

The Ukrainian Week

International edition

#1 (83) January 2015

Electricity: losing
power to Russia

How Russian forces
entered Ukraine

Kyivan Rus, the medieval
Ukrainian state

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ТИЖДЕНЬ



New Energy Addiction

Opting for imports of coal and electricity from Russia on the background of the still existing gas and nuclear dependence makes Ukraine totally vulnerable to Kremlin's potential blackmail

Author:
Oleksandr
Kramar

After nine months of full-scale Russian aggression, involving not only the military invasion of Crimea and the Donbas combined with the information and ideological war, but also the outright trade, economic and energy blackmail, the recent decisions to re-orient the country towards coal and electricity supplied from Russia are puzzling.

A country that for the last few years tried to overcome the negative effects on its sovereignty of its total dependence on Russian natural gas, today willingly chose to be dependent on imports from Russia of those same energy sources that could have provided the fastest path to its energy independence.

A STAGED COLLAPSE

Today, it is difficult to determine who exactly in the current govern-

ment and/or in the country's energy sector has masterminded the dramatic "energy collapse that needs to be overcome at all costs." However, the fact that we are dealing with a problem that was artificially created as a result of criminal omission or criminal activity is glaringly obvious.

From August, when experts and the media started ringing alarm about the anticipated problems with thermal coal deliveries to Ukrainian thermal power plants, to November–December, when this led to massive blackouts, becoming a convenient excuse for strengthening the country's energy dependence on Russia, nothing was done to prevent this from happening.

This was especially manifest in the case of TPPs operated by Tsentrrenergo State Energy-Generating Company, that are totally dependent on anthracite coal produced

in Ukraine almost entirely in the territory of Donetsk and Luhansk oblasts occupied by Russian troops.

Even though Tsentrrenergo as a public company should have set an example of how to solve coal problems through imports, coal stocks in its TPP's warehouses steadily waned: from 970,000 tons in July to 690,000 tons in August, 205,000 tons in September, 98,000 tons in October, and 58,000 tons in November, before being finally exhausted in December, which led to the shutdown of all power units at Trypillya TPP in Kyiv Oblast and at Zmiyiv TPP in Kharkiv Oblast.

This resulted in an absurd situation, when against the background of the critical and real gas deficit, due to the artificial shortage of coal, power and heat were generated at these plants by burning natural gas. The shortage of

power in the system had to be compensated at the account of electricity generated by other power plants using gas-and-oil units.

When a warm spell arrived in the second half of December, rolling blackouts reached the unprecedented scale of 2–6,000 MW, which is equivalent to the power capacity of the country's largest nuclear power plants or thermal power stations. Representatives of energy companies and "experts" persistently stirred up hysteria in the media, claiming that power system deficiency amounted to 20% of the electricity market demand in warm weather, and predicted a full-scale disaster with the onset of the cold weather.

Their chorus was joined by Arseniy Yatseniuk, who at the Cabinet meeting could not think of anything better than stating that "If the temperature goes down, coal consumption will increase immediately and rolling blackouts will become massive," and urged the new Energy Minister Volodymyr Demchyshyn to settle the issues related to coal and electricity imports for Ukrainian power plants from Russia.

As if he did not advise the population from the same chair back in summer to switch to electricity as the main alternative to gas heating, as if during the next six months he was not aware of the growing problems with providing TPPs with coal, as if he has done everything in his powers to prevent the collapse in winter. Or as if he did not know that it's impossible to rely "on the treacherous and deceitful enemy," Russia, when planning to import the lion's share of coal from the aggressor country, which totally predictably blocked it at its border, and would do it time and again.

Even coal imports from South Africa arranged in rather inadequate quantities by the previous management of the Energy Ministry, which could have somehow resolved the situation with providing Ukrainian TPPs with fuel from alternative sources, were disrupted due to a corruption scandal. The media have reported enough facts to show that the prime cause for this was actually the desire of certain high-ranking Ukrainian government officials (with the chain leading to the

management of the Presidential Administration) and energy sector structures to control the new profitable business scheme. Management reshuffle and even arrests of a number of departments' heads and companies' CEOs in the industry are also evidence of the intensive redistribution of the energy market.

However, the struggle of various business groups and decision-makers for the tender bits of the Ukrainian so-called energy market, and especially of government procurement, is a sad but true statement of facts. The real problem is not so much that the market has been redistributed and that the coal import margin, including its corruption component, will go to some other "influential people," as that due to the redistribution at this stage the country's dependency on Kremlin-controlled territories has increased.

According to media reports, recently the main participants of the meetings at the Ministry of Energy and Coal Industry of Ukraine chaired by Volodymyr Demchyshyn were Maksym Tymchenko, head of DTEK owned by Rinat Akhmetov, and Serhiy Kuzyara, who is close to the structures associated with Oleksandr Yanukovych. Needless to explain that both of these oligarch groups are exclusively interested in lobbying the schemes aimed at increasing Ukraine's dependence on coal and electricity supplies from Russia and Russian-controlled areas of Donbas.

Meanwhile, the information space regularly received signals of the artificial nature of the steady shortage of Ukrainian coal extraction. In particular, Hennadiy Moskal, head of Luhansk State Oblast Administration, called upon the government to resolve the issue of shipping coal from the warehouses located in Luhansk Oblast (142,000 tons of thermal coal still remained in Ukrainian-controlled territory). The problem with shipping it was caused by the sabotage of Donetsk railway management, which still remains in the Russian-occupied territories, while the Ukrainian government proved to be incapable of replacing it. After all, the mines of the Lviv–Volyn basin also have over 93,000 tons of coal, according to Mykhailo Volynets, Chairman of the Inde-

pendent Trade Union of Miners of Ukraine. The Energy Ministry procrastinated until the last decade of December with granting independent legal personality to YuzhnoDonbaskaya Mine No. 3, which is located in the territory of Donetsk Oblast controlled by Ukraine, but used to be a part of the company with headquarters in Donetsk occupied by Russian troops. As a result, the mine's warehouses overloaded with fuel have accumulated 24,000 tons of thermal coal, while the mine itself on December 12 had to switch to emergency operation, reducing coal production to a minimum.

YOU GET WHAT YOU PAY FOR

After preparing the public opinion, the large-scale "single option" coal and electricity imports from Russia and its subordinate districts of Donbas were presented as

THE STRUGGLE OF VARIOUS BUSINESS GROUPS AND DECISION-MAKERS FOR THE TENDER BITS OF THE UKRAINIAN SO-CALLED ENERGY MARKET, AND ESPECIALLY OF GOVERNMENT PROCUREMENT, IS A SAD BUT TRUE STATEMENT OF FACTS

"the only possible rescue from the country's energy collapse."

During a press conference on December 29, Petro Poroshenko announced that on December 26 the deliveries to Ukraine of the coal purchased earlier in Russia were unblocked, and according to the agreement made on electricity imports, its supplies started at midnight on December 29, at the capacity of up to 1,500 MW. Dmitry Kozak, Russian Deputy Prime Minister, confirmed that Russia would supply electricity to Ukraine at surprisingly low Russian domestic rates (that are even lower than wholesale Ukrainian prices). The deliveries would also include about 0.5 million tons of critical ranks of coal per month, the price of which for January is reportedly set at about \$73.

However, at the same time the President announced the intention to buy coal also on the occu- ➤

pied territories of Donbas in order to "block its illegal traffic" and "only in cases where we will be able to ensure that the received funds will be used to pay the miner's salaries." Even though it is totally clear that in any case this would mean making life easier and revenues higher for the region's occupying authority, as well as creating a permanent threat of deliveries being sabotaged to put pressure on Kyiv with respect to Donbas or Crimea issues.

In parallel, instead of looking for alternative sources of coal in the world market, the Ukrainian government is arranging its supplies from Kazakhstan, even though such supplies would depend just as well on the goodwill of the Kremlin and may at any time be blocked.

GAS: THE SEQUEL

In the meanwhile, there is a growing threat that in February and early March the critical situation similar to that with coal that the whole country followed in December will be repeated, only this time with gas.

As of January 13, working gas reserves (minus 5 billion cubic meters of base gas) in UGSFs fell to 5.5 billion cubic meters. This figure is extremely low, taking into account that in less than three months of the heating season with mostly warm weather (which started on October 20), 6.3 billion cubic meters of gas were withdrawn from storage facilities. Recently, Ukraine consumed about 70-100 million cubic meters per day. And there are still more than three months of the heating season ahead, including the second half of winter, which is traditionally the coldest.

In December, natural gas consumption quotas were largely exceeded by district heating providers and industrial consumers. In particular, according to Naftogaz data, only from 1 to 20 December their consumption amounted to 197 million (27%) and 216 million cubic meters (31%). The irrationality of this excess of quotas by district heating providers which, same as the population, use gas for heating purposes, is evidenced by the fact that the population consumed 315.7 million cubic meters less than its quota allowed. At the same time, instead of com-



The capacities of thermal power plants operating on gas coal that is in large supply today both in Ukraine and in Europe are not being used to the full extent

pletely turning off gas supplies to chemical industry enterprises that waste natural gas as a raw material for export production, the government supported the launch of additional capacities, including Dmytro Firtash's Severodonetsk Azot Association that was idle since summer.

The procrastination by the Cabinet and Naftogaz with adopting tough decisions to ensure compliance with gas consumption quotas by industrial enterprises, especially those using it as a raw material, inevitably brings nearer the gas collapse and the threat of the country left to freeze. It would be better losing additional 2-3% of industrial production in Q1 of 2015 than leaving tens of millions of people without heat in their homes or getting closer to another capitulation to the Kremlin, this time on the gas issue. Maintaining or, even worse, increasing the current rate of exceeding natural gas consumption quotas may lead to its overconsumption by the end of the heating season at the level of 2-2.5 billion cubic meters, making the country face exactly this kind of threat.

At the same time, Naftogaz from 9 to 24 December used only 350 million cubic meters out of 1 billion cubic meters of Russian gas paid for in advance for December. This policy of Naftogaz seems strange, since Russia may at any time suspend its supplies under

one or another vain pretext to aggravate the situation in Ukraine. It would have been much more prudent to quickly withdraw as much of the paid gas as possible and to inject it into storage facilities. The more so that the pretext for reducing the supplies of gas even on advance payment terms, as we have already said, may be provided by the claim to Firtash's structures for the confiscation of 5 billion cubic meters of gas that are allegedly stored in Ukrainian underground storage facilities.

The above set of factors rapidly reduces the working gas stocks in storage to critically low levels, making the country potentially vulnerable to Russia's blackmail in case of simultaneous suspension of Russian supplies of electricity, coal, and natural gas. Reverse-flow gas supplies from Europe in this situation is not a cure-all solution. For instance, in October and November Ukraine imported 0.9-0.95 billion cubic meters of gas. Even taking into account that the gas capacity of connection pipelines ensuring supplies from Slovakia was increased starting December 15 to 40 million cubic meters per day, and that reverse-flow supplies from Hungary that started in January amount to several billion cubic meters of gas, the imports from the EU (including via the Polish pipeline) can be expected to increase up to 1.2-1.3 billion

cubic meters at most in January and February.

WHAT TO DO?

Anthracite coal extracted in Ukraine only in the territory of Donbas occupied by Russian troops is in fact sold by very few countries. However, the market can offer enough coal that in certain mixtures can burn at the coal-fired units of Ukrainian TPPs designed to burn anthracite. Besides the hostile Russia, other countries that offer it to the global market include the friendly US, as well as Vietnam, China, South Africa, etc.

After all, despite the corruption scandal and the allegations of its unsuitability for Ukrainian TPPs, 240,000 tons of South African coal shipped to Tsentrэнерго TPPs have been successfully burned. This means that we can and must find additional millions of tons of coal outside of Russia, Kazakhstan and the Russian-occupied Donbas territory. If we take full advantage of all available options, the first supplies could arrive to Ukraine already in March, when storage facilities stock is expected to be completely exhausted.

Besides, the capacities of TPPs burning gas coal that is in large supply today both in Ukraine and in Europe are not being used to the full extent, although electricity production can be significantly increased if this type of fuel is used. The overall capacity of the units operating today on gas coal (without the TPPs of Donetsk and Luhansk oblasts) is 5.8 GW. These are the three power plants operated by Zakhidenergo and the coal units of Zaporizhzhya TPP. Basing on the example of Zaporizhzhya TPP owned by DTEK, the production at such plants may be increased almost by a third: while the overall capacity of its units that can operate on gas coal is 1,200 MW, only 925 MW are currently being generated.

The problem is that all these plants still belong to a prominent lobbyist of the Russian interests in Ukraine, Rinat Akhmetov. Therefore, the government's task is to make the management of Akhmetov's DTEK stop lobbying Russian interests in Ukraine or the interests of its mines located in Donbas territories controlled by terrorists (as it is doing today), and to use all available reserves to reduce the

country's dependence on Russian supplies. If required, certain assets should be nationalized, or interim state administrations introduced.

There will be enough time until the next heating season if in April or May the reconstruction of all TPPs thermal units designed for anthracite is launched in order to switch them to gas coal ranks. Recently, former Energy Minister Yuriy Prodan estimated the cost of reconstructing one boiler at a symbolic \$1.5–2 million figure. In this way, dozens, or at most hundreds of millions of dollars that can be obtained from international lenders for target programs will be enough to forget by the next heating season about the need for anthracite coal that is in short supply. According to expert estimates, the project approval, construction and installation of the equipment may take from four to the maximum of six months. And this process can be started already today, in order to complete this stage by the end of the heating season and by the time of the gradual shutdown of energy units in May–August.

In the future, Ukraine will be able to build more TPP units burning lignite, more than 2 billion tons of proven deposits of which are concentrated in Central Ukraine. Despite its lower calorific value, it has been successfully used to generate electricity in Germany, Poland, Czech Republic, and several other European countries. Previously, lignite was neglected because of problems with selling Donbas coal, but now it seems it is high time to resume its production.

And finally, it's necessary to stop playing populist games and bring gas prices for all consumers to the market level. Firstly, to allow for its steady import from different sources. And secondly, to stimulate its production in Ukraine from deeper levels and from less profitable dormant mines. Experts estimate that this would help in the next several years to increase production to 5–6 billion cubic meters in the traditional gas-bearing areas of Western and Left-Bank Ukraine. At the same time, real fuel prices will help understanding the real demand for it in the Ukrainian market and creating effective economic incentives for introducing large-scale energy effi-

ciency measures and investigating alternative energy sources.

In the meanwhile, the current situation with gas prices remains disastrous. In October, Ukraine imported natural gas from Europe at \$316 per 1,000 cubic meters, while the price for 2015, according to Deputy Finance Minister Ihor Umanskiy, is set at \$345. But even if, due to the drop in oil prices, the average price will be \$280–300, still taking into account the exchange rate of 20 hryvnya to the dollar, the VAT and the shipping costs, the price of the cubic meter of gas for Ukrainian consumers should be at least 7–8 UAH per cubic meter, whereas today not only the population, but also district heating providers, nonprofit organizations and even commercial consumers are paying less.

During this heating season, the authorities still had at least



IT IS NECESSARY TO STOP PLAYING POPULIST GAMES AND BRING GAS PRICES FOR ALL CONSUMERS TO THE MARKET LEVEL

some excuse to justify the dependence on Russian coal and electricity by the force majeure and the lack of time required for the large-scale diversification of supplies and the modernization of power generation facilities. However, in the next three to six months, it will have to clearly state its position with respect to the critical energy dependence on Russia formed as the result of switching to large-scale imports of electricity and coal and the Kremlin-controlled territories.

Telling tales about the impossibility of finding an alternative will not work for the next heating season, because until then there is every technical and technological capability to entirely give up any gas, coal and electricity supplies to Ukraine from (or via) Russia or Russian-occupied Donbas territories. If this is not done, there will be no more illusions left as to the ability of the current Ukrainian government to ensure the country's energy security and, consequently, its ability to withstand Russia's political blackmail. ■

An Average High-Ranking Politician

The Ukrainian Week offers an image of an average executive top official. The analysis covered the Cabinet of Ministers, the Presidential Administration (PA), the National Security and Defense Council of Ukraine and Heads of Oblast State Administrations (OSA).

Compiled by Roman Malko and Bohdan Butkevych



Cabinet of Ministers: Millionaires' club

The current composition of the government, if not revolutionary, is very different to all previous ones. First of all, it is young – the average age of the ministers is 43, which is strikingly different from the elderly one of the Yanukovich era. What is equally interesting is that for probably the first time ever, most government officials are from Kyiv and Kyiv Oblast, which is where they also built their careers.

The current Cabinet of Ministers is a government of official millionaires: according to their tax declarations, nine ministers had an income of more than UAH 1mn in the last year. This is why the average income of Cabinet members is somewhat significant - UAH 3.7mn.

The only aspect, in which the current government is conservative, is on the issue of gender – 90% (18 ministers) are men. 90% of Ministers are married and on average, have two children.

So the average Ukrainian minister is a man, who is about 40 years old from Kyiv or Kyiv Oblast, a graduate of the Taras Shevchenko National University of Kyiv, with no party allegiance, married with two children and a millionaire who built his career in the capital.

Average age	Sex	Place of birth	Place of career growth	Most popular higher education institutions	Party membership	Married	Two or more children	Average income per person	Richest	Poorest
20 persons in all										
43	 90%  10%	Kyiv and Kyiv Oblast 5 Other regions 15	Kyiv 15 other cities 5	Taras Shevchenko National University of Kyiv 6 Other 14	Independent 13 People's Front 4 Other 3	16	9	UAH 3.7 mn	Valeriy Voshchevskiy (Radical Party) UAH 36,416,166	Hanna Onyshchenko (Independent) UAH 35,099

Presidential Administration and National Security and Defense Council: a well-educated retinue

Unlike the government, PA and RNBO officials declare far more modest incomes, although they have quite large estates and land plots. Just as in the Cabinet of Ministers, people from Kyiv are prevalent in the President's environment, however their geographical origins are more diverse: from both East and West. The average assistant to the President of Ukraine, his mainstay, is a man who is over the age of 44, who built his career in the capital and does not want to be a member of any party, although, of course, sympathises or is in the inner circle of people close to the President, the President himself, or his Chief of Staff.

19 persons in all										
44	 100%	Kyiv 5 Kharkiv 3 Other regions 11	Kyiv 18 Other cities 1	Taras Shevchenko National University of Kyiv 8 National Academy for Public Administration under the President of Ukraine 2 Foreign higher education institutions 4 Other 5	Independent 14 Petro Poroshenko's Bloc 3 Other 2	16	9	UAH 0.59 mn	Oleksandr Turchynov National Security and Defense Council UAH 1,224 mn	Sviatoslav Tseholko (Press Secretary for the President) UAH 41,695,000

Heads of Oblast State Administrations: local businessmen

Most OSA heads are from the regions in which they operate. They are generally businessmen and have pretty good experience in management and making money, but they have quite modest incomes. It is difficult to draw an overall picture, because these "princes" include oligarch Ihor Kolomoisky. If his income is not taken into account, OSA heads earn nearly UAH 1.5mn per year. As in the government and the PA, middle-aged men are predominant here.

25 persons in all										
45	 100%	BVolyn Oblast 4 Other regions 21	Generally oblasts of origin or appointment to the position of Head of the OSA	National Academy for Public Administration under the President of Ukraine 8 Other 17	Independent 9 Petro Poroshenko's Bloc 6 Other 10	6	12	UAH 30.6 mn	Ihor Kolomoisky (Dnipropetrovsk Oblast) UAH 698 mn	Oleksandr Symchyshyn (Khmelnitsk Oblast) UAH 14,838

Lack of Respect

The Ukrainian Week asked parliamentarians, what a politician has to do to become a hero of our time?

Compiled by Stanislav Kozliuk



Andriy Teteruk,
People's Front (leader Arseniy Yatseniuk):

Disrespect for those in power is genetically embedded in Ukrainians. I think that to change this, we need to distance ourselves from the categories of heroes and traitors. Instead, we should switch to a category of people, who stand for their words and actions. But unfortunately, there are very few such MPs in the current parliament. The personal task that each of them is faced with is to justify the trust of the

electorate and develop and approve laws, which will not improve the situation in a specific area or for a specific oligarch/official, but for everyone. As far as Nadiya Savchenko is concerned, there is no doubt about her heroism. This woman fought, was captured and behaves with more dignity than some of the people in the rear. She is clearly a hero. But let me reiterate, we have to create heroes based on our own image and actions. In order to be heroes not just for society as a whole, but also for ourselves, we really have to think about what we are doing.



Boryslav Bereza,
Independent:

Personally, I have no problem with the lack of respect. I think that MPs probably need to finally change something and focus on the needs of the people rather than themselves. When talking about Nadiya Savchenko, she is a cult figure of great significance. Although in my view, the current task does not lie in making a hero of her, but in returning her to Ukraine. This is the task of patriotically-minded forces. Patriots understand that every Ukrainian is invaluable, including Mykola Karpiuk and Oleh Sentsov (Ukrainian citizens, kidnapped and imprisoned in Russia – Ed.). There are currently many Ukrainian political prisoners in Russia, who should be returned to their native land.



Andriy Ilyenko,
Independent:

There is nothing unusual in the fact that battalion commanders enjoy greater respect than do MPs. Clearly the perception of MPs differs from the perception of other people. But only heroic actions make a hero out of a person. And in this case, it doesn't make any difference whether a person is sitting in parliament or not. If an MP accomplishes a great feat, then why not? For example,

Nadiya Savchenko is undoubtedly a hero. I would even go so far as to say that she is a martyr, a hero and a symbol of the indomitable Ukrainian spirit.



