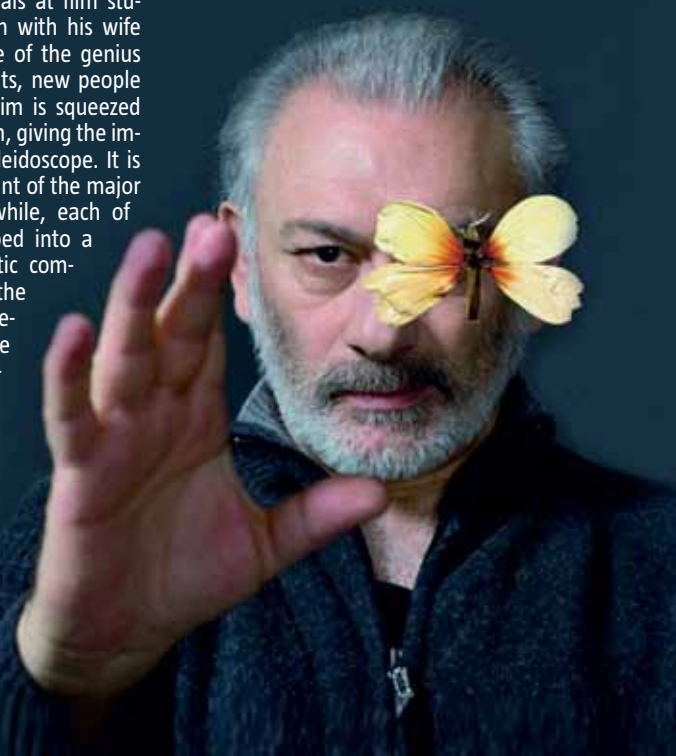
The Shadows of Parajanov

On October 3, one of the most eagerly awaited Ukrainian films, *Parajanov*, is being released on the big screens in Ukraine after a nomination for an Academy Award and presentation at the film festivals in Karlovy Vary and Odesa. Directed by Serge Avedikian (France) and Olena Fetisova (Ukraine), *Parajanov* is an explosive fusion of the past achievements, current opportunities and optimistic expectations of Ukrainian cinematography. The government provided financial support for the project and there is no question about this: it was a well-thought out project about a great artist whom people know and love. However, the way the project was carried out does raise some questions.

From the very beginning, the directors wanted to grasp every aspect of Parajanov as an artist and a person in this film. They started with the filming of *The Shadows of Forgotten Ancestors* which he directed in 1964 and went all the way to 1990, when he died. The story includes his life in Kyiv, shooting in the Carpathians, his time in Yerevan, his arrest and imprisonment, and the making of *The Legend of Suram Fortress* in Georgia. It also has scenes with Marcello Mastroianni

and Andrey Tarkovsky, scandals at film studios and Parajanov's relation with his wife and son. As a result, the life of the genius that was full of endless events, new people and contemplations about him is squeezed into the 95 minutes of the film, giving the impression of life through a kaleidoscope. It is more of a retrospective account of the major moments in his life. Meanwhile, each of them could well be developed into a separate drama or surrealistic comedy or tragedy. The fact that the film did not go into greater detail on any one aspect, and the lack of a climax that would focus the attention of the audience on strong emotions, seems to be the major flaw of the film.

Still, the professional acting of Serge Avedikian as Parajanov, the talented camerawork by Serhiy Mykhailchuk and the skillful crew compensate for some of the film's flaws.



Events

2-9 October, 12 p.m. —

Foreign Body

M17 Contemporary Art Centre
(104, vul. Horkoho, Kyiv)

All art lovers have the unique opportunity to see paintings by well-known Austrian artist, Wolfgang Walkensteiner. His personal exhibition will only be in Kyiv for seven days. The painter chose one of the oldest techniques for his artwork, using egg tempera paint. Tempera is one of the most long-lasting and high-quality materials. Its pigment does not fade in sunlight. The artist's other original technique is the details cut out of some of his paintings and layered onto others.