Yehor Sobolev,
Samopomich:

The recipe for a politician to become a "hero of our time" is very simple. First and foremost, it is extremely important that all the property and income that each of us had when we came to parliament remains at the same level;

that we don't receive anything from being in power. Secondly, we have to show society why we were the ones to be elected. Let's say, block a corruption scheme, pass a law which would reduce the possibility of the abuse of office and make rules fairer. I think that if every MP shows this, people will look more favourably at our proposals. There is a group of MPs that are moving in this direction.

Generally speaking, we currently have two parliaments. The first is small – trying to be honest to itself, not trying to mislead anyone and not using power for its own gain. Believe me, such people exist in each fraction, but they make up no more than 25% of the entire parliament. The second wants to continue the policies of the Yanukovich era, the main point of which lies in using power for the greatest possible personal gain.



Ihor Lutsenko,
Batkivshchyna:

The negative attitude towards MPs is not just the issue of Parliament, but the country as a whole. As the most public figures, they are actually scapegoats, the focus of the negative attention of the entire nation, which

is not suffering simply at the hands of MPs. The main corrupt persons and criminal non-professionals as the fundamental evil of the wheels of state are not in parliament, but in the executive branch and in specific decisions. I would put parliament in second place. But parliament is a body, particularly now, approving certain decisions, which are created outside parliament. In addition, everyone knows that MPs have some kind of immunity and seem to be a special caste. But in the two months of its work, I can see that a simple MP carries no weight. Still, people think that we eat caviar by the spoon here. In my view, the parliament is the most democratic and open part of state power for the people. It is also least affected by the things that we are fighting against.

Mykola Velychkovych:

"We have partly broken down the Interior Ministry system, but we still need to change the structure"

Interviewed by
Roman Malko

The *Ukrainian Week* spoke to former Deputy Interior Minister about the reform of the law enforcement, the prospects of Georgian know-how in Ukraine, and the future of volunteer battalions.

U.W.: Your appointment as the Deputy Head of the Interior Ministry was quite unexpected. Why were you selected?

– I was one of the people who created the Self-Defense Forces of Maidan. I formed the Self-Defense hundreds, organized the security, and still remain the deputy head of this structure. After the Maidan events, the power lay on the ground, so the question was what to do with it. On the one hand, there were people carrying guns, a huge ministry with a function of protecting and ensuring public order, but the system was not working. On the other hand, there was the society ready to tear the law enforcement officers to pieces after the massacre. It was obvious that we needed a new team that would control the situation at the Interior Ministry and bring about change. On February 23, Andriy Parubiy called me and said: "Now the government is being formed. Avakov will be the minister, and you his deputy." I asked: "Why?" – "Because you must. Who else?". That's how I ended up there. At first we thought that the government would last only until the presidential elections, but it turned out that I held the post for nine months.

U.W.: A person without experience came to the system



PHOTO: UNIAN

that was so terrifying at that time – so what did you see?

– I found out about my appointment at half past one, and at half past two we were already entering the Ministry building. You should have seen those faces. Only two days ago, they were shooting at us, the generals and the senior managers, those who still remained, because many had fled, and you could see in their eyes that they, to put it mildly, were not appreciative. But we put emotions aside and set to work.

Within two weeks, we replaced 90% of the senior management. Even more.

U.W.: With whom?

– Former employees returned, the ones who were already retired, we hired some new people from the outside, and some people from within the system still remained. We had to select and promote. We took several things into account: the standpoint of the society that wanted to punish them for the mass mur-

der; the rule of law that prohibited just shooting them down; and the controllability of the system, that had to keep functioning, catching criminals. Later on, we also had to face the problems in the Crimea and the East of Ukraine. Today everyone would agree that those were the hardest times at the MIA since Ukraine gained independence. At first, we were looked at with mistrust. But step by step, we managed to change the perception: by communications, decisions, and actions. The situation changed drastically with the outburst of the events in the East. The question now was, who is who. As simple as that: are you for Ukraine or for Russia? When the battalions were created, the guys who stood on different sides of the barricades at first kept a watchful eye on each other, but then they trained together, went together to the trenches, and everything changed. This was a rather revealing moment. We are not against the police, we are against those who committed crimes, shooting at our people. Eventually, this neutralized the situation. When activists came to the ministry with tires and "cocktails", everyone was afraid to come out. So I went out, talked, and explained. We opened a dialogue, and eventually came to an understanding.

U.W.: Why was it decided to form the National Guard and the volunteer battalions as part of the Interior Ministry?

– Because it was the first to respond. The Ministry's management not only adequately reacted to the fact that citizens wanted to defend their country, but also found the fast legal mechanism to put their energy and desires into a meaningful activity and to legally allow them to take up arms. This is very important. We have to take care of our people in order not to push them into actions that might entail criminal responsibility. When the law on the National Guard was passed, the first 500 Maidan Self-Defense members just relocated with their flags from Maidan to the practice ground. Later on, on April 14, it was decided to form the first special designation police units. There are 38 of them as of today,

and they largely outnumber the former Berkut special task force.

U.W.: How many former employees have been fired in total?

– About 170,000 throughout the country. In Luhansk, Donetsk and Crimea, about 20,000. The process is still underway. We envisage the possible involvement in separatist movements of all Interior Ministry employees in the East of the country. Some cases have been investigated when intelligence personnel of the MIA and SBU passed information to or acted for the benefit of the separatists.

In parallel, we gave a chance to those who came to work to become the new police. Those who fought in the East get promoted, and some have already got the rank of a Colonel. In this way, they become police managers. The most notable example is Vadym Troyan (of Azov Battalion), who was a political prisoner in the spring, and now is Police Lieutenant Colonel and the head of police HQ in the Kyiv region. There are also other activists who have shown their worth. By the way, one of our battalion commanders is Deputy Head of Donetsk Oblast police in Mariupol. This is our new police.

U.W.: What is the general process of transforming "pigs" into law enforcement officers? Did you manage to destroy the schemes and the pyramid of kickbacks?

– Partially, we have broken down the system, but it will be possible to complete the process only when the structure is changed. We planned the transformation as soon as we came to the Ministry. But the Crimean and Eastern factors ruined our plans. There was a risk that if we fire people with guns and specific skills, they will end up on the other side. We could not let this happen, because some of Berkut and Alfa special task force members were already fighting a war against us, they fled already before February 22. Now that the system is functioning and everything is working, when there is some kind of a vision and a concept has been drafted and agreed with the activists, human rights

BIO **Mykola Velychkovych** is Member of Parliament from Arseniy Yatseniuk's Narodniy Front (People's Front). Born in 1972 in Lviv, he got a degree in history from the Ivan Franko University in Lviv, then from the Lviv Physical Education University. In 1995-1997, Mr. Velychkovych served at the Department for Social Services and Protection of the Lviv City Council. In 1999-2014, he trained students at the fencing and boxing department of the Lviv Physical Education University. He is currently President of the Hopak Federation (hopak is traditional Ukrainian martial art – Ed.). During the Maidan, Mr. Velychkovych was deputy commander of the Maidan Self-Defense Forces. In March 2014, he was appointed Deputy Interior Minister.

activists, professionals, and international experts, we are ready to start the changes and we hope that Eka Zguladze will be instrumental in this respect.

U.W.: To which extent can Georgian experience come in handy? It's a small country, so it was easier for them...

– Still, this small country has more know-how than we do. Let's try and see. I think it's still for the better. An outside perspective is disillusioning. At least, they have some positive results. They have been through this all. Everyone thinks that it was all easy and smooth. No way. When they implemented their reforms, there were mass protests of former police officers in the streets. However, this is also a know-how, when you know that there may be not only positive, but also negative consequences. We have to take this into account as well. Making changes involves breaking down the old schemes, so there will be people who will be hurt.

U.W.: Today, skeptical reports on the reform at the MIA are widespread. Do people really believe that it will be possible to dismantle the system?

– The reform has several components: a system of relationships, a system of training, and a system of rewards. If a police officer in Kyiv, even with the current 20 percent premium, earns a salary of 2,100-2,200 hryvnya, it's a direct path to corruption. Because people with such salary can hardly support their families, and these are people who are prohibited by law from engaging in anything other than teaching, creative or medical practice, these are people wearing badges and uniforms, often risking their lives and not dealing with the cream of the society. The system can only be changed holistically: operation, selection, training, procurement...

U.W.: Does the Ministry itself show a desire to change?

– It does. Young employees would come and say: "We are leaving, we are sick of the regional managers, nothing has changed, we don't want to work like this, and this is not what we

were taught". That is, we have some young field officers and experienced employees with the right set of mind and the right principles. "What was this all for, if it all comes back to the same system?.." Of course, people involved in the old schemes will resist. But the young people act differently. If you serve honestly, you can enjoy social mobility and make a career.

U.W.: The blueprint for the reform envisages delegating the power to local communities. Can this prove to be dangerous, taking into account the experience of forming the army on an area basis?

– We are talking about the decentralization principle, according to which some law enforcement functions and public order aspects are to be transferred to the local police, which would have dual subordination: to a local government body and to the police HQ. HR tasks are set from below, whereas the control is exercised from above. This issue is now under discussion. The situation in Ukraine is such that there are no hard and fast answers to these questions. For instance, how do we deal with Donetsk and Luhansk regions? The question of financing is not an easy one either. If any powers are to be transferred to local communities, they should be able to exercise them. Large cities will manage, but what about small towns?

Besides, the reform provides for numerous significant changes and for the elimination of certain structures, such as transport and veterinary police. Today, an experiment is underway in Khmelnytsky region: Police Patrol and Inspection Service was merged with Traffic Police, and American consultants are helping with the adaptation. We are analyzing. We don't want to make change for the sake of change. The transformation should take us to a better level. If you want to break down the system, would you be so kind as to propose a better one? Destroying for the sake of destruction is a waste of time.

U.W.: What will become of the volunteer units?

– They are seen as a contingent to be included in the future system of rapid response task forces. Whoever wants to continue military service, will be given a chance to do so. The more so that they have serious motivation and are not afraid of performing risky tasks, such as detaining dangerous criminals. On the contrary, a significant part of the old Interior Minister employees after Maidan are not morally ready for radical action when it comes to risking their lives. If a police officer is not capable of doing that, the question arises whether he should serve.

U.W.: How does it feel working alongside those who have actually brought the country to war?

– We had a discussion as to what to do. There were hotheads who said: "Don't let them in, we'll beat them up", and so on. No problem, it takes just five seconds to do it: in the room, in the toilet, or on the sidelines... But will it help? We have a parlia-



A SIGNIFICANT PART OF THE OLD INTERIOR MINISTER EMPLOYEES AFTER MAIDAN ARE NOT MORALLY READY FOR RADICAL ACTION WHEN IT COMES TO RISKING THEIR LIVES

mentary majority, the government is controlled by the coalition, and if we did something like that, it would have been a sign of weakness. Strong people act differently. Make an appeal to the prosecutor: why legal action has not been taken? If proceedings have already been instituted, then appeal to the Parliament, and we will deprive the person of the parliamentary immunity. If we proceed like this, it will be the best mechanism and a guarantee for the future. Well, we've seen [MP] Nestor Shufrych beaten up and thrown into a trashcan, so what? Nothing. Some steam was let off, and a good picture was made. But what about the result? It's the result that matters for us.

U.W.: Is there really a will to punish anyone? It seems that neither the Prosecutor-General's

Office, nor any other power structures are much concerned about that.

– Those who have been through Maidan and at the trenches in the East will fight it out. We have created an interfacational association "Maidan Self-Defense", which includes MPs from various factions who served in Self-Defense and were involved in all these changes: commanders of Maidan hundreds and the men from different units and battalions. The association is headed by Andriy Parubiy. It already has 16 MPs, and some people are still thinking. We have identified five issues to which we will give special attention: denunciation of Minsk agreements, because they do not work, cooperation with the EU and NATO, a real lustration, defending the interests of those fighting in the ATO, and a just punishment of those involved in the shooting of the Heavenly Hundred. We are talking about the people who actually stood on the barricades and buried their friends, for them it is a question of principle. Oliynyk and Kalyetnyk are already on the wanted list. And there is a number of other fellows with regard to whom we will bring up the issue of why they have not been detained. For example, Bakulin of Naftogaz. The court released him on a 10 million hryvnya bail, even though the Interior Ministry proposed to set it at 1.5 billion. Now he's an MP, so what can you do about him?! We need a request from the prosecutor's office, after which we can deprive him of immunity so that they can have him.

U.W.: How much has the Parliament changed? Are there still attempts to bribe or motivate MPs?

– It is impossible. The Parliament has 235 new people who have never been MPs before. A lot of people came from the front, many came from Maidan. That would be a bit odd for us. I think, should there be such proposals, those who made them would have to regret it. The transparency of the decision making process is a guarantee of serving a full term. Because there's really a lot of people for whom this is a question of principle. ■

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Lviv Mayor Andriy Sadovyi:

“Over the past 10 years, the State has stripped local governments of around 60% of their power, and this led to great hardship”

The *Ukrainian Week* spoke with Lviv mayor and leader of Samopomich (Self Reliance Party) Andriy Sadovyi about his party, problems and priorities for the city of Lviv, and his vision for local governance in Ukraine.

U.W.: How do you coordinate the work of Samopomich? Do you feel responsible for its activities in parliament without being present there?

- I've participated in two faction meetings since the elections and I keep in constant contact with colleagues. Today [our] MPs hold great responsibility. They've entered a new profession and are still finding their bearings since none of them have been parliamentarians before, but this is also a plus for them because they bring their own diverse experiences to the job. In fact, this provides great opportunities, because the institution of parliamentarism in Ukraine was almost destroyed over the last ten years. The positions of the parties on a given issue is often predetermined. Samopomich is different in this regard. Every issue is a lively debate, a live conversation that leads to a decision that is beneficial to the country at a particular time. There is an illusion that if I were with them every day, things would be done differently. But these are self-sufficient people. A party must have moral and ideological leadership, but the location of that leadership is not important.

U.W.: During the last vote on the budget in parliament, only 10 of the 33 Samopomich MPs voted in support of the budget. For members of a coalition, this number is rather small...

- Before voting on the budget, it was decided that each of us

should vote as he or she sees fit. We have people who have executive experience and know what a budget is, and they understand the importance of its timely adoption. There are many who would like to comply with all procedures, and that is also correct. Both groups are right in their way, hence such reaction. Enough Samopomich MPs voted for the new budget for it to pass. I also support those colleagues who are opt for strict compliance with all procedures. Of course, the budget should be prepared professionally, and we now need to start working on the the budget for 2016. Samopomich will play an active role in this work.

U.W.: Almost immediately after the elections, a scandal broke out that was associated with the split in Samopomich provoked by Yuriy Derevyanko... Why did this happen?

- We had a great desire to unite the many environments with active people, so we invited Volya (Liberty) party to collaborate (Yuriy Derevyanko is member of the Volya party council. The party was founded by EuroMaidan activists focusing on reforms and lustration, as well as journalists, lawyers and businessmen – Ed.). However, after we had begun, we realized that there would be many moments of complexity and the Volya needed to put some serious work into its own operation. Today Yehor Sobolyev, Viktoriya Voytsitska and other colleagues have left this political force and are fully incorporated into Samopomich. They seem very worthy of the position and I think they will bring many benefits to the state through their work. While I'll gladly talk about Samopomich, it wouldn't be right for me to discuss the workings of Volya because I'm not in that party.

Interviewed by Olha Vorozhbyt

U.W.: You have a rather strained relationship with Svoboda (Freedom) in the city council... Why is that?

- As a rule, conflicts have either religious, sexual or economic grounds. As far as religious or sexual issues are concerned, we have no differences. The only problem is the economy. I won't let the city or its land and property be plundered. This causes discontent and opposition, but fortunately, the last four years have passed quickly. This year there will be elections for the local government and the citizens of Lviv will evaluate my work and the work of their city council members.



U.W.: You say that most of the destruction of historical monuments in Lviv has occurred under the auspices of the Ministry of Culture. What powers should be handed over to the city so that the community and the mayor could effectively manage such monuments?

- We need the powers that we used to have; they were taken from us in order to build "elevators" of corruption. Earlier, issues regarding historical heritage were settled here in Lviv. Then a separate chain of command was created, and the current husband of Yuliya Lyovochkina (Mrs. Lyovochkina is the sister of Andriy Lyovochkin, Chief of Staff for ex-president Viktor Yanukovich - Ed.), Andrew Vingranovsky (former head of the Department of Cultural Heritage - Ed.) was put in charge of all such matters. This resulted in great harm, not only here in Lviv. Therefore, the main tasks of the current Minister is to disavow those decisions and return this power to the cities themselves, including Lviv. If other cities are not ready, let them make decisions independently. We are ready, we have strong enough human resources and we can better evaluate our own problems here at home.

If the government wants to succeed, it must focus on maximal self-government in its regions according to local circumstances. Over the past 10 years, the State has stripped local governments of around 60% of their power, and this led to great hardship.

U.W.: Does Lviv lack control over the processes of internal migration by settlers from the ATO conflict area and Crimea and migrants from other regions?

- When Russia annexed Crimea, people from the region began to migrate to Lviv; when the occupation of the Donbas began, we accepted migrants from there as well.

We've done all that we can for them. At the same time, many

of those who came here were able to buy houses. They created new jobs. Self-sufficient people from Kyiv and other places also work here. We support them because it is not our architectural monuments that enrich the city, but our people. We gladly welcome all; there's enough space for everyone here. All over the world it is common for people to go to school in one town, then attend university in another, and get married elsewhere. This is a normal process. If professionals see a possibility for their fulfillment in Lviv, then I welcome them.

U.W.: Will new districts of Lviv be developed? How active is construction in the historical center of the city?

- There is minimum new construction going on in downtown Lviv. Whatever construction sites appear are mainly the result of gaps in the legislation, since responsibilities related to building inspections were also taken away from the city's control. The entity responsible for it has turned into another corrupt "elevator" that state has built for itself. We must get all those powers back. I am opposed to new construction in the historical centre except when it is acceptable to the community and truly preserves the style of a particular area. It is necessary to develop new areas of the city. In fact, Lviv's territory is very limited. This is one of the smallest cities in the country. Today we have plans to build a number of interesting large infrastructure projects. These include large industrial parks and an IT park. We want to build a large convention center and exhibition center and a number of hotels. We have lots of plans, but we need to have a state of normalcy in the government in order for investors to feel comfortable. When the country is at war and people are dying, there will not be any investment.

U.W.: After the attacks on Lviv police precincts on February 19, 2014, statements were issued regarding weapons that had disappeared. Have they been returned or are there any investigations underway?

- The big question is: what was taken? In general, very little information about these events has been made public, and the issue should be addressed by law enforcement. The police are not subordinate to

BIO

Andriy Sadovyi has been mayor of Lviv since 25 April 2006. He graduated from the Lviv Polytechnic University in 1995 majoring in electronic engineering, and obtained a degree in economy in 1997. He later served as Deputy Head of the Lviv branch of the Fund for Social Adaptation of the Youth. In 1997-2005, Mr. Sadovyi chaired the South-West Electric Grid Building company. In 2005, he became the leader of Samopomich, initially an NGO providing professional legal advice to those in need. He is now the leader of Samopomich, a political party that gained an unexpected 10% in the latest parliamentary election.

the city. Many weapons were removed prior to the attacks, and to my knowledge, they were moved in the direction that was handy for the police. Our country has a very large police force that seems to be even larger than the army. However, their work is not very productive, and this is very unfortunate for the state. All of Ukraine's law enforcement authorities (police, Security Service - SBU, prosecutors) require very serious reform.

U.W.: You are often asked whether you would run for presidential office or take a cabinet position. What would it take for you to go beyond city politics?

- For some reason, people only perceive our politics in black and white, yet politics has a much larger palette. There is so much work to be done in Ukraine today that everyone can actively participate by finding the position that will most benefit the state. I've received many propositions, but I have my responsibilities. Somehow, we forget that. Today I am responsible for my work as mayor. My term in office will last until October of this year. I don't have a moral right to accept any propositions if our community of millions has entrusted me to be their mayor. Perhaps, it is simpler for others—you can simply quit your job and go. But I'm not used to doing such things; I'm a conservative. When my term in office ends, then we'll see what the situation in the country is, what society prefers, and whether the Lviv community wants me to continue working as mayor. Don't forget that I'm a father—I have five young boys and I need to have time for them as

IT IS NOT OUR ARCHITECTURAL MONUMENTS THAT ENRICH THE CITY, BUT OUR PEOPLE. WE GLADLY WELCOME ALL

well. This city has been my life for the past eight and a half years, from morning to evening every day. I don't have time to read books, to write down my thoughts or go see something, I work from morning to night. But for me it's worth it. If you were born in Lviv, being the city's mayor is the highest achievement. I am sincerely indebted to the community for this opportunity, so it's really not even right to talk about other options for me at this point. ■

The Origins of Donetsk Separatism

Author: Denys Kazanskyi

Donetsk separatism only truly became a noticeable problem in 2014. Until then, almost no one believed that it existed. Crimea was long considered the only potentially dangerous region in this regard. A certain degree of Donbas isolation was acknowledged, but this was initially written off as the result of machinations by oligarchic clans who sought to turn the local population against other regions of Ukraine and reaffirm the myth of the Donbas as the nation's leading breadwinner.