From 10 October —

New German Movies

Kyiv cinema
(19, vul. Velyka Vasylkivska, Kyiv)

The audience will see a selection of the best German contemporary films at the New German Movies festival. The programme of the 19th festival includes five films in different genres. *Oh Boy*, a tragic comedy, shows the life of the careless Niko, whose inertness leads to very sad consequences. *Hannah Arendt*, a historical film, reflects on the life and views of the well-known German-Jewish activist. *Die Brücke am Ibar* (The Bridge over Ibar) offers an emotional love story set in Kosovo during the civil war.



11-13 October —

Iron Lion

Arsenalna Ploshcha
(downtown Lviv)

Another one of Lviv's good traditions: it will once again host the annual open air blacksmiths' festival. It attracts the best craftsmen from all over Ukraine to show their physical strength, talent and delicate skills. Visitors will see blacksmithing from



the past century and have the opportunity to try smithing something of their own. It is hard to believe how the bulky furnace, hammer and anvil help blacksmiths to turn lumps of iron into masterpieces. Yet, that is what visitors will see in Lviv.

The Kunstkamera of the Epoch



IHOR HRYHORIEV. CONSTRUCTION 1973-1976

The National Art Museum of Ukraine continues to reveal unknown aspects of 20th century Ukrainian art. The exhibition, *Quiet Protest* of the 1970s, presents little-known artwork by painters of that time, who opted for European art traditions, rather than the prevalent ideological Social Realism. Over 120 pieces by twenty painters from private collections reveal the mysterious underground world of the Brezhnev era – the time of alternative exhibitions and cultural adventures. This show consists of three parts, each mirroring its epoch in collective portraits: of industrial society, everyday life and artists.

Art critics claim that Ukrainian painters of the 1970s have much in common with European modernist painters on the verge of the 19th and 20th centuries. Both opposed aggressive society with individualism, segregating artistic life from everyday routine, and turning to mythological and folklore images. Both experimented with techniques. Anatoliy Lyamar's paintings have traces of Van Gogh, Yuriy Zorko has elements of Cezanne, Viktor Zaretskyi has some details in common with Matisse. The paintings of the 1970s reflect their dim epoch through unconventional, almost mystical prisms, vibrant colours and edgy rhythms. The images inspire multiple interpretations.

Anatoliy Lymarev runs counter to the schematic Social Realism and paints the workers' work-worn hands and faces uncompromisingly clearly. Painter Serhiy Otroshchenko looks like a Gulag prisoner with his head held high in Mykhailo Vanshtein's portrait. The *Quiet Protest* is the *kunstkamera* of its epoch: it does not hesitate to show nude bodies, Petro Belenko's "panic realism", a still life with a skull and a microscope, and artists' workshops with replicas of icons and Diego Velazquez hanging on the walls. The Seventies was a phenomenon of those who treaded their path quietly by refusing to follow established rules. Today, the paintings that were once created for closed private rooms are displayed at the central museum.

This is the National Museum's second big step towards the revival of Ukraine's contemporary art history. It is a long time since ideological pressure has disappeared, but actual reforms in museums have only just started, as nearly 100 paintings and sculptures created from the 1960s through the 2000s fill its halls.

The exhibition is open through October 20 at 6, vul. Hrushevskoho in Kyiv



Through 13 October

The Days of Myroslav Skoryk's Music

National Opera House, National Philharmonic and other venues (50, vul. Volodymyrska; 2, Volodymyrskyi Uzviz, Kyiv)

The international music festival is dedicated to the 75th birthday of the legendary composer and founder of the contemporary Ukrainian school of composition, Myroslav Skoryk. The concerts will last through mid-October. Top musicians from Ukraine, Azerbaijan, the Netherlands, the USA and Switzerland will play his pieces on Kyiv's major music stages. In addition to his well-known *Melody* which some consider to be Ukraine's spiritual anthem, the programme contains many more of his pieces. Myroslav Skoryk will play some of them himself, accompanied by an orchestra.



13 October, 9 p.m.

Uriah Heep

DockerPub (25, vul. Bohatyrska, Kyiv)

The British rock band will play a concert in Ukraine that is a fusion of heavy metal, art rock and jazz rock. The voice of its lead singer, Bernie Shaw, is the band's trademark element, while the hit song *Lady in Black* remains a favourite. The band



has recorded more than twenty albums and played hundreds of concerts all over the world. After forty years on stage, Uriah Heep has become a classic of hard rock, many of their albums topping the music charts.