This was partly true; these clans are still able to divide and to rule. They skilfully directed the wrath of the Donbas' depressed mining communities against similarly disenfranchised workers from western Ukraine. While average people squabbled with each other on the Internet, the clans were quietly appropriating the Donetsk region's industries. However, the very same Party of Regions officials from Donetsk and Luhansk who convinced their electorates that the Donbas is a "special region" with the right to occupy a dominant position in Ukraine were more often themselves the captives of stereotypes.

Donetsk separatism existed long before it was popularized by the Party of Regions. It is not about "Donetsk-Kryviy Rih Soviet Republic," whose existence

was noted only by the Bolsheviks who invented it and Donetsk native Volodymyr Kornilov, who wrote a book on it. In the USSR, the Donbas showed no discernible desire for independence. The first signs of separatism appeared in the mining regions at the end of the 1980s before the dissolution of the Soviet Union. However, this phenomenon was primarily economic and not national in origin.

Solidarity became the foundation of the Donetsk miners'



AFTER VIKTOR YANUKOVYCH'S CAREER HAD TAKEN OFF, SEPARATIST AGITATION IN THE DONBAS DECLINED SIGNIFICANTLY, EVEN GIVING WAY TO PATRIOTIC RHETORIC

separatism. The popular assertion that "Donbas feeds the entire country" originated among them. The profession had been heroized in the 1920s-30s, with the mine worker portrayed by official propaganda as a true Atlas on whose shoulders rested the economic power of the whole country. And as the Donbas was a major coal mining region of the Soviet Union, its residents, of course, overflowed with a sense of self-worth. It was here that the saying "miners are the guardians of labour" was coined; it was

here that the legendary Soviet miner Alexey Stakhanov set his world record; it was the Donbas that a famous Soviet poster named "the heart of Russia".

Inspirational newspaper editorials about Donbas miners were common until the late 1970s when the region achieved its peak for coal production. Coal output has been decreasing ever since. After the discovery of huge oil fields in Siberia, the Soviet fuel and energy industry began switching from coal to oil and gas. Priorities and investments changed. For the next two decades, the holdings of Donbas coal mining companies remained practically unchanged, with mines continuing to operate without renovation. In the 1980s the coal industry of the Ukrainian SSR inevitably deteriorated, hitting a crisis at the end of the decade that resulted in massive strikes.

Agitators for Narodniy Rukh* successfully exploited the miners' discontent to convince the population of the Ukrainian SSR that Ukraine was the economic engine of the Soviet Union and it was dragging backward regions along. These words resonated with the miners, who were also convinced that "their backs bend while Moscow rests". Rather than demanding regional autonomy for the Donbas, they wanted greater economic independence for the Ukrainian SSR so that money would remain in Ukraine, and pushed the Parliament to adopt a law to that effect. Thus, for these economic reasons, they voted for Ukraine's independence in the referendum of 1991. Until recently, many patriotic Ukrainians regarded the Donbas workers' support for independence as a sign of their increased national consciousness. However, the workers were not in fact moved by patriotism, but rather a desire to keep mining revenues closer to home.

Just two years later, the mood in the Donbas changed dramatically. Prosperity did not follow the collapse of the USSR, and the economic crisis of the late 1980s gave way to the horrors of the early 1990s. In 1993, strikes broke out once more in the region, and again the miners demanded regional autonomy—only this time from Kyiv.

As in 1989, they were convinced that their hard work was simply feeding parasites, only now the subjects of their discontent were not the peoples of Central Asia and Moscow, but the residents of Kyiv and Western Ukraine. One of the organizers of the strike was Yukhym Zviatkovskiy, a long-time MP, member of the Party of Regions more recently, and a red director, who skilfully manipulated the coal miners' discontent while

simultaneously convincing the authorities that he was helping to resolve the conflict. In the wake of the 1993 protest, he moved to Kyiv and was appointed the first Vice Prime Minister. As a result, the fire was gradually extinguished with his help, yet the political demands for Donbas' regional autonomy remained unsatisfied.

However, the Donetsk elite did not abandon the idea of separatism, and continued to agitate the

Soviet authorities created the myth of the Donbas as the nation's leading and unique breadwinner

situation. In 1994, together with the parliamentary elections in Donetsk and Luhansk oblasts, an event occurred that some called a "local referendum" and others a "deliberative poll". By law, it was not possible to conduct a referendum, so another term was officially used. The survey consisted of four items, the first of which concerned the government of Ukraine. Donbas residents were asked if they would support federalization as well as granting official status to the Russian language.

This event was organized in the Donetsk and Luhansk regions by "regional advisory commissions for the deliberative polling of citizens", which were at the command of regional deputies. The "referendum" was a pre-election move. Ukraine held both parliamentary and presidential elections in 1994, and local elections were held in the Donbas region. After the elections, the results of the "referendum" were no longer mentioned. It is difficult to say how accurate they were, but 80% voted for the federalization of the Donbas at the time.

Separatist slogans were once again commonplace during the many miners' strikes in 1996-1998, but the movement never seriously took shape. Once Viktor Yanukovich had taken office as Prime Minister for the first time in 2002, the Donetsk clan ceased to play the separatism card, expecting that all of Ukraine would soon be in their hands and there was no longer any sense in blackmailing Kyiv. After Yanukovich's career had taken off, separatist agitation declined significantly, even giving way to patriotic rhetoric. Regional elites were quite willing to love Ukraine if the country lived by Donetsk's rules. But after the failure of the 2004 elections, Yanukovich's regional separatism again received a major boost in PISUAR, an abbreviation for the South-Eastern Ukrainian Autonomous Republic. It was set up by local deputies and officials in response to the outcome of the Orange Revolution, calling for help from Vladimir Putin.

Unfortunately, all this time the central government in Kyiv failed to take measures to combat the virus of separatism in Donbas. The result of this failure became visible in the tragic events of 2014. ■



*Donbas: The heart of Russia

How Russian Troops Entered Donbas on August 23

For four days, the Russian "brothers" made preparations to shoot down Ukrainian troops near Ilovaisk

The number on this T-72 M1M tank located at the Russian position has been painted over



Author:
Yaroslav
Tynchenko

Photo:
Pavlo Netsiov

On August 25, near the village of Dzerkalne in Amvrosiyvka District of Donetsk Oblast, Ukrainian troops captured 10 Russian paratroopers. What they were doing dozens of kilometers away from the state border, deep in the Ukrainian territory, has never been explained by any state official, and they still don't feel like doing it.

If we looked at the totally honest schemes of the information and analysis center of the National Security and Defense Council (NSDC) for the last decade of August, we would really come to a conclusion that finding Russian units near Dzerkalne was absolutely unrealistic. They would have had to fight their way there through the roadblocks of the Ukrainian Armed Forces.

Nevertheless, if we take into account that Marynivka checkpoint was taken by the separatists and the Russian troops already on August 13, and Uspenka checkpoint a few days later, everything falls into place.

However, Russian Federation forces did not enter Ukraine

right after taking Uspenka checkpoint. First, the territory from Marynivka to Ilovaysk was cleared by Russian reconnaissance and sabotage troops. Already on August 15, a video was uploaded to the Internet displaying a large number of destroyed Ukrainian military equipment in the village of Stepanivka where our 30th Mechanized Brigade was based. Around the same time, on August 13-17, to the south and north of the village of Amvrosiyvka (home to Sector D headquarters), cars with military servicemen began disappearing. During these days alone, about 20 soldiers went missing in that "Bermuda Triangle". Their fate is unknown to this day; however, the documents of the missing servicemen were posted on DNR websites already on August 24-25.

Ukrainian units of Sector D actually still remained only in Kuteynikove, Amvrosiyvka and at Savur-Mohyla, whereas the area around gradually passed under the control of sabotage units that

systematically forced out our roadblocks.

On August 19, separatist units tried to take by storm Savur-Mohyla high ground, but the assault was shattered by a small garrison (of slightly over 40 soldiers). On August 22, the attacks on the high ground resumed, following a powerful artillery bombardment from the Russian territory that resulted in the memorial stele in honor of the Soviet soldiers who fought there during the Second World War collapsing like a card castle. Separatist troops attacked, supported by two tanks. The assault was defeated. In the garrison, two soldiers were wounded, and one was shell-shocked. The injured were moved to the basement of a former coffee shop next to the memorial, the ceiling of which provided reliable protection from bombing. Luckily, there were no attacks on Savur-Mohyla in the following two days. However, for some reason, people in the rear did not hurry to evacuate the wounded. A few kilome-

ters to the east of Savur-Mohyla, near the village of Petrovske, the units of the 51st Mechanized Brigade were located, but they provided no assistance to the defenders of the high ground. 17 commandos from the 3rd Regiment and units of Horyn 2nd Territorial Defense Battalion tried to break through to Savur-Mohyla, but were stopped by the enemy.

In the meanwhile, Russian troops since August 17 (as stated by captured paratroopers) were preparing to a "training exercise" in the territory of Donbas. Paratroopers were given orders to daub the ID marks of their military vehicles in white paint, drawing circles (dots) on top. On the night of 23 to 24 August, the detachments of Russian 98th Airborne Division (and probably other troops as well) moved from Marynivka checkpoint in the direction of Ilovaysk across the fields along approximately the following route: Marynivka – Stepanivka – Manuylivka – Velyka Shyshivka – Rusko-Orlivka – Pokrovka – Ilovaysk. To ensure and conceal this relocation as much as possible, separatist sabotage squads went parallel to the column, covering it from the Ukrainian troops. For example, when the Russians passed near Manuylivka, sabotage squads occupied the village of Petrovske to the south of it.

Arriving in the morning of August 24 to Ilovaysk, Russian troops immediately went into combat with Ukrainian units located there. A T-72 tank with no ID marks and with numbers painted over (they probably didn't have time to paint a white circle) crashed into the railway depot where the detachments of Myrotvorets and Kherson battalions were stationed, and immediately fired at... the battlefield positions of the separatists. Later, after sorting out the situation, the tankers turned the tank turret towards the depot. In the meanwhile, Russian paratroopers along with sabotage squads started moving southwards, to Starobesheve and Kuteynikove, gradually taking up territory. It was during this operation that our troops captured 10 Russian paratroopers.



But a few days still remained to the fateful date of August 29, when columns of Ukrainian soldiers retreating from Ilovaysk were shot down in the "green corridor". So what did the Russian units do all that time?

To find the answer to this question, one would have to go to the fields in Amvrosiyivka or Starobesheve districts in September to witness numerous traces of the Russian presence: piles of household waste, spent cartridges, and empty ammunition cases.

For example, between the village of Chumaky and Horbatenko farm, there is a large field with three burnt KamAZ trucks in the middle. Around it, there's a column of destroyed Ukrainian military hardware and civil equipment, as well as the wrecks of several armored vehicles and trucks. A Ukrainian column tried to pass there, moving along the "green corridor" from the villages of Mnohopillya and Chervonosil'ske to the town of Starobesheve.

Local residents could see the crippled military equipment accumulated there and even dig inside. These KamAZ trucks were markedly different from the other cars. The doors of the trucks, besides being burnt, also displayed the traces of badly painted white circles. Packages labeled "Voen-torg. Meals ready to eat", torn pixelated camouflage of the Russian Armed Forces, paratroopers' striped vests, and other household waste made in Russia were scattered around. In particular, there were plenty of bottles of "Zelyonyi Gorodok" water ("Blessed by Amvrosiy, the Archbishop of Ivanovo and Kineshma"), manufactured by

The location where the 1065th guard artillery regiment of the Russian Army was stationed

"Zhivaya Voda" LLC, Russia, Ivanovo oblast, the village of Lomy.

In the same field, there was a lot of empty ammunition cases, spent cartridges and artillery ammunition damaged when the trucks exploded. The cartridges were clearly marked with type and caliber: "Microcaliber ZH10A 122-D30". This is the type of shells used to shoot from long-range 122-millimeter D-30 howitzer.

In the Russian army, D-30 howitzers were officially discarded in early 2013. At least that's what the public sources say. However, this is not quite true: at the time of the reequipment of the Russian army, D-30 howit-

THERE IS AN IMPRESSION THAT NOT MOSCOW ALONE IS INTERESTED IN CONCEALING THE MATERIAL EVIDENCE OF THE PRESENCE OF REGULAR RUSSIAN TROOPS IN THE DONBAS

zers were retained by airborne forces.

Near the KamAZ trucks, the positions of 12 or 13 guns could be visually identified. In one of the burnt cars, several documents were found unexpectedly, that implicitly indicated the origins of the guns and trucks. There was a "Booklet for gun-fire, gun control and tactics tasks of the commander of the 1st howitzer platoon of the 2nd howitzer battery of the field artillery howitzer battalion of the military unit No. 62297" and "Form D-30A No. H545 of the 2nd howitzer battery." Trans- ➤

lated into civil language, this means that these documents belonged to the 2nd howitzer artillery battery of the 1065th Guards Artillery Regiment of the Russian Federation. The "Form", under numerous notes, bears the signature of the commander of the above unit, Captain of the Guard Lyubimov.

1065th Guards Artillery Regiment is stationed in Kostroma and belongs, along with the 217th and 331st Parachute Regiments, to the 98th Guards Svir Airborne Red Banner Order of Kutuzov Division (with headquarters in Ivanovo).

In this way, this Artillery Regiment belongs to the same task force as the 10 Russian paratroopers captured by our troops on August 25. The captives served in the 331st Parachute Regiment. One of them, during the interrogation, the video of which was uploaded to the internet (to be later removed by someone), claimed that he and his companions entered Ukraine as part of the Battalion Task Force, which included paratroopers, combat engineers, reconnaissance officers, an artillery battalion and support units on 30 military vehicles, 18 self-propelled Nona mortar systems, and motor vehicles.

The 98th Airborne Division is now in the process of reequipment, but the upgrade applies mostly to APCs and airborne assault vehicles. The Soviet model of Nona mortar systems is still in the inventory. The 331th Regiment has exactly 18 of them. That is, all of them entered Ukraine.

In the inventory of the 1065th Artillery Regiment there are 18 Nona 2S9 SP cannons and 12 D-30 howitzers. Whether the Nonas of the 1065th Regiment were used in the campaign against Ukraine is hard to say at the moment. However, all of their howitzers entered the country.

Typically, the 331st and 1065th Regiments are never relocated anywhere without the 217th Parachute Regiment from Ivanovo (for example, all of them took part in the invasion of Georgia). There is no direct evidence of the involvement of this Regiment in the Ilovaysk events yet. However, our servicemen who were held captive by the Russian troops on August 29-31 clearly in-



Items sold at the Russian military stores found near the burned down Russian KamAZ trucks

dicate that they saw paratroopers from both Kostroma and Ivanovo.

Not far from the artillery positions, there is a well-built infantry fortifications line with communication trenches and machine-gun nests. Here, again, Russian camouflage, Voentorg MRE boxes and bottles of water from Ivanovo can be found. There are several bottles of "Gornyi Rodnik" water (manufactured by "Terek Springs"), which may indicate that not only Ivanovo paratroopers were there, but also some military units from the North Caucasus. At the edge of the Russian positions, there are two wrecked T-72M1 tanks (upgraded version). The turret of one of them has side numbers carefully painted over. Ukraine never had this kind of equipment in principle, because its manufacture started after the collapse of the Soviet Union, while the "accessories" production was only launched in the recent years. The 98th Division has no tanks at all in its inventory. However, T-72M1M tanks destroyed on the edge of the Russian paratroopers position are almost the same as the Russian tank that was used by our Colonel Yevhen Sydorenko and that belonged to the 8th Separate Mechanized Brigade of the Russian Armed Forces stationed in Chechnya. It is possible that these tanks also belonged to the 8th or some other Mechanized Brigade from the North Caucasus, and were sent to reinforce the paratroopers.

It is also possible that it was the 8th Brigade that left piles of empty wooden cases used for antitank missiles: Fagot, Shmel, and Mukha. In some cases, these containers still preserved Russian "packing sheets" dated 2005. They were signed by Lieutenant Colonels Moiseev, Tiunov, and Chief Warrant Officer Kubatov (head of warehouse is Chief Warrant Officer Dubnov). From the village of Chumaky and further to the east up to Ilovaysk, numerous field fortifications were built by Russian troops. Bottles labeled "Zelyonyi Gorodok" and "Gornyi Rodnik" make it easy to identify where the troops were located, almost without fail.

Another interesting and large artillery position was located south of the village of Petrovske.

Here, too, it is possible to observe stout positions built for rifle units, with parapets and machine-gun nests, and with pits filled with military and household waste. Voentorg MRE packages labeled "Army of Russia" (different from those of paratroopers) are eloquent witnesses of the fact that the soldiers of our eastern neighbor were here. Immediately behind the trenches line lie piles of spent cartridges, judging from the marking, from 152-millimeter 2A65 Msta howitzer. The latter are only used by ground troops, and therefore may belong to either moto-rifle or tank units.

Later on (namely, on August 29-30), the locals told Ukrainian prisoners held by the Russian military that Russian troops had been preparing for several days to meet them on their way from Ilovaysk: they dug trenches, built fortifications, and even set up military camps (there are at least four of them to the south of Ilovaysk). In particular, there was one near Dzerkalne, where the 10 paratroopers mentioned above were captured on August 25. It is interesting to note that before that, a unit of the 51st Brigade of the Ground Forces of Ukraine was stationed in the village. Unfortunately, as they were retiring, our servicemen left a lot of equipment behind. Later, the Russian paratroopers came to the village, as evidenced by the trademark Voentorg household waste and ragged and blood-stained Russian-produced pixelated camouflage.

Apart from the 98th Airborne Division and the 8th Separate Mechanized Brigade, the fact of participation in the shooting of the Ukrainian troops near Ilovaysk by two more Russian units has been established with some degree of certainty. One of them is the 31st Airborne Assault Brigade, two soldiers from which were captured during the fighting in Ilovaysk, and a video of them put online. The second unit can only be determined conventionally so far. It is the "Kursk Tank Division" (according to the soldiers of the Donbas battalion) that was stationed in the village of Chervonosil'ske on August 29, when Donbas battalion fought its way there. They were met with the fire... of several Russian T-80 tanks, and the captured

20-year-old contract soldiers told they had come from Kursk. Obviously, it was a unit of the 1st Separate Armored Brigade of the Russian Armed Forces. It is headquartered in the town of Boguchar, and one of its battalions (the former 6th Guards Motor-Rifle Order of the Red Banner Chelyabinsk-Petrakovsky Regiment) is stationed in Kursk. This unit actually has 13 T-80 tanks in its inventory.

It is worth mentioning one more interesting find: a downed Israeli drone No. 93 that was lying in the field near the village of Novozaryivka. This type of aircraft was purchased in large numbers by the Russian Ministry of Defense in 2012. Later they were reverse-engineered, and their production was launched at Russian enterprises.

A large part of the Russian regular troops withdrew from the territory of Donbas around late August – early September of 2014, leaving behind a lot of garbage, among which some interesting documents could be found.

**FROM THE VILLAGE OF
CHUMAKY AND FURTHER TO
THE EAST UP TO ILOVAYSK,
NUMEROUS FIELD
FORTIFICATIONS WERE BUILT BY
THE RUSSIAN TROOPS**

A large number of the materials confirming the presence of the Russian units in the Donbas fell into the hands of the officers of the Intelligence Directorate of the General Headquarters of the Armed Forces of Ukraine (GUR). However, any requests for displaying them in museums and exhibitions are stubbornly blocked by Ukraine's senior military leadership, for some reason or another. At least two video interviews with Russian paratroopers, where interesting details were revealed about the composition and the objectives of the Battalion Task Force of the 331st Parachute Regiment, mysteriously disappeared from the Internet. The general impression left by the latest developments is that not Moscow alone is interested in concealing the material evidence of the presence of regular Russian troops in Donbas. ■

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Ukroboronprom Director Roman Romanov:

“The army has gotten more in the last 6 months than in all years of this company’s operations”



PHOTO: UNIAN

**Interviewed
by Bohdan
Butkevych**

Appointed to run the state agency, Ukroboronprom, in July 2014, Roman Romanov is a classic Poroshenko draftee. A businessman who has worked with Mr. Poroshenko in the past, he has already felt the stench of dirt thrown his way because of this. Nor has he been spared a scandal around supposedly unfinished and poor quality equip-

ment delivered to the army, the purchase of certain kinds of weapons abroad, and so on. Still, Mr. Romanov has achieved results as well: in the last month Ukraine’s Armed Forces have seen a serious inflow of weaponry and equipment. The Ukrainian Week took an exclusive interview with Mr. Romanov to get an inside scoop on the weapons industry in Ukraine today.

U.W.: People often say you’re just an amateur, because you’re a physics teacher by training and a businessman by profession, but you never had anything to do with the army. What do you consider your main goal at Ukroboronprom and why did you go there in the first place?

First of all, I was born in a military family, so I was sur-

rounded by soldiers my entire life. I find the state of the army a painful thing. Sure, I'm a physics teacher by education, and proud of it, because of this I discovered a love for the hard sciences. Yes, I'm an entrepreneur by profession, I was chair of the Small Business Council in Kherson, and I was elected to the Kherson City Council and the Kherson Oblast Council. I got my MBA at MIM Kyiv and did my practicum in Hong Kong and Macau. I've organized some 35 companies from the ground up, so I'm a professional manager. This is why the President appointed me to this post. I have real experience working in the real sector of the economy, and that's what Ukroboronprom is.

As a manager, my main goal is to make money. State assets should be bringing the state profits, not losses. We should be bringing money into the Budget so that hospitals can continue to work, streets to be swept, roads to be built and so on. We are supposed to have a quality business. It's incredibly annoying that in the army, defense and war, suddenly everybody's an expert, just like football. And when everybody's busy criticizing, I have only one thing to say: You don't like what I'm doing? Come on over and do it yourself. In fact, we have an open competition for resumes on our corporate site, so all of those armchair generals who are so critical are invited to come work for us.