Through 18 October

Contrasts

Lviv Oblast Philharmonic (7, vul. Tchaikovskoho, Lviv)

Lviv is hosting the 19th international contemporary music festival that kicked off at the end of September. This year, it is more diverse than ever. From George Antheil to Valentin Bibik, from mono to flute operas, from guitar music to Nina Matvienko's angelic voice – this is all part of the 19th *Contrasts*. A concert of music from different epochs entitled *From Classics to Modern Day* will be a new addition to the festival programme. Performers will come from Spain, Poland, Canada, Hungary, Germany and Malta to play on the Lviv stage.



Unpolished Authenticity

Remote villages in Polissia are home to the descendants of old noble families

My cell phone automatically switches to a Belarus operator two kilometers before the Belarussian border. My calls home to tell parents that I got stuck here become a challenge. Not getting stuck here is even more of a challenge: the bus to Ovruch, the nearest town, comes rarely. Until recently, kids from a Belarussian village just across the border went to the Ukrainian school in Voznychi, a village on the Ukrainian side. Then border control tightened and the school was closed down. Thickets have gradually taken over the village ever since. Around it lie the pristine forests of Polissia¹.

Article and
photos by
Olena
Maksymenko



¹Polissia or Polesie – “covered in forest” in Ukrainian – is a natural and historic region, part of the old Slavic proto-homeland. It mostly covers Northern Ukraine and Southern Belarus, as well as small parts of Russian and Polish border territories. Just like the Carpathians, it preserves the oldest relics of proto-Ukrainian and proto-Slavic cultures. Chornobyl is located there.

²The Grand Duchy of Lithuania was a European state from the 12th century until 1795. It expanded to include large portions of former Kievan Rus and other Slavic lands, covering the territory of present-day Belarus, Latvia, Lithuania and parts of Moldova, Poland, Russia and Ukraine. At its peak in the 15th century, it was the largest state in Europe.

WILD AND NOBLE

The Nevmrzhetskis and the Levkivskis are two families descended from the nobility of the Grand Duchy of Lithuania². Many more have lived in the local villages Voznychi, Luchanky, Levkovychi, Matsky and others since the 15th century. “They probably settled here even earlier,” says Serhiy Kovalchuk, head of the village council, “but nobody has dug deeper into their family tree.”

Mr. Kovalchuk is a man of the world. With two university degrees and many trips around Europe, he finally settled in the small village. The speed of urban life is not for him, he says. He edits historical and ethnographic research papers and is working on one of his own right now, collects bits and pieces of local history, starting with the Stone Age, and is looking for information about

people who disappeared during the Second World War or Stalin’s repressions to pass it on to their descendants. Each search is a real detective story. Mr. Kovalchuk makes sure that the heroes are duly honoured – be they Ukrainians or Germans who didn’t allow soldiers to strike a match and set a church full of people locked inside on fire. Or, at the very least, known.

Like all the locals, he is very distrustful. He takes his time scrutinizing my journalist ID but even after agreeing to talk to me, insists that the recorder is not switched on. In the end, I write down the entire conversation by

hand.

Fear of recorders and cameras is omnipresent here, although the locals are curious, sincere, funny and friendly. They will eagerly leave whatever they are doing to talk to strangers walking down the street, tell their family history or that of the village, invite them to dinner or to stay the night, show them around the house and the backyard. But one rash move towards the camera and the contact is lost. “I’m not pretty, I’m not dressed well, take photos of someone prettier,” a nice-looking young woman says.

“They still remember Stalin,” a man in the village of Verkhnia Rudnia explains why the village head prefers to speak off-record. Here, memory is transferred on a genetic level. So are the memories of the villagers’ medieval origin.