U.W.: Have you switched around management personnel at the companies that are part of your concern and at Ukroboronprom itself? What have you accomplished in your first six months?

For 23 years, Ukroboronprom was falling apart, selling off soviet weapons and that only in certain categories. Whenever it came time to fulfill a contract for some new item, it worked very slowly, spending an average of at least 2-3 years on each contract. Any domestic orders for the army were pathetically small: a few hundred thousand hryvnia at most. Politicians simply had other priorities. Now all of a sudden, we have to do everything from yesterday.

I came here with my own team, as we joke about it, of young nerds in glasses. Hardly a single one of them had any experience in the defense industry before this. My first deputy is slightly over 30, the assistant director for exports is also a young person with an MBA and so on. We kept a few professional people from the old management team. So far, I've replaced 12 managers at more than a hundred companies that belong to Ukroboronprom, which is, in some sense, like a ministry of the defense industry. The vast majority of these companies were losing money. Right now, we have 8 more profitable ones. We lost 12 enterprises in the ATO zone in 5 cities. Another 13 companies are either being restructured or are going through bankruptcy.

I can say with confidence that the army has gotten more in the last 6 months than in the entire 3 years of this company's operations. During the first half of 2014, Ukroboronprom lost UAH 400 million. By the end of this year, we were posting a profit of UAH 150 million. In other words, we stopped losing money and even earned a bit extra, all told half a billion. We also created 2,000 new jobs, and along the way we also managed to pay off UAH 40 million in back wages. On the domestic market, that is, for the Ministry of Defense for instance, we managed to deliver UAH 1.5 billion more in products during the second half-year than in the first half-year.

How did we manage to do this? Most certainly not because I'm some kind of whiz-bang manager. Firstly, and most importantly, we introduced an electronic trading system that was launched on November 6. Just to give you an idea, as of today, we held several hundred tenders and saved nearly UAH 4 million as a result. For instance, the Kyiv Tank Plant had items that we were able to save up to 60% on. How? KTP ran 17 tenders, because they had to buy metal, plastic, rubber and so on 17 times. Before, these 17 calls to tender would have received exactly 17 bids from companies that belonged to the *koumy*

By stopping trade with Russia, our defense industries have lost about

UAH 3.3

billion (about US

\$200 mn).

We were getting some

30,000

items from the Russian Federation, and now our factories are producing nearly

11,000

replacements. That's

30%



"MY FIRST DEPUTY IS SLIGHTLY OVER 30, THE ASSISTANT DIRECTOR FOR EXPORTS IS ALSO A YOUNG PERSON WITH AN MBA"

[godparents of a child], brothers and sons-in-law of the director. This time, there were nearly 2,000 bids. And this way we were able to save an average of 35-36% for the companies in the holding.

Every factory that belongs to the concern is a separate, independent enterprise. We only approve of the plans of each director and have no right to interfere in his commercial operation, that is, we can't go to him and say, "Buy your parts from these guys." They also have separate bank accounts. All we deal with is coordination and approvals. We can also remove the director if he doesn't carry out an order or simply steals.

As to why we only fired 12 general managers, the answer is simpler: there aren't enough specialists around. Do you think it's easy right now to find a person who has experience working with armored vehicles or missiles, who knows something about marketing principles and isn't a total crook... and who is better than the current manager. And the plant can't stop producing this equipment urgently needed by the country for even a second? We're looking everywhere we possibly can to find

professional managers. For another thing, we stopped the disgusting practice of every factory manager coming to a newly-appointed director of Ukroboronprom so that he could tell them how much to pay to hang onto their seats. Do you honestly think that, after this kind of thing, the boss was in a position to demand anything of them?

U.W.: How capable of arming Ukraine's Armed Forces are the companies in the country's military-industrial complex? Which components are they able to provide and which ones aren't they?

Ukroboronprom manufactures everything possible, I »

guarantee you that. But when the Defense Ministry suddenly wanted light armored vehicles in the middle of last year, an item that was not produced up until then, there was nowhere to get them initially. But this year, we are delivering our first Dozor-Bs to the army. Prior to that, we covered this need with English Saxons, which someone tried to blow up into a scandal by claiming that it was second-hand junk and so on. Frankly, it's hard to say just how armor might "age" if you change the vehicle's engine, replace the treads and the manufacturer offers warranties. If we can buy quality equipment for a tenth of the price and the army desperately needs it, why on earth shouldn't we buy it? Let me give you some real numbers. In Turkey, a Saxon class vehicle costs EUR 460,000 while the British version cost us less than USD 50,000, together with all the additional costs. The Dozor-B costs us around USD 200,000 to make. Just so everyone can understand the labor intensiveness of military production, making one such vehicle involves 40 subcontractors.

At that point when Ukraine's manufacturers simply weren't yet ready to manufacture armored vehicles, the 75 Saxons that we bought were the best option for preserving lives on the front.

U.W.: There was another serious scandal recently when the president made a ceremonial presentation of tanks for the army and those tanks apparently weren't battle-ready.

The lively party in this situation was a certain general, who gave orders to bring out inappropriate machinery. He's been fired. Those tanks hadn't gone through a military panel for approval and weren't fully equipped. Ukroboronprom had not signed off on their transfer to the army, either. That individual decided to put on a show and got the results that he deserved. I can promise you right now that if anyone tries something of that nature at my concern, that person will be kicked out of our system the next day.



"RIGHT NOW, NOT A SINGLE CONTRACT OR UNIT OF EQUIPMENT CAN BE SOLD OUTSIDE UKRAINE WITHOUT PASSING THROUGH A NATIONAL DEFENSE AND SECURITY COUNCIL MILITARY TECHNOLOGY OVERSIGHT COMMISSION"

Ukraine has a multi-phased system for reviewing military equipment. First, the internal technical oversight department, then the military panel, which carries out a full-scale inspection and completely tests any equipment before giving its approval. In this particular incident, neither we nor the panel had approved the equipment.

We've actually set up 47 mobile mechanical brigades that

service our vehicles on the front. These men heroically remove damaged equipment from under fire in order to repair them. So far, they have managed to restore more than 1,000 units directly from the ATO zone.

U.W.: How capable is Ukraine's MIC of developing completely new equipment, not just to upgrade or modernize old soviet models?

In the last few months, we've upgraded more than 700 units and developed some 350 new ones. Plans are to set up our own ammunition manufacturing as the ammunition plant in Luhansk has been lost. But it's not cause for despair as we have more than enough ammunition in stock. The problem is that the Luhansk plant not only made ammunition for Ukraine's Armed Forces, but it sold it around the world, which is why the Russians took all of its equipment away. They're trying to eliminate competitors.

As to modernizing, truthfully the majority of our tanks are T-64s, which were upgraded to Bulats, but that's actually a different tank, with completely improved specs. Only the body is the same and that's where we save money. Imagine if we

needed to weld new bodies for tanks right now? Capital renovation of a tank is worth about UAH 1 million. By comparison, one new Oplot will cost UAH 80 million. Now you can understand why we are restoring old ones. Of course, the Defense Ministry will choose 80 tanks over one. As for artillery, we're in the process of setting up a line for large caliber barrels. Earlier, Artozbroyennia, one of our enterprises, made at most 30mm guns for AFVs and worked only two days a week. Right now, they're operating 7 days a week.

U.W.: What about cooperation with Russia? Has it been completely stopped and what kinds of losses does that represent for Ukraine's MIC?

By stopping trade with Russia, our defense industries have lost about UAH 3.3 billion (about US \$200 mn). We were getting some 30,000 items from the Russian Federation, and now our factories are producing nearly 11,000 replacements. That's 30%. Firstly, you're talking about aeronautical engineering, where we've completely picked up since we stopped working with Russia. We've already begun to produce more than 4,000 items. And that's also how we're economizing on costs: the cost of an APC was, say, a million, and stayed the same. But the money now stays in Ukraine.

U.W.: How much equipment does Ukroboronprom sell abroad?

Right now, not a single contract or unit of equipment can be sold outside Ukraine without passing through a National Defense and Security Council military technology oversight commission, as decreed by the president. They also have to pass a state auditing service review. But if we have a contract, we do have to fulfill it. For instance, repairing airplane engines. We have a number of high-end plants that can do this. And they have available capacity while there is demand from abroad. So why shouldn't we make some money for the state? So this is what it looks like: we get an order, we send it to the DM and

Capital renovation of a tank is worth about UAH 1mn. By comparison, one new Oplot will cost

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Now you can understand why we are restoring old ones. Of course, the Defense Ministry will choose 80 tanks over one

commission for review, and if they give the green light, that is, they consider that this particular item doesn't interfere with production of equipment needed for the Armed Forces, we go to work. In the last half year, 20 new foreign partners have shown up, and we've signed contracts worth \$450 million with them. Top on this list is services, but there are also nearly 100 units of finished products and tens of thousands of small arms.

We don't make the call about whether equipment is needed or not, we simply get permission or a ban on selling it. Indeed, there were several cases where the DM could not find an immediate use for some equipment, but it still asked that we hang on to it and not sell it.

U.W.: What about western partners? Who sells to you and what do they sell?

Well, for instance, Ukraine is obtaining high-precision sniper rifles, anti-tank technology, and

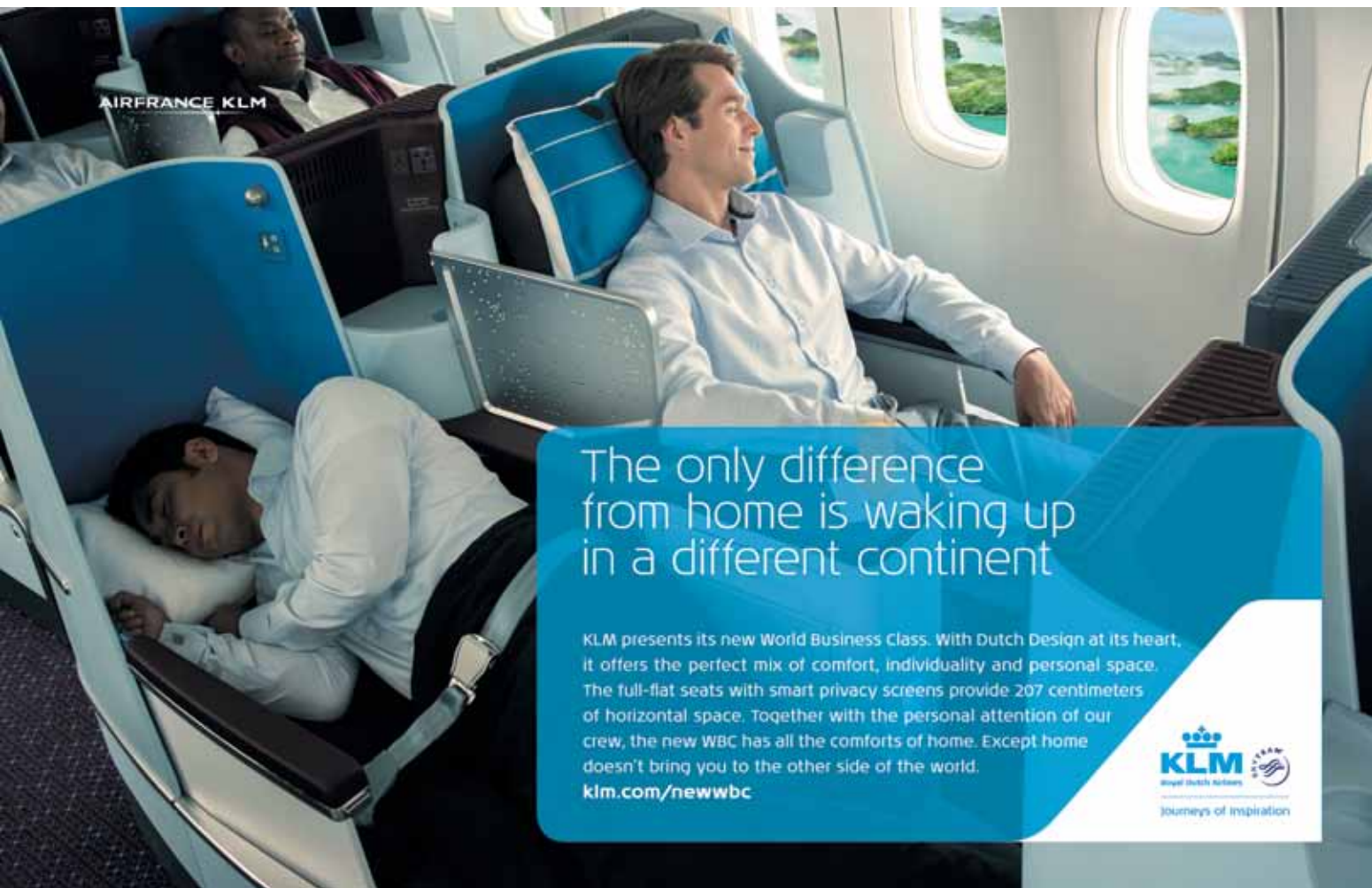
so on. In most cases, our partners meet us more than halfway, in terms of prices and timeframes, as most weapons market contracts tend to have delivery schedules several years into the future. I personally traveled to all the countries where we buy materiel and asked them to give us a break. Our biggest partners are the US, Britain, Lithuania and Poland, all of whom have been truly helpful. We also do business with Serbia and Bulgaria, both of which produce soviet-class ammo. I also stay in touch with a number of ambassadors who have themselves been very helpful, such as Estonia and Latvia. Right now, we're hoping to engage Lockheed Martin, Airbus, Textron and Boeing, who produce high-end military technology, in order to do some joint production. This would be very interesting indeed, as the Ukrainian army needs to buy modern weapons and if we can manufacture them domestically, that will be really convenient. These corporations, on their

part, are interested because we actually have a large number of high-quality arms manufacturers with loads of experience.

At the moment, we're working with Poland to develop the first Ukrainian-made APC based on NATO standards. That means that, when the time comes to join the Alliance, we will have everything ready as necessary. On the other hand, we could go the way of Sweden, which doesn't belong to NATO but follows NATO standards for its

**WE'RE WORKING WITH
POLAND TO DEVELOP
THE FIRST UKRAINIAN-MADE
APC BASED ON NATO
STANDARDS**

arms. This is not just a question of being defense-capable, but also of business. We want to open European markets for ourselves, not just Asia and Africa as in the past. ■



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Oleksandr Kikhtenko:

"We cannot break all economic relations with the occupied territories"



PHOTO: UNIAN

Interviewed
by
**Bogdan
Butkevych,
Kramatorsk**

Army General Oleksandr Kikhtenko was appointed Head of the Donetsk Regional State Administration as a military crisis manager on the 10th of October. To meet the official in order to discuss the situation in the region *The Ukrainian Week* visited Kramatorsk, the region's current administrative centre.

U. W.: You have been the head of the Regional State Administration for more than a month. What was the motivation behind taking a civilian post?

The President proposed and I, being a military person, couldn't decline in such a difficult time for my country. Especially since I have a great deal of experience in military management, therefore I'm more efficient here than someone from the business community. It's easier for me to communicate with the military, the Interior Ministry and getting them together with the civilian administrations. We're actually in the middle of creating a functioning system of Regional State Administration and County State Administrations. It is true that the RSA is yet to fully relocate from Donetsk because there are many officials, who for various reasons cannot move to Kramatorsk at this point, primarily due to personal circumstances. For instance, the wages are low, they have nowhere to stay or they have sick elderly parents at home. Having said that, the majority of the departments are function-

ing and are manageable. Although the culture department in its entirety is left on the temporarily occupied territory. I'd like to note that the will to move is there not only among the officials but also the heads of medical and education establishments, state and municipal institutions etc. It's just that, again, not everyone has the means to move.

U. W.: What can you say about the popular moods among the locals? One may get the impression that even in liberated towns many do hate Ukraine vehemently, let alone those on the occupied territories.

It is true, this problem does exist. I recently held a forum of patriotic movements of Donetsk region. Around 400 activists arrived from all the different towns. But one should keep in mind that, according to my estimates, such patriotic people make around 20%. Up to 30% are openly and unapologetically anti-Ukrainian forces that don't see themselves as part of our country. The remaining 50% are the very demographic that we need to work with. We must explain to them what Ukraine really stands for. In fact, this is one of the key tasks for me as the head of the region. Similarly we need to also explain this to those, who were left on the other side of the front line.

U. W.: But how are you going to do that, especially considering all the devastation?

Speaking purely of infrastructure, we're doing all we can. For instance, we have recently restored water supply to the region's western counties, which had been left without water for more than four months. We plan on launching the reserve water pumping station in Kurakhove in order to resolve the water supply situation. I will personally do everything in my power to encourage the development of small business in Donbas, as everyone needs a job, which is something that the state cannot provide. We are trying to provide humanitarian aid to the settlements located on the front line. And by the way, it is being delivered by the military. It is a conscious effort to build up Ukraine's image here, to demonstrate that the army is here not to kill, but to defend. As regards to the moods of the public, the people simply need to be talked to. Make no mistake about it, nobody ever reached out to them, except the Russian propaganda. The majority of the citizens cannot imagine possibly living better than they did before, and that they can achieve it themselves.

The state has the possibility to support this region economically, the rest will be sorted out. A few days ago I had a work meeting with the heads of the largest enterprises of Kramatorsk. They are concerned about the future of their entities in this devastated economy, concerned about the orders needed for the local population to survive. So I will

personally report this to the President and suggest him to get the enterprises in Donetsk region working at full capacity, to first and foremost load them with defence orders as much as possible, as there are plenty of serious plants with colossal possibilities, which can manufacture world-class military items. Why not have the NKMZ (Novokramatorsk Machine Building Plant – Ed.) manufacture products for the army? As once, in the USSR times, it used to produce weapons and also used to be involved in space programmes. It is just one example. It would be a crime to squander such an opportunity to rebuild the region, the armed forces and the country in general.

Also one of the most pressing tasks in ensuring the return of the occupied territories into the Ukrainian orbit is the creation of a proper TV-channel that would broadcast on the territories temporarily controlled by the pro-Russian thugs. Currently there aren't any alternatives to the Russia media, and so the population is not getting any truthful information at all. People are completely brainwashed, the only way of getting even a morsel of information is by communicating with the relatives or friends, who live on the Ukrainian side. But of course, this isn't enough. Is the state really incapable of creating a dedicated information television and radio broadcaster? Of course it can do it. The respective facilities are available: there's a TV-tower in Krasnoarmiysk that can and should be used. I've been there recently, so I know what I'm talking about. But that is not a job for the Donetsk RSA, that is a matter of nationwide policy.

U. W.: But the NKMZ plant is owned by Heorhiy Skudar, a member of Party or Regions, the very party that to a great extent bears responsibility for war in Donbas. And in general, how are you going to build your relationships with the system of local authorities tied to the Party or Regions, the police, the prosecutors, the officeholders? What can you say about the work of your predecessor Serhiy Taruta?

Let the local population living in wartime conditions be the judge of Taruta's work, but I believe that a lot more could have been done. One could have prevented the war

completely with enough effort. Everything could have been stopped when 30-40 men armed with sticks were seizing government buildings. It would have taken political will as well as decisiveness of the law-enforcement. And the people that were in power in Donbas and failed to stay on top of the situation should be held responsible in the political sense, if not in the criminal one. Unfortunately it is outside my authority to appoint police officers and prosecutors, it's the domain of the security heads. So I have to work with the ones that I have. As the head of the region I set them certain objectives, and if they fail, I'll be inquiring to have them replaced. In any case there are enough patriots in the Donetsk region's police, many of whom have moved here from the occupied territories. A lot of them have not been paid for months but they still wouldn't let go of their duty.

Let alone the bonuses received by those Interior Ministry employees, who came to work in the zone of the anti-terrorist operation from other regions. So if we want to have a corruption-free police, it should be funded appropriately, especially in such difficult conditions as those in Donbas. Otherwise we're pushing those policemen towards breaking the law ourselves. As far as the Party of Regions is concerned, I'm prepared to deal with anyone who plans to live in Donbas, regardless of their party allegiance. Among POR members there are many, whose place is behind bars, but there are also good professionals, patriots of their land, strangely as it may sound to some. And then again, I need to somehow cooperate with the members of the Regional Council, the majority in which is POR. I will continue working with the adequate part of this party, for instance those, who were forced to become members because they wouldn't be able to occupy any posts, much like with the Communist Party in back in the day.

U. W.: What are your views on the coexistence, albeit temporary, with the occupied territories? Should they be completely cut off from all the systems or should they be supported?

If they were populated exclusively by the criminals I would be the first to say that they should be fenced off with barbed wire, com-

pletely isolated and left without water, electricity or any support for years to come. But there are also pensioners, there are the disabled and the orphans – citizens of Ukraine, who became hostages of these gangs. Believe me, I meet a lot of people from Donetsk, for example, who have no choice but to stay there, but who are patriots of Ukraine: the military pensioners, the retired law-enforcement staff, whom I've known since the days of my military service. So are we supposed to simply abandon them? One should realize that all those, who had the means to leave, already did. But if someone stayed there, it doesn't mean they support the criminal gangs.

U. W.: So should we continue providing utility services free of charge? Should we negotiate with criminals? By the way, there have been instances of coal contraband from the occupied territory.

Personally I never engaged in any negotiations with the ring-leaders of the "Donetsk People's Republic" and I'm not going to. They are criminals. However, at present we cannot break all economic relations with the occupied territories. There are many enterprises with infrastructure located on both sides of the front line. For example "Voda Donbasu" ("Water of Donbas" – Ed.) or the Donetsk municipal heating and energy provider. We cannot split the gas transportation system, for example. If we stop the coal movement, we'll have power plants shutting down. So the heads of the respective enterprises (mostly municipal) are forced to cooperate with the militants when it comes to utilities, as there are many aspects where by harming Donetsk one will also harm Kramatorsk. And after all it's time that we realized that on the other side of the front line there are also Ukrainian citizens, albeit brainwashed for now. Donbas is Ukraine, isn't it? Therefore we must provide foodstuffs, pensions, medicine and so forth to that territory. Of course supplying all that isn't straightforward in terms of technical realization, but there's nothing that can't be solved. As for the contraband, it's up to the appropriate agencies to combat it, there's can't be any compromise about that. ■

BIO **Oleksandr Kikhtenko**, born in 1956 in Kharkiv Oblast, graduated from the Omsk Higher Combined-Arms Command School and Frunze Military Academy in 1991. Mr. Kikhtenko served in the Soviet Army, then in the Ukrainian National Guard and the Interior Troops. He now holds the rank of Colonel General. Retired from the military since 2010, he has served as Head of the Donetsk Oblast State Administration.

Budget Code Amendments: In-Depth Reform or a Mere Facelift?

The benefits and concerns of the budget reform

During the budget escapade of December 28, before adopting the 2015 State Budget the parliament passed a number of laws designed to lay the foundations necessary for the budget to work. Among them is the new edition of the Budget Code that has a number of both positive and negative innovations.

The passed Budget Code amendments for the most part reflect the provisions of the draft law proposed back on August 8. However, certain provisions are changed, and new ones were added. Those among them that deserve particular attention are as follows.

Firstly, Kyiv is to give 60% of its Personal Income Tax revenues, the main source of revenues for local budgets, to the central budget, instead of 80% as proposed in the August draft law (up from 50% before 2015). Thus the capital is not going to have as much of a problem with own budget revenues as was feared in summer. Secondly, local (oblast) budgets are to keep the rent payment for extraction of mineral resources of nationwide importance, excluding oil and natural gas in the amount of 25%, instead of 0% as was proposed this summer (before 2015 this share used to make 50%). Just like in the previous example, this is better than what was initially proposed, however, de facto this kind of redistribution is a factor of centralization of budget cash flows. Thirdly, local self-governments have been allowed to place their "development budget" funds in state banks (previously all local budget funds, excluding the temporarily free funds, were to be placed exclusively on Treasury accounts). However, if local bodies do decide to take that opportunity, they will lose the op-

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tion to cover temporary cash gaps using funds at the Treasury's expense. Fourthly, the state and municipal higher education and cultural establishments have been allowed to accumulate funds for provided services, or the received grant money on their accounts in state banks, which simplifies the procedure of utilizing said funds.

POSITIVE CHANGES

A number of provisions of the Budget Code approved recently are fairly progressive. While some of them have been formulated far from ideally, certain revisions can turn them into the basis for the new budget system. The positive innovations that deserve special mention are as follows:

1. New method of calculating transfers from the central budget to the local ones. Previously the discrepancy between the anticipated income and spending of local budgets, determined by the Budget Code, used to be covered by

**THE NEW BUDGET CODE
ELIMINATES THE COMMUNITY
AS THE BOTTOM LEVEL
OF SELF-GOVERNMENT WHICH
IS A STEP AWAY FROM
DECENTRALIZATION**

inter-budget transfers. Therefore, local self-governments were unable to adopt local budgets before the main budget of the country was approved as they did not know the amount of transfers, subsidies and subventions that would be allocated to them. The new Budget Code replaces the transfers with equalization subsidies calculated based on



the anticipated local budget revenues from income tax and Personal Income Tax, so the subsidy is intended to reduce the gap between the highly profitable and low-income regions. This will simplify redistribution of finances between different budget spending items for the local government bodies (this, however, does not apply to subventions in education and healthcare).

2. Unspent subsidies and subventions are to remain at a local budget and can be used next year. Previously all unutilized funds used to return to the central budget. This mechanism was often used as an implicit sequester: the money for certain budget expenditures (primarily capital ones) would arrive in November or December when local governments did not have enough time to utilize it. Subsequently, the funds returned to the Central budget. From now on local

communities will be able to plan some of their budget spending, especially the capital ones, more seamlessly.

3. Funds of regional development (which is to make at least 1% of the total central budget income) must be distributed no later than 3 months after the adoption of the central budget (this way local government bodies will have enough time to utilize them). The selection of projects is to be done by the Ministry of Regional Development (and not the Ministry of Economic Development). Local government bodies must fund 10% of the



spending for these projects, which may become an incentive to develop better quality projects.

4. All cities of oblast significance (178) are now entitled to external municipal borrowing, up from 15 cities with the population of over 300,000 as before; at the same time the Treasury is being stripped of its right to give mid-term loans to the local budgets. This innovation should broaden access to financing for local communities. In the long term, however, it may lead to solvency problems in certain regions.

5. The law on central budget is to put a limit not only on the state debt, but also on the state-guaranteed debt. Total debt must not exceed 60% of the GDP, and to overstep this boundary the government will now have to be granted permission by the Parliament (previously the Cabinet of Ministers used

to decide this internally). This will raise transparency of the debt management process, although in the long run it may lead to problems regularly experienced by the United States in the recent years, where there's a need to raise the debt cap.

6. The new Budget Code provides ground for mid-term (3-year) budget planning. The National Bank of Ukraine will now produce a 3-year forecast of "indices of currency exchange rate policy" (although it would make more sense to request monetary policy forecast). Additionally, the Ministry of Economic Development is to provide a 1-year macroeconomic forecast.

7. Two special central budget funds have been eliminated: the fund that used to accumulate the import duty for petroleum products and automobiles, which was utilized for automobile road construction and maintenance (now a considerable portion of road network is to become the responsibility of local authorities), and the fund that used to accumulate payments from the tax for producing radioactive waste, which was utilized for processing of said waste, as well as for certain nuclear safety related facilities (currently these funds are part of the environmental tax which will mostly end up on the regional level). At the same time **two new funds are created:** one will accumulate 50% of the payments for registering property rights and 85% of the payments for obtaining information from the Single Register of Enterprises and other registers, this money will be used to maintain these registers; the other fund will receive 50% of the payments from execution fees that will be utilized to reward officials of the State Executive Service (this is necessary to improve the function of the Judicial system, although its biggest problem is the qualification of judges).

8. Defense and intelligence spending, which are financed from the reserve fund, have been added to the list of "protected" spending items.

NEGATIVE INNOVATIONS

The bulk of the poorly thought through provisions of the new Budget Code is related to decentralization. In general the redistribution of income and expenditure between budgets before even the functions of the local self-govern-

ment have been defined is not the brightest idea. The biggest negative aspect of the current centralized model of state governance is that decisions are predominantly taken by the local administrations (i.e. the local representatives of the central government) instead of the local councils (representatives of the communities). Since the law "On Local Self-Government" for now remains unchanged, this problem will be exacerbated due to the increased resources at the disposal of local administrations. Other negative traits of the new Budget Code are as follows.

1. Liquidation of the community as the bottom level of self-government. According to the current law, only two levels remain: the oblast (city of oblast/regional significance) and the county, or the "united community". Most other countries have three levels of local self-government: the *community*, the *county* and the *region*, and everyday issues of communities (including the organization of education and general healthcare) are predominantly dealt with on the com-

The Budget Code puts a limit on state and state-guaranteed debt: The total debt must not exceed

60%

of the GDP, and to overstep this boundary the government will now have to be granted permission by the Parliament (previously the Cabinet of Ministers used to decide this internally)

FROM NOW ON LOCAL COMMUNITIES WILL BE ABLE TO PLAN SOME OF THEIR BUDGET SPENDING, ESPECIALLY THE CAPITAL ONES, MORE SEAMLESSLY

munity level. This is the level where one can witness democracy in its purest form, as it is much easier for people to influence the decisions taken by the village mayor, rather than those by the head of the county council. Formally the elimination of the community level contradicts the subsidiarity principle, according to which services must be provided to citizen at the most immediate level.

2. Depriving the members of local communities of the right to influence the most critical areas of their life: secondary and professional education and healthcare. These areas are funded from the central budget through education and healthcare subventions (although local budgets can also allocate funding), and the amount of funding depends on the number of students/patients and the population residing in the given oblast. This mechanism may seem to be able to roughly equalize spend-

Local (oblast) budgets are to keep the rent payment for extraction of mineral resources of national importance, excluding oil and natural gas in the amount

of 25%,

instead of 0% as was proposed this summer (before 2015 this share used to make 50%)

ing per student or patient for the entire country. In reality, it preserves the status quo, where the decisions on the amount and quality of services provided are made at the level of central government. In a decentralized model it is the community that should be making the decision on whether, for example, the local school needs to be supported (and perhaps requires extra investment), or whether the road should be repaired for the school bus to take kids to the next nearest school. The permission for the local self-government bodies to fund schools and hospitals would also create competition, a factor that would boost the quality of local governance.

Analyzing the Budget Code one can reach the conclusion that while at first glance it does make several steps forward towards decentralization, in reality without the respective amendments to the laws "On Local Self-Government" and "On Administrative Territorial System" these innovations may lead to even deeper centralization. This will depend on the distribution of powers between the local administrations and local councils in each given oblast or county.

The elimination of the bottom level of self-government (the community) means that the majority of citizens will not experience the effects of decentralization in their daily

life. Just as before their voice will not be heard when it comes to organizing the basic services in their town or city district, since all the decision-making will happen at the higher level of the region or city respectively. This is likely to be so at least until "united communities" are created, which may take awhile. One can assume that such a course of events will first and foremost harm the residents of towns of county significance.

Nevertheless, the passed amendments do give a little more freedom to local self-government bodies, and therefore may become a starting point for the proper decentralization reform. ■

Budget 2015

Author: Oleksandr Kramar

Addenda to the 2015 Budget published recently (they specify the structure of revenues and expenditures) reveal a growing shortage of tax revenues which the government is trying to fill with more loans and unbacked money printing. In the face of this threat, the government is not implementing long overdue reforms of public and social spending. Instead, it is imposing superficial spending cuts. This approach will further aggravate the crisis in Ukraine's economy and continue to stifle vital public-funded sectors.

Debts and money printing



Source: Law of Ukraine on 2015 Budget

2015 budget revenues, UAH bn

Revenues (total: 365.6), including:

181.9 – import tax, incl.
126.4 – VAT on imported goods
23.5 – excise duty on imported goods subject to this kind of tax
31.5 – import duty

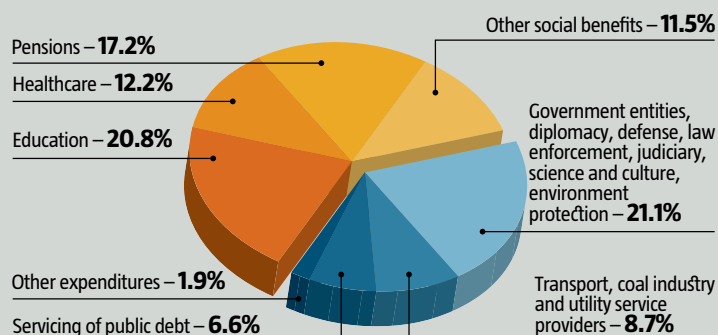
42.3 – personal income tax
32.9 – corporate income tax
34.8 – rent payment for extraction of natural resources
31.4 – VAT on domestic goods and services, except for reimbursement to exporters
36.5 – excise duty on domestically produced goods that are subject to this kind of tax
6.3 – other tax revenues

Non-tax revenues (total: 100.5), including

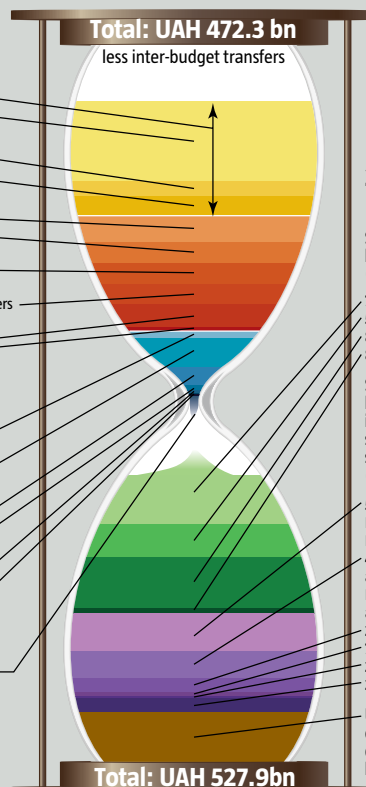
4.6 – part of net income of state-owned or communal enterprises and dividends on stocks of state-owned or communal enterprises
65.4 – transfers from the NBU
18.2 – proceeds from fees for services provided by public institutions in compliance with law
11.1 – other non-tax revenues
3.7 – EU and other international aid
1.5 – confiscated assets and proceeds from the sale of confiscated property obtained via corrupt practices
1.0 – other revenues

Source: Law of Ukraine on 2015 Budget

Consolidated budget expenditures, 2013



Source: Ministry of Finance



2015 budget expenditures, UAH bn

Social programs (education, healthcare, pension fund and others) (total: 220.0), including

77.1 – education
54.2 – healthcare
80.9 – pension fund
8.3 – other social expenditures

State functions (security, law enforcement, judiciary, international diplomacy, state governance, infrastructure, science, culture and more) (total: 158.0), including

58.0 – Defense Ministry, National Guard, State Borderline Service, SBU, Defense Ministry Intelligence Headquarters and Foreign Intelligence
40.3 – Interior Ministry (without border guard and National Guard), State Security Service, Prosecutor's Office, courts, Justice Ministry and State Fiscal Service
20.8 – State Road Department
7.2 – science and culture
2.2 – diplomacy
21.2 – other government bodies

UAH 146.1bn is total expenditures of the Finance Ministry (servicing of public debt, subsidies and subventions to local budgets, reserve fund and the like)



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On the Road to Total Divorce

If current trends in bilateral trade are maintained, by 2016 Ukraine will be ready to survive even a full-scale Russian trade blockade

Author:
Oleksandr
Kramar

In one year, on January 1st 2016, the economic part of Ukraine's Association Agreement with the EU is to take effect. Meanwhile, the "compromise" reached in September in Brussels that delayed the agreement in exchange for Russia cancelling its trade war against Ukraine really did nothing to solve the problem, but simply postponed it.

To demonstrate the seriousness of its intentions, Moscow prepared a government resolution for the automatic introduction of a package of restrictive measures against Ukrainian goods that would take effect immediately after the economic part of the EU Association Agreement came into force. Russia threatens that within 10 days of the implementation of the agreement, it will raise duties on Ukrainian meat, dairy and baked goods, fruits and cereals, as well as beer, wine, alcohol and cigarettes. The list also includes cars, buses, refrigerators, clothing, shoes, ferrous metal products, glass, cement, concrete, plastic, mineral fertilizers, passenger and cargo ships, machinery, cosmetics, textiles, furniture, and sporting equipment.

The EU has been energetically ratifying Association Agreements for several years. In addition to the European Parliament, several countries have already completed the process, including Hungary, Slovakia, Czech Republic, Poland, Bulgaria, Romania, Estonia, Lithuania, Latvia, Sweden, Denmark, Croatia and Malta. While it was previously predicted that all EU member states would achieve ratification by 2016 or even 2017, current forecasts stating mid- to late-2015 are more optimistic. Thus, it would be strange to further postpone the initiation of the economic part of Ukraine's agreement with the EU.

This means that both Kyiv and Brussels should immediately

take preparatory measures to minimize the negative effects of Russia's projected trade blockade. Moreover, in mid-December Russian Prime Minister Dmitry Medvedev again threatened Ukraine with losses of USD 15 billion annually once the economic part of the deal finally comes into effect.

The popular misconception that Russia or its Customs Union constitute the largest markets for Ukrainian companies has long been far from reality. Over the past three years, Ukraine's dependence on the Russian market has decreased dramatically. The structure of domestic commodity exports has diversified, while sales in emerging markets in Asia and Africa have expanded and exports to the European market increased after the introduction of EU unilateral preferences for Ukrainian suppliers.

The loss of export capacity in the Donbas and Russia's constraints on Ukrainian goods have created the conditions for a relatively painless departure from the Russian market. In August-September 2014, the percentage of Ukraine's total exported goods sold to Russia dropped to 16.9%. If we include satellite economies that became members of the Eurasian Economic Union on 1 January 2015 (Kazakhstan, Belarus and Armenia), that number becomes 23%. This trend continued: in October, exports to Russia fell to 15.7% (21.7% including Eurasian Union countries) and 14.7% (19.8%) in November.

Today, completely different markets have become priorities for Ukraine. For the first 11 months of 2014, the largest share of exports was sold on the markets of the Mediterranean (24.3%, increased to 26.5% in November), including several EU member states (Italy, Spain, Greece, etc.). Another 23.2% (22% in November) of exports were sold in other EU countries. We now can see

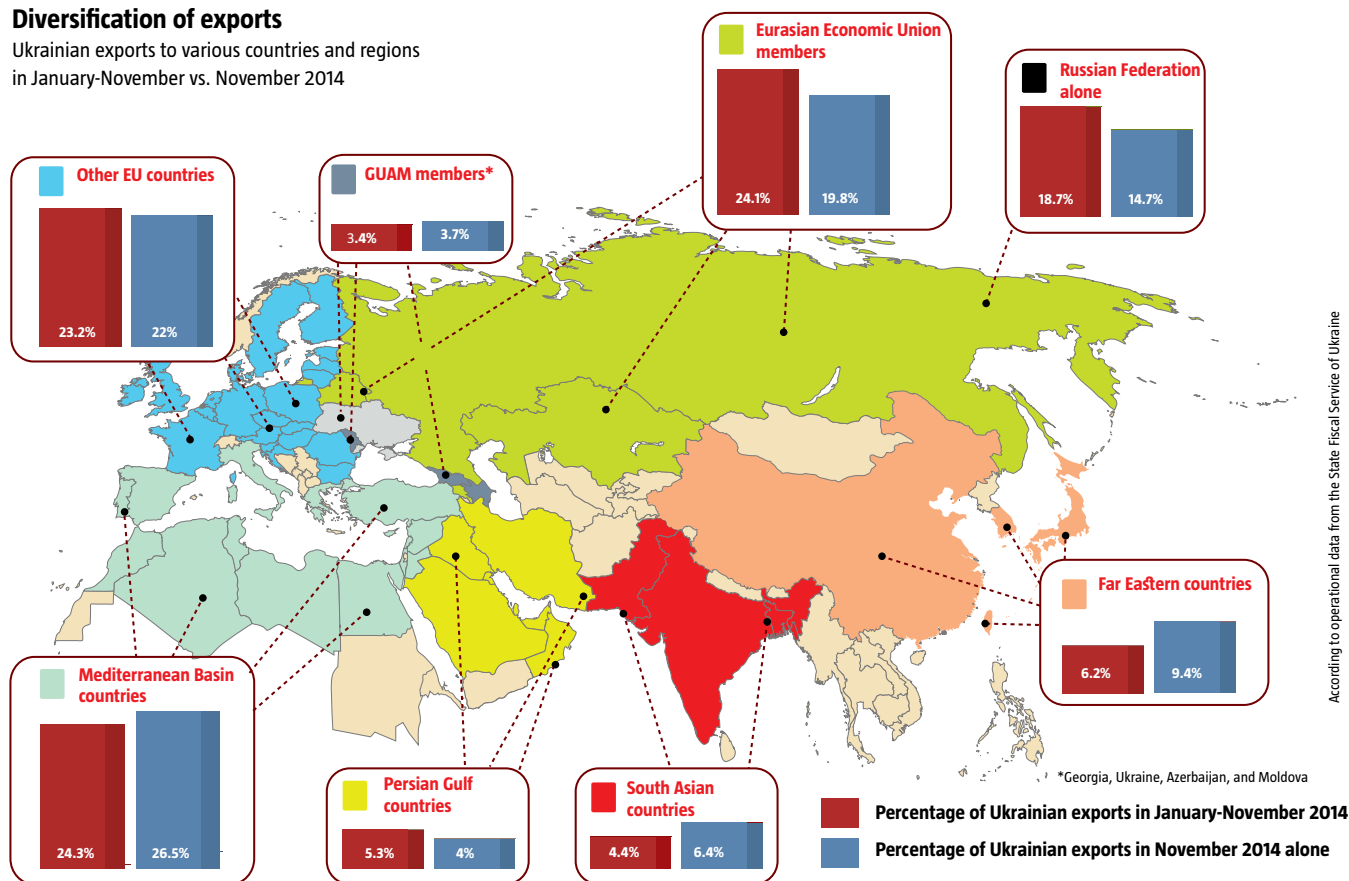
that Russia and its partners in the Eurasian Economic Union are only in third place.

Moreover, in November, Ukraine's exports to China and other countries in the Far East (Japan, South Korea and Taiwan) were only five percent less of its total exports than those to Russia (9.4% vs. 14.7%). With deliveries to these markets growing rapidly in recent years while exports to Russia decrease, they may soon be more important for Ukraine. Other important consumers of Ukrainian products include South Asian countries (India, Pakistan and Bangladesh), which in the first 11 months of 2014 amounted to 4.4% of exports (up to 6.4% in November), and countries of the Persian Gulf (Iran, Iraq, Saudi Arabia, the United Arab Emirates and Oman), with 5.3% of exports (4% in November).