“Don’t confuse them with the Polish nobility!” Mr. Kovalchuk says. “They are the Ukrainian *okolychna shliakhta* (suburban nobility – a class of impoverished noblemen, most of them with no land, that emerged after the division of the Polish-Lithuanian Commonwealth – Ed.).” One such nobleman was Yuriy Nemyrych, a colonel in Bohdan Khmelnytskyi’s army who initially fought against Khmelnytskyi, but decided to make a deal with him once he realized that he would not defeat the hetman. Mr. Kovalchuk denies that these fami-

lies have Polish roots but historical turns intertwined the Ukrainian and Polish nobility so often that very few historians would be able to decipher the twists and turns of their genealogy.

With the Levkivski family, things are much clearer: Larion Vavelskyi is considered to be the founder of the family. Prince Olelko Volodymyrovych, the grandson of the Lithuanian Great Prince Olgerd, granted him this land in 1450 for services rendered, although what these services were is unknown. The



deed awarding the land said: “Neither he nor his servants are obliged to serve us, nor should he pay any taxes; he is also not obligated to guard Chornobyl, but shall do service with the boyars³.” Successive princes reaffirmed these privileges for “the biggest suburban noble family”.

In other words, serfdom never existed in these villages. The locals did not pay taxes. Their only duty was for each family to send one man from each household once every two years to patrol the border on a horse for a period of six months. Nearby villages where *muzhyks* – peasant serfs – lived, experienced serfdom. A nobleman could not marry a common woman. This tough divide has survived to this



day. The two families try to marry among themselves, their members being fully aware of their aristocratic roots.

WHEN THERE WAS NO HEAVEN OR EARTH...

At one time, the village of Luchanky had an impressive collection of stone tools that had been found there. This was later taken to Zhytomyr.

Before (and after) Princess Olga burned down Korosten, these lands were inhabited by the Drevlians (a tribe of Early East Slavs in the 10th-16th centuries. Their name derives from the Slavic word *der-evo* – tree. They fervently opposed attempts to annex them to Kievan Rus but were eventually conquered. Prince Oleg made them pay tribute to Kievan Rus in 883



but they stopped after his death. After Prince Igor tried to reinstate the tribute, they killed him. His wife, Princess Olga avenged his death by destroying their capital, Iskorosten (now Korosten) and other towns – **Ed.** They did not accept Christianity until 120 years after Christianity was accepted in Kievan Rus in 988. Slavic pagan names and legends come to life here. Yivzhyn wells (Princess Olga's wells) were dug by her troops during the advance on the Drevlians to avoid drinking water from existing wells, which the Drevlians may have poisoned. These wells were guarded 24/7. Mr. Kovalchuk learned these and many other legends from his grandmother who could not read or write. The name

of Lelchynskiy Raion (Region) in Belarus comes from goddess Lel; Babyna Hora – Grandmother's Mount – is from Baba, the goddess of the forests and fields; Divoshyn and Divyna Hushcha (Maiden Thicket) are named after Diva, a younger version of Baba. *Kapyshcha* for them, i.e. the part of pagan shrines behind the altar where the statues and images of gods were located, were always close by.

Every Easter, local youths jump over bonfires, tell fortunes and roll fire wheels – these are all pagan rituals. They always go to church before or after these rituals. This place is a natural fusion of old and new traditions.

Since almost all of the people in the village have Nevmrzhetski as their surname, the locals use a three-level system of names: 90% of the locals have the same surname; the family name – Kysli (Sour), Leiba (for friendship with a Jewish family), Zubati (Toothy), Dolya (Fate), Kruts (Nail); and nicknames. While the family name is used officially for postmen, nicknames are seen as more insulting, a kind of mockery.

Beekeeping is one of the main industries here. The technology used has barely changed since the times of Kievan Rus. Hollowed-out tree trunks are placed as high as possible on other trees. That's where the bees live. These apiaries are heated in winter. Much of the honey is sold.

The locals still plough their land, part of which is under rye. They also make their own bread.

Quite a few Luchanky-born secondary school graduates manage to enter top Kyiv universities. Could this be one of the positive manifestations of their blue blood?

The neighbouring village of Verkhnia Rudnia barely differs from the "noble" Voznychi and Luchanky. However, the gap between them is much deeper than the five kilometers of forest road. People there are equally friendly, inviting us to their homes and asking us why we're there. "Oh, so you've visited those lords?" the host wonders mockingly. "When their guy marries our girl, his whole village baits him for taking a common woman."