At this point, the loss of even the entire Russian market would be less painful than the loss of that market that the Ukrainian economy has already endured over the past three years. For example, in the 3rd quarter of 2014, exports to Russia amounted to USD 2.4 billion, while in the same period of 2011 they totaled USD 5.4 billion. In November 2014, the corresponding figures amounted to USD 0.59 billion and USD 1.68 billion, so Russia's threat of a loss of USD 15 billion is absolutely unrealistic considering that the total prospective Ukrainian exports to Russia in 2015—even without additional restrictions on its part—will not exceed USD 5.6 billion. This is especially clear given the substantial fall of the ruble and Russia's projected economic downturn. And by the time Ukraine's free trade agreement with the EU comes into effect (on 1 January 2016) and Russia's likely cancellation of Ukraine's free trade agreement with the CIS occurs, Russia's share of Ukrainian exports may well be reduced to a non-critical 10-12%.

Diversification of exports

Ukrainian exports to various countries and regions in January-November vs. November 2014



According to operational data from the State Fiscal Service of Ukraine

Ten commodity groups remain most dependent on the Russian market, with exports of these products to Russia exceeding USD 50 million annually and amounting to more than 20% of their total output. These include machinery and equipment (excluding electrical), railway locomotives, some chemical products, plastics and polymers, paper and cardboard, ceramic products, automotive components, and furniture. The total volume of these goods delivered to Russia from August to October 2014 was 7.3% of Ukrainian exports worldwide. These commodities accounted for 14.5% of Ukraine's total industrial output from January to October 2014. This is where Ukraine's government needs to step in to help determine which industries should be allowed to die, and which should be reoriented toward alternative domestic or foreign markets. Finally, manufacturers of machinery and equipment (52.2%), railway locomotives (61.6%), and automotive components (77%) rely on exports heavily, yet their share in the country's industrial output is

Ten commodity groups remain most dependent on the Russian market, with exports of these products to Russia exceeding **USD 50 million** annually and amounting to more than **20%** of their total output

moderate (respectively 2.5% and 1% 0.5%).

Currently, the supply of most Ukrainian food products to the Russian market has been effectively blocked. In May, Russia's "Federal Service for Veterinary and Phytosanitary Surveillance" limited imports of Ukrainian meat, adding potatoes and corn in June, along with increased documentation requirements for the import of animal products. In July, the Russian sanitary service completely banned the import of dairy, fruit and vegetable products, canned fish, and juice. Pork, potato products, and beer were also banned. In August, the service blocked Ukrainian shipments of soybeans, sunflowers, cornmeal, and soybean meal. The producers of these goods now have nothing left to lose. Instead, they are seeking to increase exports to alternative markets. For example, the European market is certifying Ukrainian agricultural suppliers. According to the Agriculture Ministry, as of December 1st, 2014, 211 Ukrainian businesses were certified to export the following food products to EU member countries: poultry and meat prod-

ucts, eggs and egg products, fish and fish products, and honey and other bee products.

Ultimately, when it comes to its trade war against Ukraine, Russia no longer has the support of its satellites in the Customs Union, whose markets supplied one quarter of Ukraine's exports to the CU. At a meeting of the Eurasian Economic Commission in the summer of 2014, Belarus and Kazakhstan rejected Russia's proposal to increase duties on Ukrainian products. For them, this politically motivated step was not necessary. For Belarus specifically, the consequences of introducing restrictions on Ukraine's imports of its products could be potentially disastrous and difficult for Russia to rectify under the current circumstances. Therefore, in his relations with Kyiv, Belarusian president Alexander Lukashenko often tries to take an independent stance from the Kremlin. After the collapse in oil prices and fall of the ruble, Lukashenko even urged his government to immediately seek new markets and no longer look at Russia as the main buyer of Belarusian goods. ■

Every Little Helps

Ukraine is receiving billions in foreign financing. Is this the kind of help it needs?

Author:
Lyubomyr Shavalyuk

Since the end of the Maidan, the media has been awash with information of new tranches of financial support provided to Ukraine. The frequency of such news and the list of countries that are helping leave a naive impression that the Revolution of Dignity has influenced the world community so deeply, that all the countries are falling over one another to offer Ukraine aid. The parallel plummeting of actual means for living among many Ukrainians, who are complaining about the economic situation ever more often, makes this all the more puzzling, pushing one to assume that, either the donors are giving little money, or the aid is not being used properly. So what aid exactly is Ukraine receiving from donors?

The United States has been the main activist, supporting Ukraine's European-Atlantic integration and its market transformation course. America generally uses indirect, most often diplomatic means, so its support, if assessed from the perspective of funds allocated directly, may seem meagre. In May 2014, the USA granted Ukraine a USD 1bn guarantee for the issue of Eurobonds. This hardly qualifies as financial aid, nor is it a loan because the money comes from global investors. The only advantage of this money, other than the fact that the Cabinet of Ministers received USD 1bn, is the fact that the annual yield of the bonds is 1.84%. This is 5–7 p.p. below what Ukraine paid against the regular placement of Eurobonds, and 16–18 p.p. less than it would have paid now, if access to global financial markets weren't closed to it. In other words, Ukraine will save USD 50–70mn (or USD 160–180mn,

if estimated against the backdrop of the difficult time Ukraine is currently living through) on these guarantees. This can be considered implicit financial support which Ukraine received as a result of organisational support from the USA.

Of course, America does not intend to stop at this UAH 1bn. In early January, the USA announced that if Ukraine conducts the reforms approved by the IMF, it plans to grant a further USD 1bn guarantee in the first half of 2015. If these reforms bring results, the USA will promise us an additional billion in guarantees at the end of this year. A significant amount of the funds under American guarantees will have to be repaid (in five years), and their granting will depend on whether the government conducts reforms and



THE USA IS COMPENSATING LIMITED DIRECT FINANCIAL SUPPORT FOR UKRAINE WITH THE MOBILISATION OF A INTERNATIONAL FINANCIAL ORGANISATIONS AND DONOR COUNTRIES TO HELP US

ultimately, the extent to which they are successful.

Non-repayable financial support is a different matter. It is significantly lower, but the funds are given in small portions for specific purposes. According to US data, USD 340mn of such support was granted to Ukraine last year. The US government directed USD 118mn for equipping the Ukrainian Army as well as providing military training. USD 46mn was used for the procurement of bullet-proof vests, night-vision equipment, armoured vehicles and additional communications means, etc.

According to the mass media, the USA is also planning several hundred million dollars in its 2015 budget for various Ukraine-related projects. The tactic of granting small amounts for specific purposes is probably justified. Although it does not allow Ukraine to receive a large sum at one time to resolve big issues, it will gradually re-educate Ukrainian officials, getting them used to giving up the timeworn practice of “you give us the funds and we'll take care of everything else”. In addition, the biggest problems, such as corruption and overregulation of business, can be overcome with a minimum amount of funds. Where there's a will there is a way.

The USA is compensating the limitations of direct financial support for Ukraine with the mobilisation of a range of international financial organisations and donor countries to help us. Clearly, the IMF is the first fiddle, which, in addition to the financial support, fulfils the function of the main controller and representative of donors in negotiations with the Ukrainian government. Towards the end of April, the IMF approved the allocation of USD 17.1bn to Ukraine, of which we received USD 4.6bn last year, with the rest being provided in 2015–2016, if reforms are carried out. These funds are also not financial aid and will have to be repaid (the largest payout is due in 2019, with the rest stretched out between 2017 and 2021). However, similarly to the US government loan guarantees, the advantage of this one is the low interest rate (about 2.5% per annum) compared to the market value of the borrowing. This will save Ukraine about USD 1bn on interest payments alone, provided that Ukraine receives all the trenches. Plus, no one other than the IMF would



grant Ukraine these funds under the current conditions.

Working with the Ukrainian government directly, often and closely, the IMF automatically began to fulfil yet another function – of motivating donors. The IMF's August estimates showed that if there should be a negative scenario, which current developments point to, Ukraine will need an additional USD 19bn in 2014–2015 to maintain its foreign exchange reserve. No one took this figure seriously at that time. Looking at the absence of progress in reforms, international experts have often stated that the IMF may not even give the government the already promised USD 17bn, let alone additional funds. However, after the parliamentary election, creation of a coalition and the appointment of a new Cabinet of Ministers, the situation changed radically. Leading international media, particularly the Financial Times and The Economist, called on the world to help Ukraine and stop its economic collapse. Billionaire George Soros joined these calls, talking about a fundamentally different approach regarding aid to

Ukraine and calculating that required support constitutes USD 50bn. One way or another, Ukraine's global donors will only switch from talks to action after the IMF gives an adequate assessment of reform dispositions in Ukraine. This will obviously happen during the IMF mission's January visit to Kyiv, so who intends to help us and under what scenario the country will develop, should become clear shortly.

But the largest volume of financial aid is coming to Ukraine from the European Union and European structures. In May, the EU announced that it will provide Ukraine with a package of more than EUR 11bn in 2014–2020. Most of this amount will be granted in the form of loans. More specifically, it is expected that Ukraine will receive financing for a range of projects worth a total of EUR 5bn from the EBRD (EUR 1.2bn – in 2014), and up to EUR 3bn from the European Investment Bank (EIB). The majority of aid from the European Commission is also in the form of loans (at the 1.36% annual interest rate). Last year, Ukraine received EUR 1.36bn

from two EC microcredit aid programmes. The next EUR 250mn, which will exhaust the resources of these programmes, should be received in the spring of 2015. At the same time, on January 8, EC President Jean-Claude Juncker, announced a new EUR 1.8bn microcredit programme, most of which Ukraine will be able to receive this year. The allocation of almost all European loans depends on the progress of reforms. Even the EBRD, which generally works with specific projects, often in the private sector, approves decisions on the allocation of new funds on the basis of information on the progress of reform in Ukraine, taking IMF responses into account, first and foremost.

As far as non-repayable aid is concerned, the EC is granting it in small portions of several tens of millions of euros in the form of grants for specific projects. Almost EUR 1.6bn was designated for such purposes in May 2014 for the period of 2014–2020. This amount will probably be reviewed with a view to increasing it, but it will still be less than the amount Ukraine requires and which it will receive in the form of loans.

A further ten or so countries are helping Ukraine in addition to the above-named donors, including Germany, Australia, Poland, Finland, the Czech Republic, Canada, Japan, Bulgaria and Lithuania, as well as international organisations such as the UN, OSCE and IAEA. But these cases often entail tens of millions of dollars, and even that is in the form of goods (humanitarian aid, non-lethal weapons, etc.) or support of projects for which imported materials are purchased. In other words, Ukraine generally receives very little or no cash to patch holes in the budget and the balance of payments.

The world's financial support right now is only helping in three areas. It allows Ukraine to buy time, on average postponing the repayment of our financial liabilities by five years, reduces the price of borrowing through low interest rate loans and most important of all, forcing us to move and conduct reforms only in exchange for real transformations. ■

Taavi Rõivas:

"Thanks to reforms, we became members of the EU and experienced economic growth"



The *Ukrainian Week* spoke to Estonia's Prime Minister about reforms, business environment they way Estonian investors see it in Ukraine, economic benefits of e-governance and international response to the Russian threat.

U.W.: It has been roughly a year since the Maidan. Ukraine and its new government looked encouraging at the beginning. Today, many European top officials say that they do not see profound and effective reforms. What is your opinion on that after you've met with the Prime Minister and the Minister of Economy?

Estonia itself has recent experience of conducting reforms. It has been only slightly over 10 years since we joined the EU, and we still remember the changes we had to implement in order to be eligible. Thus, I can say that reforms don't come easy. They often need time and support. But the vast majority of things we had to do were useful for ourselves in the first place, not so much for Brussels. They made our society better in many ways.

Not only should the government and parliament support

them, but people should believe in the mutual goal. In the end, once the reforms are done, you get to see that they are very rewarding.

U.W.: When reforms were painful, did you have to explain their essence and goal to people? How did you do it?

We never blamed Brussels – this is one thing that amazed many. Instead, we always tried to explain that it was our core ambition to go West, to live like Europeans. People understand that going that way is a rewarding thing and that society has to reform in order to become like one in the EU, a wealthier one among other things. At least Estonians did support the prospect of becoming wealthier as part of the EU.

U.W.: Estonia is known as a champion of e-governance, something that enhances government transparency and outreach to the citizens. It has been sharing this experience with Ukraine. What specific benefits can it bring to Ukraine? Do you think there is sufficient political will to implement this approach?

**Interviewed
by Anna
Korbut**

I believe there is. We talked with Prime Minister Arseniy Yatsenyuk and Speaker Volodymyr Hroysman. We know from Mr. Hroysman's previous years of work in the government that he would like Ukraine to use these electronic solutions. First and foremost, e-governance is there to make the government more effective. The use of these systems can make registers and all kinds of state information systems much more transparent. This is a great victory because we can do the same things faster and save a lot of money. We have calculated that the use of digital signature and identification alone saves us 2% of GDP annually. This is worth one working week every year. We don't do that because we are big fans of computers. The main idea behind this is that we see that it provides better governance.

U.W.: Have you talked to Estonian investors in Ukraine? They have encountered some serious problems here before. How do they assess changes in the business environment over the past year here, if any?

Estonian investors see a huge potential in Ukraine. There are

some respected businessmen investing here, looking for opportunities because they really believe that Ukraine will have a prosperous future. They say that there are many positive things in Ukraine. The things that could be improved, however, are linked with transparency in the judiciary and tax collection. Estonian businessmen are used to a transparent and simple system. We have rather low taxes but everybody pays them at home. And we try to make the process as easy for people as possible.

Of course, the investors have some issues in Ukraine. But they are not saying that the overall business climate in Ukraine is worsening. They believe that the new Government and the Presidential Administration will make progress on this.

U.W.: Do you think the current government actually hears the investors?

I believe so. We had a meeting with Prime Minister Yatseniuk, and Economy Minister Aivaras Abromavičius who studied in Estonia by the way. They listened very carefully, and I know that they had meetings with big investor groups. So, I think they are taking it very seriously. And this should be taken seriously. As proven by Estonia's experience, foreign investors are key to economic success. They bring in money and jobs. If they feel that Ukraine has good business climate, more and more investors will come. Developing business climate is a never-ending process. In Estonia, we have gone a long way to reach that. But that does not mean that investors are fully satisfied. They want a better one, and it is possible to create it.

U.W.: The judiciary and regulation are important aspects of that. Both are far from perfect in Ukraine and hamper a lot of new investment, as well as tend to oust the capital that is present here. Is this being discussed between the government and foreign investors?

Some businesses have had negative experience and are telling of it openly. But when I look at the government's reform plan which is very ambitious, I see that things are really moving in the right direction. Reforming does not come overnight. We have to keep in mind

BIO **Taavi Rõivas**, born in 1979, has served as Estonia's Prime minister since March 2014. Prior to that, he was Minister of Social Affairs, mayor of Haabersti district of Tallinn in 2004-2005 and advisor to Minister of Population Affairs Paul-Eerik Rummo in 2003-2004. Mr. Rõivas has been member of Estonia's Reform Party since 1998 and became its leader in April 2014

that Ukraine is in a very difficult position right now. Doing reforms when part of the territory is annexed and part is in a military conflict is a challenging job. At the same time, I sense that the Ukrainian government realizes that reforms are necessary. From our own experience, we can say that reforming has been rewarding, although we are not here to tell Ukraine what it should do. We can just share our experience. Thanks to reforms, we became members of the EU and experienced economic growth.

U.W.: In one of your interviews, you described the way Russia is behaving today as "not just a period of bad weather, it's climate change". Do you think the international community is responding to it as something permanent and strategic, rather than short-term?

I think that the international community, including the EU and the US, did the right thing to impose sanctions on Russia. The reason is not having sanctions as such, but sending a message that says "if you don't pull back from Ukraine and stop messing with your neighbours, it will be very costly".

"NO ONE, INCLUDING UKRAINE'S NEIGHBOURS – HOWEVER BIG – SHOULD DECIDE FOR UKRAINE WHETHER IT TAKES A PATH TO NATO OR THE EU"

At the beginning, everyone was skeptical about whether the sanctions would start working. Now, we see that they, together with the oil prices, are working rather clearly. It is thus logical that the EU and the US keep the sanctions in place until the Minsk protocols are fulfilled. The EU has said clearly that full implementation of the Minsk agreement is a trigger to the lifting of sanctions. So, the ball is in the hands of the Russian leaders.

U.W.: Do you feel that the annexation of Crimea is still an issue on the international level, or will it be left the way it is if Russia pulls back from Eastern Ukraine?

It should be an issue. Everybody mentions Eastern Ukraine and Crimea at any meetings on the European level. By international

law, Crimea is part of Ukraine. Nobody has recognized the annexation. The referendum there was not free and in compliance with European standards. Therefore, there can be no talk of recognizing Crimea in the international context.

U.W.: At the beginning of the Russian aggression in Ukraine, Baltic States were seen as the next major target. Many said then that, even though they are part of NATO, other member-states would be reluctant to protect them immediately if Russia intervened – militarily or via the hybrid war methods it used in Ukraine. Do you feel more secure now, especially after the effect of sanctions may have discouraged Russia to act aggressively against more neighbours?

We do not feel military threat. It would be outrageous to pick a fight with NATO. Any Estonian village is as much NATO as Washington or New York. But the country itself must also be ready to protect itself.

In fact, NATO has responded to the Russian threat very clearly by bringing rotation forces to the Baltics, Poland, as well as Bulgaria and Romania. It has done many things to reinforce its border. There is no hesitation about implementing Article 5 if necessary. So, NATO membership is very important for us. Estonia took a right decision when it decided to join NATO.

U.W.: Is joining NATO a right decision for Ukraine as well?

This is only up to Ukraine and Ukrainians to decide. No one else, including your neighbours – however big – should decide for you whether you take a path to NATO or the EU. Only people of Ukraine and politicians they elect in a democratic way can decide that.

From Estonian viewpoint I can say that being NATO member was a strong security guarantee. But we have been doing a lot to enhance our own defense. We have modernized our army. We have been investing at least 2% of GDP into defense for many years already. And we will continue to do all that, as well as willingly host our partners who want to hold exercises. So, there are two pillars to this: the country's own defense and Article 5. ■

The use of digital signature and identification alone saves us

2%

of GDP annually. This is worth one working week every year

Hardly Tottering By

The Russian economy will take a long time to recover. It badly needs structural reforms that it is unlikely to get



Judging by the lack of economic news in Russia's media, a crisis has arrived. Just as in Soviet days, state television does not report facts, it conceals them. The official picture is dominated by the war in Ukraine (fuelled by America), Ukraine's economic collapse (ignored by America) and Russia's achievements in sport, ballet and other spheres (envied by America). But whereas television does not mention the economy, ordinary Russians have been busily changing roubles into dollars, buying anything that has not gone up in price.

In the first two weeks of the year the rouble fell by 17.5% against the dollar. Inflation is up into double figures. The price of oil, Russia's main export, has slid below USD 50 a barrel, prompting economists to revise their forecasts down. GDP is now expected to contract by between 3% and 5% this year. Russia's credit rating is moving inexorably towards junk.

The government's Zen-like calm betrays a lack of strategy. Russia's president, Vladimir Putin, is shown on television receiving positive reports from regional governors. Yet the fall in oil prices to below USD 50 a barrel will cost the state budget, which was calculated on the basis of USD 100 a barrel, 3

trillion roubles (USD 45 billion), or 20% of planned revenues, according to Anton Siluanov, the finance minister. He was already planning to lop 10% off the budget, but may now have to cut further. Even if pensions and salaries are raised by 5%, double-digit inflation means that real incomes will decline for the first time since Mr. Putin came to power in 2000.

The Kremlin hopes to ride out the crisis, as it did in 2008-09 when GDP contracted by 7.5%. Then the government was able to stimulate demand by increasing public spending and saving indebted firms. It no longer has that option. Russia's reserves are lower than they were four years ago and may last only for a year and a half, at best. Worse, the government has lost credibility. An increase in interest rates to 17% in December was intended to defend the rouble, but it has not worked.

The rouble's fall would have been even greater had it not been for the Kremlin telling exporters to sell foreign-currency revenues while also warning large firms not to buy. Yet whatever liquidity the Central Bank supplies to Russian banks, the money finds its way into the foreign-currency market, putting more pressure on the rouble. Any injection of liquidity may thus end up not stimulating domestic demand but merely increasing capital outflows. The only way to support the rouble is to limit the provision of liquidity to banks; but that in turn would put banks under pressure. German Gref, the head of Sberbank, Russia's largest state bank, is reportedly warning that a currency crisis could become a "massive" banking crisis.

Faced with capital outflows and falling oil prices, lack of access to foreign markets and its own demographic problems, Russia is unlikely to come out of this crisis fast. Its hope that devaluation would spur import substitution, as after

the 1998 default, and so drive growth is unrealistic. At the time Russia was substituting basic goods that could be produced on spare, outdated equipment left behind by the Soviet economy. The things that Russia imports today cannot rapidly be replaced domestically. That would demand investment which few are willing to risk.

Alexei Kudrin, a former finance minister, and Evsey Gurvich, an economist, argue that Russia's economy cannot be repaired by monetary or fiscal measures. At the heart of Russia's malaise is the weakening of market forces and suppression of competition, which means there is no longer much of a market economy. The expansion of the state means that its economy is dominated by state or quasi-state firms whose revenues depend not on their economic efficiency but on political contacts. Skewed incentives as well as corruption and a lack of property rights have forced the most efficient companies out of the market, strengthening the position of parasitic and badly managed state firms. Falling oil prices have revealed these defects, not caused them.

As Mr. Kudrin and Mr. Gurvich explain, Russia's exceptional growth between 1998 and 2008 was essentially imported: it was down to easy money, brought about by rising oil prices and cheap credit. This fuelled consumption that was satisfied by imports and an increase in domestic output. The government was busy redistributing rents rather than restructuring or modernising the economy. Private firms and the Kremlin opted for quick profits rather than long-term investments. Even in 2009 the government's goal was to minimise the political fallout of the financial crisis, rather than to make the economy more competitive.

Russia's only way out now is to restructure the economy in order to restore the role of markets. Twenty-five years ago this transition was made possible by the collapse of the Soviet Union and change in the Kremlin. In an implicit message to Mr. Putin, Mr. Kudrin argues that it could now be managed under this presidency, but with a different government. Mr. Putin is unconvinced. Even as he ponders his options, the economy continues to slide, whatever the television may not say. ■

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IN THE REALM OF FEAR

As we learn from early modernity, willpower and courage are central in what we may take as the emergence of the modern individual. Niccolò Machiavelli and William Shakespeare, two symbols and incarnations of the birth of the modern world, may well guide us into that world of bravery and valor which meant much more to the political individual than life. In Shakespeare's *Hamlet*, this emergence of the individual can signify the marriage of thought and action. *La mente audace*, the brave mind in Italian, is the ideal put forward by Renaissance humanists, obvious in *Hamlet*'s ability to outsmart his treacherous friends Rosencrantz and Guildenstern. Yet the arrival of the modern individual may signify the reverse tendency, the divorce of thought and action.

Niccolò Machiavelli always insisted on courage and valor as a pivotal element of virtue in politics. Needless to say, the dilemma of love and fear that he poses for the prince/ruler exposes Machiavelli's disbelief in love as the gate to power; instead, he opts for fear as a more reliable, albeit far less attractive, instrument of power.

To the contrary of classical antiquity and early modernity, ours is the world of fear. This is not to say that people avoided fear and lived without it for centuries. Of course, *ladanse macabre* and the waves of the epidemic of plague in 1321 and 1347 had left Europe half empty and half dead.

Fear of death became an unavoidable part of mundane reality. In a way, this created in the Middle Ages a phenomenon which the French historian of mentalities Philippe Ariès described as domesticated death. People were people in every single epoch of history – with love, lust, trust, and death as parts of that same cycle of life. What was missing there was fear as a *modus operandi* in politics – not in the sense of the Machiavellian mechanics of government but, instead, as a way of organizing the public domain. Fear became tamed in the 20th century in the sense of us being unable to make things happen otherwise than through making the world tremble and anticipate the worst to happen. If you plant the seeds of self-generating and self-asserting fear in the minds of your critics or foes, you could be victorious in breaking their backbone.

According to Zygmunt Bauman, present politics has been divorced from power. Nowadays power runs on its own, and politics tries to survive: it no longer ex-

plains anything and offers no visions for renewing the world. It only needs ever new waves of fear and moral panic so that certain groups in society could be mobilized and a gigantic, ever growing state machine devoted to taking over the last vestiges of individual privacy could be justified. Politics cannot do without populism.

Populism is a skilled and masterful translation of the private into the public with an additional ability to exploit fear to the full. Fear and hatred are twin sisters. Yet this time it is not organized hatred which was something out of Orwell's *Two Minute Hate*, or the séance of collective hysteria and hatred, orchestrated by the Party and practiced in the Soviet Union and other People's Democracies. Instead, it is the real fear of a private person elevated to the rank of public concern or sometimes translated even into mass obsession.

The question arises as to fear of what? The answer is quite simple: It is fear of someone who comes as personification of our own insecurities, who gets their first and last names or facial features due to excessive sensationalist media coverages and conspiracy theories. Fear of Islam and Muslims, immigrants, gays and lesbians, godless pinkos, new Jewish world conspiracies, and of *Banderites* in Ukraine. Together with privacy exposed in the public, fear has become most precious political commodity. At the same time, it serves as the key to success for every tabloid. For we live in a world of self-generating and self-sustaining fear, panic-mongering, fake images and information, compulsive self-exposure, constant attention-seeking, conspiracy theories, suspicion, hatred, and bullying conflated with critique.

This is not to say that courage bid farewell to this world. Ukraine could serve here as the best proof of courage, bravery, sacrifice, willpower, and magnanimity without which the country would never have had the strength to mobilize and defend itself against Russia's aggression and political terrorism. And it becomes the reminder of what it means no to succumb to panic and fear, both being the most desirable outcome for the Kremlin and Vladimir Putin. To find the strength to resist nuclear blackmail, toxic lies, and hate crimes committed inside and outside Russia means to be on the winning side nowadays. The more fear we generate in our media, the more success we bring to the Kremlin. ■

**TOGETHER WITH PRIVACY
EXPOSED IN THE PUBLIC, FEAR
HAS BECOME MOST PRECIOUS
POLITICAL COMMODITY**



Author
Leonidas
Donskis,
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Will Ukrainians Become a Political Nation?

Same as social and economic reform is the key to forming Ukrainian civil society, the integration of Ukraine's Russians, Russian-speaking Ukrainians and other communities into the statewide nation-building process is the key to forming the Ukrainian political nation.

A political nation is comprised of the ethnic composition of the population. In the contest of social characteristics, a political nation is transformed into civil society. It is the aggregate of organizational structures economically and politically independent from the state, connected by horizontal links, and having a decisive influence on the vertical power structure.

The precondition for forming civil society is the transition from the traditional states headed by monarchs as symbols of sovereign power to modern states, that is, republics or constitutional monarchies. An equally important prerequisite is the ability of the population to control the

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authorities. Civil society (in another dimension, a political nation) cannot exist in countries ruled by a dictatorship.

The process of building the Ukrainian political nation started from scratch only when Ukraine gained its independence. Therefore, there is still a lot of work to do to unite all citizens of Ukraine into a coherent political nation.

The honorary right to be at its core is vested in ethnic Ukrainians. The specifics of previous historical development led to the division of the present-day population of the country into three major communities: Ukrainian-speaking Ukrainians, Russian-speaking Ukrainians, and Russians. Together they account for 95% of Ukraine's residents. The share of dozens of other ethnic communities is less than 5%.

A HOMELAND FOR ALL THOSE WHO LOVE HER, NOT PLUNDER HER

The emergence of these three major communities having different national identity is the result of many centuries (several generations) of Ukraine's existence within the Russian state. During this time, many Ukrainians lost their language as a result of natural or forced assimilation. Through assimilationist pressure, many of them changed their national identity to the one prevailing in the state. Finally, the national composition of Ukraine's population was largely affected by the colonization of the territories to the north of the Black Sea. In 1917, after the Russian February Revolution, the Central Council of Ukraine defined the country's borders basing on ethnicity. The territories of the Ukrainian People's Republic (UNR) comprised all provinces (except Kuban) where Ukrainian population formed a majority. In this way, the UNR included the authentic ethnic Ukrainian lands and the colonized steppe areas where the majority of the population were Ukrainians. The central Russian government did not recognize these borders; however, when the Bolsheviks

came to power, they agreed to them basing on *realpolitik*: most Workers' and Soldiers' Deputies Councils that were the pillars of support for the regime operated in the southern and eastern provinces of the UNR.

Today, the formation of the Ukrainian political nation is further complicated not only by the existence of the three major communities, but also by the destructive impact of Kremlin on the nation-building process. Using the soothing language of cooperation and friendship, Putin's Russia created a powerful fifth column in Ukraine, before switching, in February 2014, to an open aggression. Under these conditions, the process of building a coherent political nation should be accelerated, since it is the only way to withstand the external aggression and internal separatist movements. A special responsibility lies with Ukrainian-speaking Ukrainians who have to unite all of the country's citizens around them. Unfortunately, many of them do not realize their mission.

On November 21, 2014, in a live broadcast of the Ukrainian service of Radio Liberty, MP Tetyana Chornovol stated the need to separate from Ukraine the territories seized by separatists on the border with Russia in Luhansk and Donetsk regions. She quoted the following argument: there are no Ukrainians there... This statement stirred up the Ukrainian Internet community.

This was a cry from the heart and not a cold-blooded statement of a career politician, which Tetyana has not yet become. However, she should have taken into account the words of Mykhailo Hrushevsky, who wrote: "Ukraine is not only for Ukrainians, but for all those who live in Ukraine, and living here love her, and loving her are willing to work for the benefit of the land and its people, to serve her, and not to plunder her or exploit her for their own sake." It has to be admitted that not all ethnic Ukrainians are ready to perceive their compatriots of a different ethnic origin as Ukrainians. Not all Ukrainian citizens of a different ethnic origin are willing



to consider themselves Ukrainians. In both cases, this reluctance undermines Ukrainian statehood, and who knows which is more dangerous.

What Tetyana said rashly, was quietly and calmly formulated by the well-known political scientist Vadym Karasev, who commented on the latest innovations introduced by the Ministry of Education to school programs on the history of Ukraine in the following way: "The denial of WWII heritage and the increased focus on the Holodomor topic provide evidence that a course has been set for the formation of a nation-state. Hypothetically, this could increase tensions in Russian-speaking regions; however, the resistance there has been suppressed, therefore, we can only talk about the growing passive opposition that can find no way out. The war has polarized the situation: today, the only choice is between the Ukrainian nation-state and the "Russian World," with no other options. The question of whether a certain region belongs to the Ukrainian national state or to the "Russian World" will be determined by military force."

Should we agree with Karasev who argues that Ukrainians and Russians cannot live in the same country, so they should be separated? If we look at other European countries, we'll see that most of them are multi-national. Poland is an exception to the rule: after its new boundaries were defined by the anti-Hitler coalition, Stalin deported millions of ethnic Germans from Poland, at the same time sending there hundreds of thousands of Poles from the Soviet-controlled territories.

Why do representatives of various Ukrainian communities come to conclusions similar to those expressed by Tetyana Chornovol and Vadym Karasev? To understand this, we need to realize what we were when we started the nation-building process in the independent, but still Soviet Ukraine, and what we still remain, to some extent, a quarter of a century later.

THE EMPIRE VS A POLITICAL NATION

This territory in the East of Europe was controlled by Kyiv as early as the 10th century, and a few centuries later, by Moscow. The Grand Dukes of Moscow, stemming from the Rurik dynasty of Kyiv, conquered the wreckage of the Golden Horde, declaring themselves tsars. Later on, they extended their authority to al-

most all of Eastern Europe and started calling themselves the Tsars of "the Great, the Little, and the White Russias." Thereupon, they felt a desire to appropriate, along with the territories, also the peoples living on these lands, along with their centuries-long history.

Taking as the guide the history of the Rurik dynasty, Russian historians Vasilii Tatischev and Nikolai Karamzin substituted it for the history of nations living in Eastern Europe. They sought to create the image of a "millennial Russia" inhabited by a single Russian nation divided into Russians, Ukrainians, and Belarusians. Ukrainians were treated as part of the dominant nation only if they agreed to consider themselves to be Little Russians. The Ukrainian intelligentsia, which defended the right of its compatriots to a national identity separate from that of the Russians and, consequently, to their own historical tradition, was subjected to merciless persecution. Dmytro Doroshenko published a memorandum issued by a group of Russian statesmen in November 1918 and addressed to the Ambassadors of the Entente in Iasi. In this memorandum, the authorship of which is attributed to Milyukov, they demanded a military intervention in Ukraine and warned of negotiations with the UPR: "Any communications with Ukrainians are inadmissible, since the notion of the "Ukrainian people" was invented by the Germans. The official recognition of the words "Ukraine" and "Ukrainians" would inevitably entail the reduction of the Russian nation by more than a third and cut off the Russian lands from the Black Sea. Even if "Ukraine" at the Peace Congress were incorporated into the Russian state, but retained its name, this would have left a rich field of action for future separatists, because as long as there is a separate nation, claims for a separate state will always have a ground and a right."

Unlike the Russian Empire, the Soviet one was conceived as a "union of equal republics." The very possibility of such concept was predetermined by the dualism of the Soviet system, resulting in a symbiosis of the Party Committees dictatorship and the administrative authority of Soviet bodies. Party leaders sought to avoid confrontation with national liberation movements and even agreed to give Soviet republics a formal status of independent states: in any case, the dictatorship of the party turned their

aggregate into the "single undivided Russia." None of these states could give birth to a political nation. The Union-wide political nation was not born either. The ideological construct that appeared in the 1960s under the name of the "historical unity of the Soviet people" was not a political nation.

The multinational Soviet Union was inhabited by the so-called titular nations. Any ethnic group comprising the majority of the population in any territorial district was considered to be a titular nation. An ethnic hierarchy was created that was defined by the administrative territorial division. Unofficially, the hierarchy was headed by the Russians, who were the titular nation of the whole of the Soviet Union. Titular nations of the second tier were formed by the Soviet republics, of the third tier, by autonomous republics, of the fourth tier, by national areas, and of the fifth tier, by national districts.

The Russians had a privileged position in the USSR already because they were never considered a national minority. However, all Soviet citizens,



A SPECIAL RESPONSIBILITY LIES WITH UKRAINIAN-SPEAKING UKRAINIANS WHO HAVE TO UNITE ALL OF THE COUNTRY'S CITIZENS AROUND THEM. UNFORTUNATELY, MANY OF THEM DO NOT REALIZE THEIR MISSION

regardless of their nationality, social status and service rank, were powerless in the face of the political regime in the person by its leadership. Nevertheless, it is impossible to blame the people that did not take any real part in forming the government in the crimes committed by the political regime. As we know, one of the first cases of mass terror applied by the Soviet regime were the atrocities used in the North Caucasus against the Don Cossacks. On January 24, 1919, the Central Committee of the All-Union Communist Party of Bolsheviks ordered "to carry out merciless mass terror against all Cossacks in general that were, directly or indirectly, involved in the fight against the Soviets." One of the genocide perpetrators, Ivan Reyngold, reported to the Central Committee: "Our fundamental perception of the Cossacks as

an element that is alien to communism and the Soviet ideas is correct. The Cossacks, at least the majority of them, should sooner or later be rooted away, just physically exterminated." In November 1920, at the direct order of Lenin, over 100,000 military and civilian members of Baron Wrangel's [White Army] forces were executed in Crimea.

Decades later, as soon as the Communist Party dictatorship was abolished through Mikhail Gorbachev's constitutional reform, the Soviet Union split along the lines of the Soviet republics borders. The leadership of the modern Russian state denies its Soviet legacy in national politics, including the adamant refusal to recognize the Ukrainians and Belarusians as separate nations. The "Russian World" concept built up in Putin's times is identical to the pre-revolutionary conception of the "single indivisible Russia."

Mykhailo Hrushevsky: "Ukraine is not only for Ukrainians, but for all those who live in Ukraine, and living here love her, and loving her are willing to work for the benefit of the land and its people, to serve her, and not to plunder her or exploit her for their own sake."

Obviously, Ukraine's defeat in the war with Russia would entail not only the loss of independence, but also the absorption of the Ukrainians by the "Russian World" and the re-conquest of their historical past.

CURRENT PROSPECTS FOR A UKRAINIAN POLITICAL NATION

There is no data available on the ethnic composition of Ukraine's population for the recent years. The census was to take place in 2011, but Yanukovich's government simply didn't have the money for it. The dynamics of the national structure can only be examined based on the 2001 census data compared to the last Soviet census of 1989. Over these years, the share of ethnic Ukrainians in the country's population increased from 72.7% to 77.8%, while the share of ethnic Russians dropped from 22.1% to 17.3%.

This demographic development is rather surprising, since the mechanical movement of the population – of Russians from Ukraine to Russia and Ukrainians from Russia to Ukraine – always existed, but was inconsiderable in scope and could not result in such a sharp decrease in the share of Russians in Ukraine's popu-

lation. So, what was the decisive factor? The census data provide a hint: the share of Russian-speaking Ukrainians increased from 12.2% to 14.8%. This means that some Russians changed their identity over these 12 years. A certain number of Russian-speaking Ukrainians identified themselves as Russians at the time of the first census, but returned to the nationality of their parents by the second census. Answering the question about their nationality did not require any effort, but the process of transforming Russian-speaking Ukrainians into Ukrainian-speaking ones was much more complicated.

As it turns out, originally only a half of Ukrainian passport holders considered themselves to be the citizens of Ukraine. The reasons for this are many, but there are probably two major ones. Firstly, the state in which we lived did not belong to its citizens, but to corrupt officials. Secondly, many people did not accept the independence of Ukraine and still wanted to live in the large and resource-rich Russia. These sentiments were supported by the Russian media, which almost entirely flooded the Ukrainian information space.

Unfortunately, no surveys of the representatives of linguo-ethnic communities were made in the following years. Nevertheless, the data for this one year also characterize the position of the Russian-speaking Ukrainians as somewhere in between the Ukrainian-speaking Ukrainians and Ukrainian Russians.

The process of building of the Ukrainian political nation was even more complicated in the regions of Ukraine, where ethnic Russians, due to their large numbers, could influence the Russian-speaking Ukrainians. According to the 2001 census, this influence was manifest in Slobooda Ukraine, where the share of the Russian population was 20.6%, in the Black Sea Littoral and Crimea (28.3%), and in the Azov Littoral and Donbass (28.3%). As we can see, the situation has changed little over the last hundred years. While according to the only pre-revolutionary census, Ukrainians comprised the majority of the population in the southern and eastern provinces, these regions reacted vehemently to social rather than national issues.

The aggression in Crimea and Donbass sent shock waves around the world, but did not affect Russia. In November 2014, Russian sociologists of the Levada Center asked their re-

spondents whether Russia should recognize the independence of the "DPR" and "LPR." 63% of the respondents answered "yes" or "rather yes," while only 12% answered "no" or "rather no."

Over the last year, the process of building the Ukrainian political nation speeded up a great deal, the Russian aggression playing the role of a powerful accelerator. The direct relationship between the Russian aggression and the mobilization of all linguo-ethnic communities (including the 5% of the population of neither Ukrainian nor Russian origin) was noted and most categorically expressed by a brilliant opinion journalist well known since the times of Gorbachev's perestroika, Anatoliy Strelyany: "The events in Crimea, irrespective of their outcome, will not compromise the national Ukrainian cause. It's the other way around. Trying to explain it would mean taking the reader for a fool. Russia's encroachment into Crimea only brings closer the arrival to Moscow of the long-awaited guest: the Russian Maidan. Explaining this is also unnecessary. Another thing is that the Russian occupation of Crimea may kill and ruin many lives. I feel sorry for the people, even for the stupid ones; otherwise, it's ok."

BETWEEN THE SOCIAL AND THE NATIONAL

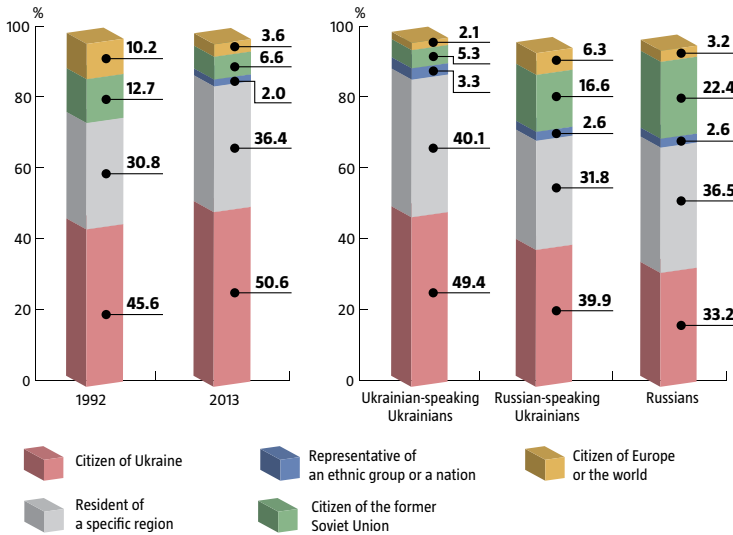
An observant reader might have noticed some inconsistencies in the above theses. They do exist, because the national snapshot of the society is different from the social one, and vice versa. So, we need to draw additional conclusions.

First of all, we must dwell on a purely theoretical issue. It is true that a political nation and civil society are synonymous concepts, but only from a holistic standpoint. Civil society is formed by a variety of different organizations that can either cooperate or function independently. The only thing that matters is their capability of maintaining their economic and political independence from state institutions and controlling them consistently, rather than just at the time of elections. A political nation is made of: a) a nation comprising the majority of the country's population; b) nations or ethnic groups that are autochthonous to a country's constituent territory; c) minorities belonging to a nation comprising a majority in another country. Social or national communities develop according to



Historian Mykhailo Hrushevsky:
"Ukraine is not only for Ukrainians, but for all those who live in Ukraine, and living here love her, and loving her are willing to work for the benefit of the land and its people, to serve her, and not to plunder her or exploit her for their own sake"

IDENTITY. How Ukrainians position themselves



Based on the data of the Institute of Sociology of the NAS of Ukraine

their own logic, making an impact on the self-organization of the population within the civil society or as part of the political nation.