"Blue blood, blue blood," the host continues. Suddenly, a smile lights up his face. "Not that blue anymore... The Germans have



NORTHERN UKRAINE | NAVIGATOR

mixed in some of theirs. Did you see how many people there are blond? There you go!"

While Crimea and the Carpathians are comfortable exotic destinations with well-mapped tourist routes and all the necessary facilities, Polissia is wild, unpolished and authentic. You will not find a comfy hostel, cafe or a souvenir shop anywhere here. Instead, you will experience the life people lived many



WHILE CRIMEA AND THE CARPATHIANS ARE COMFORTABLE EXOTIC DESTINATIONS WITH WELL-MAPPED TOURIST ROUTES AND ALL THE NECESSARY FACILITIES, POLISSIA IS WILD, UNPOLISHED AND AUTHENTIC



centuries ago. Every spot and stone here has a story not yet told in history books and the people who know and retell all these stories are still alive. It is unknown whether these villages will die out like many others did, whether their noble villagers will assimilate or savvy young generations will turn them into standard popular traditional tourist destinations. For now, you can be here, listen and watch here, and absorb the rich and full memory with the air. ■

³Boiars were members of the highest rank of the feudal Moscovian and Kievan Rus aristocracies in the 10th-17th centuries. Only the ruling princes were superior.

Get a Life!

Using the social network seems to make people more miserable

Those who have resisted the urge to join Facebook will surely feel vindicated when they read the latest research.

A study just published by the Public Library of Science, conducted by Ethan Kross of the University of Michigan and Philippe Verduyn of Leuven University in Belgium, has shown that the more someone uses Facebook, the less satisfied he is with life.

Past investigations have found that using Facebook is associated with jealousy, social tension, isolation and depression. But these studies have all been “cross-sectional”—in other words, snapshots in time. As such, they risk confusing correlation with causation: perhaps those who spend more time on social media are more prone to negative emotions in the first place. The study conducted by Dr Kross and Dr Verduyn is the first to follow Facebook users for an extended period, to track how their emotions change.

The researchers recruited 82 Facebookers for their study. These volunteers, in their late teens or early 20s, agreed to have their Facebook activity observed for two weeks and to report, five times a day, on their state of mind and their direct social contacts (phone calls and meetings in person with other people). These reports were prompted by text messages, sent between 10am and midnight, asking them to complete a short questionnaire.

When the researchers analysed the results, they found that the more a volunteer used Facebook in the period between two questionnaires, the worse he reported feeling the next time he filled in a questionnaire. Volunteers were also asked to rate their satisfaction with life at the start and the end of the study. Those who used Facebook a lot were more likely to re-

port a decline in satisfaction than those who visited the site infrequently. In contrast, there was a positive association between the amount of direct social contact a volunteer had and how positive he



THE MOST COMMON EMOTION AROUSED BY USING FACEBOOK IS ENVY

felt. In other words, the more volunteers socialised in the real world, the more positive they reported feeling the next time they filled in the questionnaire.

A volunteer's sex had no influence on these findings; nor did the size of his (or her) social network, his stated motivation for using Facebook, his level of loneliness or depression or his self-esteem. Dr Kross and Dr Verduyn therefore conclude that, rather than enhancing well-being, Facebook undermines it.

Their study does not tease out why socialising on Facebook has a different effect from socialising in person. But an earlier investigation, conducted by social scientists at Humboldt University and Darmstadt's Technical University, both in Germany, may have found the root cause. These researchers, who presented their findings at a conference in Leipzig in February, surveyed 584 users of Facebook aged mostly in

their 20s. They found that the most common emotion aroused by using Facebook is envy. Endlessly comparing themselves with peers who have doctored their photographs, amplified their achievements and plagiarised their bons mots can leave Facebook's users more than a little green-eyed. Real-life encounters, by contrast, are more WYSIWYG (what you see is what you get).

What neither study proves is whether all this is true only for younger users of Facebook. Older ones may be more mellow, and thus less begrudging of their friends' successes, counterfeit or real. Maybe. ■



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