Self-organization process in Ukraine that gave impetus to building civil society / political nation started only in late 1980s. At that time, the first so-called informal, i.e., not organized by the KGB or party committees, civic organizations emerged. One of the most important among them was the People's Movement of Ukraine. Tragic developments within the Movement caused by several factors adversely affected the pace of forming the Ukrainian civil society and, therefore, the political nation in Ukraine. Similarly, the problems related to integrating ethnic Russians or, largely speaking, Russian-speaking citizens into the Ukrainian nation-building process slowed down the building of the political nation and, therefore, the civil society.

The key to accelerating the pace of forming the Ukrainian civil society is social and economic reform. The key to accelerating the pace of forming the Ukrainian political nation is overcoming the difficulties related to integrating Ukrainian Russians, Russian-speaking Ukrainians, and members of other ethnic communities into the statewide nation-building process.

It's a shame that only half of Ukrainian citizens consider themselves to be, first and foremost, the citizens of Ukraine. However, there is a remedy for this problem. Firstly, the Revolution of Dignity, hopefully, has

paved the way for the social and economic reform that would transform the oligarchic democracy into the European-style democracy. Secondly, in the face of the external aggression (and thanks to Putin!), the Ukrainian nation has mobilized itself and started appreciating its national statehood.

Remarkably, only a small percentage of Ukraine's citizens consider themselves to be primarily the representatives of their ethnic group (3.3% of Ukrainian-speaking Ukrainians, 2.6% of Russian-speaking Ukrainian, and 2.6% of Ukrainian Russians). This means that the entire population of Ukraine, including the citizens of neither Ukrainian nor Russian descent, is able of uniting into a single political nation capable of withstanding foreign aggression.

It is no secret that the Ukrainian Russians often identify themselves with the citizens of Russia. Usually, such identification does not give reasons to consider them to be the fifth column in the population of Ukraine. After all, there is plenty of ethnic Ukrainians among the refugees escaping from the Revolution of Dignity to the neighboring country. The fault line is determined by the social and political, rather than the national aspect. The sympathies of the Ukrainian Russians towards Russia can be easily understood: for centuries, Ukraine and Russia were part of the same empire: first Russian, then Soviet. In the conditions of the Russian-Ukrainian war, it is important to make choices on the grounds of social and political, rather than ethnic is-

P.S.

I would like to end this article with reflections based on my personal experience. Few of us, the 1959 graduates of the History Department at Odesa University, are still alive. Each of us feels sentimental about people he or she shared student years with. One day, I bumped into my colleague, Boris Bubnov. Back in those times, it never occurred to me that we were different because he was Russian, and I wasn't. In fact, my passport said "Russian" in the nationality line. I was raised in the Russian culture with Odesa flavour. Then, life pushed us in different directions. This collegemate of mine now eagerly contributes to hate comments on my lectures on Internet forums, most often quoting mean lines from the Russian Wikipedia. Here is another example. I am half-Armenian but my maternal family lived in the Ottoman Akkerman (Bilhorod-Dnistrovskiy today) until the 20th century, when they finally moved to Odesa. I know very little of Armenia. But I felt something very familiar when I visited it. I met with top officials who told me how haughty Russian officials are towards Armenia that fully depends on them. I felt as bitter as when I did hearing from Ukrainian officials about similar haughtiness of the Russians towards Ukraine. Yet, however bitter I felt, I never thought for a moment about complains about the Russians when I experienced disdain for Ukraine or Armenia from an imperialistic-minded person. In the early 1990s, I described the national statebuilding process as "crawling out of Russia" in an article of mine. It turns out that we are still crawling out of it, losing people and lands in the process. I hope that Ukraine will finally become fully independent. I am confident that Ukraine will have a positive impact on all who live in Russia. Just like Ukrainians and Armenians, the Russians once too experienced a genocide and they deserve something better than what Putin and his cronies prepare for them.

sues. Russia is Ukraine's closest neighbor, but this only makes international relations more complicated, since the Russian governing class is committed to bringing Ukraine even closer, right down to the loss of any signs of statehood, including those that it had even in the Soviet times. Should Russian-speaking Ukrainians and Ukrainian Russians sympathize with such plans? The Kremlin rulers have their citizens bound hand and foot, so why would the citizens of Ukraine put a halter round their own neck? One of the main preconditions for uniting all of us into a single nation is recognizing that Ukraine should have only one national language. It is important to remember that the fact that half of the country's population believe Russian to be their native tongue is the result of the assimilation policy of the Russian and Soviet empires. Having one national language does not mean a ban on using other languages. Having one national language does not create any additional difficulties in everyday life. According to a survey carried out by the Institute of Sociology of the NAS of Ukraine, in 2013 only 1% of the population did not understand the Ukrainian language, while only 0.3% did not understand Russian. Unlike the politicians, the respondents were not concerned with the language issue. Among the 14 factors which, according to sociologists, would contribute to uniting the Ukrainian nation, the language issue holds the 10th place.

The Russian aggression in Ukraine became a huge shock for both nations. It also entailed quite unexpected results. The citizens of Ukraine unhesitatingly embarked on the road to democracy and raised their voices for the European integration and against the prospects of becoming part of the "Russian World." Russian citizens, brought up in the spirit of brotherhood and friendship of the Slavic nations of Eastern Europe, for the most part enthusiastically supported their government's actions aimed at destroying the "Kyiv junta." One has to understand that the almost unanimous approval of the aggression voiced by the Russian citizens is the result of brainwashing by the Russian media. Nevertheless, the fact is that the threat to our national statehood comes not only from Russia's ruling elite that keeps the nation in the information slavery, but also directly from the Russian people. This is something we need to realize. ■

Mikhail Pogodin, the “Inventor” of “Russki Mir”

When Count Uvarov formulated his Russian national idea, “Autocracy, orthodoxy, nationality,” in 1833, the first two were already a reality, leaving only the third to be achieved: to establish a historically legitimate, workable concept that would “russify” the numberless peoples of the empire. Nowadays, academics call this, “creating a civilizational and socio-cultural environment whose essence contains the spiritual and psychological features of ‘Russian-ness.’”

But there was one stumbling block to constructing this all-Russian imperial nation known as “Russki Mir,” and it remains to this day: the Ukrainian nation. How might Russia define the place of the most populous other people, Ukrainians, and their rich history of the princely Kyivan era?

The first attempt to “resolve this difficult issue” was made by a well-known Russian academic historian, Mikhail Pogodin, who wrote a paper called “Brief on the ancient Russian language.” It became the subject of much debate in the late 19th and early 20th centuries, predominantly focused on where the indigenous people of Kyiv came from and the linguistic roots, Ukrainian or Russian, of the oldest written sources of the Kyivan Rus era. Today, when Russian occupying forces are attempting to conquer Ukrainian territory, the “academic” conquest of the Kyivan Rus era that was carried out by this Russian historian and his adherents appears in a completely different light.

How “Banderites” conquered Kyiv, according to Pogodin

Pogodin’s “Brief on the ancient Russian language” was published in the “News from the Imperial Academy of Science” in 1856. In it, he attacked linguistic

Author:
Lyubomyr Beley

issues in an attempt to prove that the ancient Kyiv chroniclers showed no trace of the influence of the Ukrainian language in their writings. Since there were no Ukrainian words in their writings, he concluded, “it goes without saying, then, that a different tribe lived in Kyiv, not Little Russians (*malorosy*).” In order to determine who, then, if not Ukrainians, lived in Kyiv during the age of princes, the historian provided a list of words from Kyiv sources in the pre-Mongol period.

Of course, they were all purely Russian words. “Give the chronicles of Nestor, Kyiv and others to any Great Russian who doesn’t know Church Slavonic and he will generally understand all of them with the exception of one or two words that have fallen into disuse,

THE UKRAINIAN INTELLECTUAL ELITE WAS ONE STUMBLING BLOCK TO CONSTRUCTING THIS ALL-RUSSIAN IMPERIAL NATION KNOWN AS THE “RUSSIAN WORLD”

whereas someone from Little Russia will not understand, not even someone educated. Clearly then, the chronicles are dominated by the Great Russian language, and not Little Russian.”

In short, Kyiv and its environs, Pogodin concluded, completely “logically,” were always settled by Russians. Having declared Russians the indigenous people of Kyiv and Kyivan Rus, Pogodin nevertheless did not forget about Ukrainians: “Then, where did the Little Russians who now live on the banks of the Dnipro and surrounding areas come from? They came after the Tatars from the Carpathian mountains...”

MACEDONIA, ETERNALLY RUSSIAN, TOO

Having russified Kyiv, ancient Kyivans and their rich history from the age of princes, Pogodin’s hawk eye moved to legitimize further Russian incursions by taking over another major achievement of the ancient Slavic culture, the Old Slavonic language. To do this, he radically expanded the territorial settlements of Russians to the time when Slavonic literacy first appeared. According to the professor, not only was Kyiv Russian since time immemorial, but also the capital of Greek Macedonia, the city on the shores of the Aegean Sea known as Thessaloniki. After all it was Russians, according to Pogodin, who taught the Salonians to speak Russian and, by extension, Sts. Cyril and Methodius, who historically brought literacy to the Slavs: “The tribe that we now call Great Russians, might have lived around Solun, near the shores of the Black Sea, on the banks of the Dnipro in





PAINTING BY VASILY PEROV

Kyiv, and in today's Great Russia."

It follows from there, according to Pogodin's logic, that Old Slavonic writing traditions, started by the Byzantine missionaries Cyril and Methodius, who were themselves from Thessaloniki, were Great Russian in origin. The Russian historian was categorical that "the Great Russian dialect that we write and speak today is far closer to the Old Church dialect, to the language of the Ostromir Gospel (the earliest religious scripts in Kyivan Rus copied from an Old Bulgarian original – **Ed.**), to the chronicles and letters, than Serbian or Bulgarian and all kinds of other languages, and has been for its entire development."

The basis for such revolutionary pronouncements was not comparative historical linguistic research, but the Russian professor's superficial observations of the language in Old Slavonic texts and their ordinary, everyday sim-

MIKHAIL POGODIN'S MYTH: "Then, where did the Little Russians who now live on the banks of the Dnipro and surrounding areas come from? They came after the Tatars from the Carpathian mountains..." The Kremlin's mouthpieces echo this and many similar statements today

ilarity to literary Russian of the time. This was more than enough for Pogodin to declare: "Consequently, the church language (Old Slavonic – **Ed.**) is our language or, at the least, our ancient Great Russian dialect was the closest to it, nearly identical."

Of course, that some elements of literary Russian were and remain close or even identical to the Old Slavonic language is fairly obvious. But this is not the kind of fact that offers evidence that Russian was the foundation of Old Slavonic! Neither the phonetic, nor grammatical, nor even lexical features of Church Slavonic suggest that it is of East Slavic, ergo Russian, origins. That some components are close and even identical can—and should—be explained by the influence of Old Slavonic writings on literary Russian, and not the reverse.

Still, none of this worried our historian overly much, although back in 1820, it was a Russian scholar by the name of Aleksandr Vostokov who proved that the underpinnings of the Old Slavonic language could be found in Bulgarian speech. Pogodin could not have been unaware of this. In this context, a famous quote from Czech writer Karel Capek comes to mind: "Russians like to call everything around them 'Slavic' in order to later call everything Slavic, Russian." Thus, in contradiction to all recognized scholarship on the origins of the Old Slavonic language, Pogodin's thesis popped up, claiming that the indigenous people of Kyivan Rus—and possibly Volyn and Halychyna—were Russians who abandoned these lands under pressure from the Golden Horde some time in the 13th century, and in their place came a wave of Ukrainian—read Little Russian—settlers from the Carpathian region.

RUSSKI MIR ≠ PAX ROSSIANA

The Pogodin hypothesis is the most striking not for its obvious manipulations and flawed evidential base, but for the way that it was supported by official circles in the Russian Empire. After all, there were plenty of linguists at the time who were professional enough to expose the completely unscholarly concepts proposed by

their colleague. However, politics got in the way. In the end, Pogodin's theories were not about a flawed scholarly hypothesis but about proper concept of Imperial assimilation, the first attempt to erect the foundations of the modern-day "Russki Mir." Ample evidence of this can be found in a sentimental paean to the Russian language that had nothing to do with this particular subject, that is, researching the ancient Russian language:

"The Great Russian dialect contains so many commonalities with all other Slavic tongues that, in all fairness, it can be considered their representative. An amazing fate was granted to it by God, who placed in the mouths of this tribe that is first among all the tribes of the Slavic world, and possibly the European world. Even today, the Russian language is already first in Europe. What will become of it if it collects tributes from all living Slavic dialects, from all their literatures from ancient to modern times? This would be a marvelous phenomenon, like Russian history, like Russian song, like Russian law, like all of Russia..."

Despite the solid backing of the entire Imperial machine, the Pogodin hypothesis about the origin of the people of Kyiv failed to provide the underpinnings for the third component of the Uvarov triad—nationality as the contemporary version of today's "Russki Mir."

What stood in the way was the consolidated and principled position of the Ukrainian intellectual elite—historians Volodymyr Antonovych, Mykhailo Hrushevsky, Mykhailo Maksymovych, Agatangelo Krymskiy, and others —, who put in a heroic effort to expose the unscholarly essence of the Russian professor's hypothesis (see p. 46). The success of these Ukrainian intellectuals in the late 19th and early 20th centuries is a great example to Ukrainians today, when the heirs of Pogodin, whose name is legion, some by pen, some on Rossiya 24, some with the help of "important people," and some with salvos from Grad MLRSs, are trying to install the Imperial construct known as "Russki Mir" on Ukrainian soil. ■

First Awareness, Then Arms

Kremlin mantras about a “common historical destiny” are mere slogans from an ideology Russia developed in the 18th and 19th centuries

Author:
Viktor Brekhunenko, historian

Like never before, Ukrainians today can feel just how much the Ukrainian perspective depends on whether the system of historical, ideological and basic human convictions and values of the ordinary Ukrainian can properly face the challenges of the times. From the very beginning of

A PRINCE
COURT IN KYIV.
A miniature
from the
Radziwiłł
Chronicle

Russia's aggression, it quickly became clear that, as in the past, the heart of its strategy was a war for public opinion: First you conquer consciousness, and then you go in with weapons.

Just at this critical historical juncture, those Ukrainian humanists who just yesterday had contemptuously preached the idea of “distilled science,” warning that, otherwise, we would be governed

by ideological blinders and scientific knowledge as such would vanish were suddenly revealed as emperors without clothing, much to the surprise of Ukrainians themselves. We all understand that it is not possible for an historian, philosopher, political scientist or other humanitarian to be completely isolated from their society, that any academic text, regardless of the author's determi-



nation or desires, shapes beliefs and images about the past, and is thus inevitably ideological in nature.

And so, if ukrainocentric writings are missing or are unable to compete in the realm of ideas, that vacuum will immediately be filled by someone else promoting anti-Ukrainian perspectives. The newest example of this is Moscow's attempt to impose the idea of "Novorossiya," a notion pulled out of the mothballed drawers of the 19th century. Who knows how Ukrainian interests might have been defended if not for the efforts of a number of contemporary Zaporizhzhian and Odesan historians, especially the school of Professor Anatoliy Boyko. In the mid 1990s, these men began to focus professionally on studying the history of Steppeland Ukraine of the 18th and 19th centuries, effectively erecting an insurmountable academic barrier against such purely propagandist inventions as the concept of "New Russia."

And despite any number of other problems, it's clear that the efforts of these last two centuries were not in vain. Overcoming their soviet legacy and the artificial barriers set up by their own state, Ukraine's humanitarians nevertheless were able to establish the groundwork for a ukrainocentric historical memory and add a seed of healthy patriotism to the soil.

Ordinary Ukrainians showed a remarkable unity in their ability to defend their homeland and freedom in the face, among others, of Muscovite theories about a "nigh-civilizational" fracture among the country's regions. Today, this is the most valuable capital in Ukraine, one that must be preserved and multiplied. And the role of historians will continue to be decisive in this. Still, there is reason to question their capacity to develop positive trends and successfully reach this goal, precisely because too much of the academic community has unfortunately not overcome the psychological complexes of the country's recent stateless past.

Russia's disastrous ideological pressure became one of the most damaging consequences of Ukraine's stateless existence. In Ukraine, as everywhere, where a nation lost its statehood, the colo-

nizer engaged in intellectual disenfranchisement in order to paralyze the nation's capacity to think and effectively resist. With Moscow, this took the form of forcing its own version of history on Ukrainians, justifying what Russia considered its "natural" right to eternal rule over Ukrainian lands. The goal was to force Ukrainians themselves to see the world in general and their history in particular through Russian eyes and to imitate the models developed in the imperial capital. At one time, Polish historian Jan Kieniewicz described a similar situation very aptly: any subjugating nation always wants "its subject nations to write their histories in the language and outlines of the hegemony."

The Kremlin's latest mantras about a "common historical destiny," "one Russian World," and so on are nothing more than simplistic slogans from an ideology built by Russian elites back in the 18th and 19th centuries. What's more, all too often constructed by turncoat careerists from Ukraine who wanted to make a name for themselves in the imperial capital. As just a few examples, we have Feofan Prokopovych, Oleksandr Bezborodko and Viktor Kochubey.

Meanwhile, starting in the 19th century, Russia began to foist its version of Ukrainian history and its image of "Ukrainianness" on the rest of the world—all in the service of Russian expansionist interests. The Empire spent a long time formulating—and to some extent continues to do so today—outside views of Ukraine and its past. Not for the first time does this confirm the corollary proposed by American historian Eva Tompson: "Colonized nations don't take part in formulating their own images because their narrative never makes it to the outside world. Meanwhile, the narrative of the hegemony emphasizes the weakness, passivity, unimpressive creative forces and achievements, and incapacity for self-determination of the colonized peoples." The way Ukraine was perceived in the world between the 19th and late 20th centuries completely fits this description.

Even today, the "voice of Ukraine" is barely heard through the thick layers of the distorted image tirelessly being constructed by Russia. This is the deeper rea-

Starting in the 19th century, Russia began to foist its version of Ukrainian history and its image of "Ukrainianness" on the rest of the world—all in the service of Russian expansionist interests. The Empire spent a long time formulating—and to some extent continues to do so today—outside views of Ukraine and its past



FOR A LONG TIME, MOSCOW UNCOMPROMISINGLY THREW A SINGLE CONCEPT OF KYIVAN RUS AT UKRAINIAN SOCIETY: THAT IT WAS THE "CRADLE OF THREE FRATERNAL PEOPLES" AMONG WHOM RUSSIANS WERE THE ELDER BROTHER

son for the strange helplessness of the West, as it initially would seem, in the face of events in Ukraine, its inappropriate responses, and the prolonged success of Moscow's propaganda. The most dangerous point is that the approaches promoted by Russia can be seen in many Ukrainian interpretations of the past, which complicates the task of ridding the world of Russian-tinted glasses that much more.

Ukraine's long exposure to the historians of its conqueror and its own longstanding inferiority complex, self-victimization and wannabe-ism are still felt today. For instance, the appeals we hear, from both within the country and outside it, calling for a supposedly "objective scientific approach," sound like little more than new ways of maintaining the old status quo. As a result, the revival of Ukrainian historical writings that began in the late 1980s often

seems helpless in the face of the internal censor that was born of a subconscious fear that any efforts to move beyond the "force field" generated by the standard representations of Ukraine's past as largely secondary and hopeless would be labeled as being nationally blindered or even falling into tribalism. This fear of appearing provincial and out of sync with fashionable intellectual trends tends to paralyze historians, especially the younger ones, and encourages mimicry rather than originality and calling a spade a spade.

WHAT'S KYIVAN RUS TO UKRAINIANS?

Looking at Ukrainian history from this angle, it becomes clear that one of the most problematic periods is Ukraine's Middle Ages. Despite all the problems that face any research in different periods, »

the conditions necessary to shape a self-contained historical memory among Ukrainians are there: a powerful series of recent studies based on approaches that do not reflect any sense of being second-rate. But the depictions of Kyivan Rus that mostly appear from the pens of Ukrainian historians, with few exceptions, continue to be fitted to the shape established by the country's northern neighbor and offer Moscow-centric views that have been "refreshed" by recent academic trends. The missing elements in such views are particularly dangerous, comparable only to leaks in a submarine. For one thing, they make it impossible for a coherent, internally balanced image of Ukraine's past to emerge and thus pose an ongoing threat to the development of ukraino-centric foundations in the country's humanitarian policy.

The Kyivan Rus period in history is core to Ukraine's medieval history and one of the most important eras for understanding the roots of Ukrainian statehood and becoming aware of the continuity of its history. Yet the dominant tone of studies dedicated to this era offers, in the best case, the diluted oblique, one might even say apologetic, view of the poor relative in terms of the Ukrainian world being somehow linked to Kyivan-Rus history. Of course, the fact that Kyivan Rus is a part of Ukraine's past is never directly questioned. However, the concepts of what it was and its nature that are constantly broadcast from the academic heights into society never offer a clear answer to the main question: who is the direct heir of Rus, and who is an offshoot. The vagueness of the responses and the half-tones undoubtedly create an impression that contemporary Ukraine and the Ukrainian world are connected to this heritage only tangentially. Kyivan Rus has been raised to the heights as a specific social formation that, having announced its presence noisily, eventually left the world stage, for some reason leaving behind only tangential heirs.

For a long time, Moscow methodically and uncompromisingly threw a single concept of Kyivan Rus at Ukrainian society: that it was the "cradle of three fraternal peoples" among whom Russians

An intention to build a monument to Volodymyr the Great is the newest example of Russia's attempts to "privatize" Kyivan Rus legacy



were the elder brother. The absence of a clear, understandable and competitive Ukrainian interpretation as an alternative has obviously served to maintain this canonic view that has come down to us from soviet times. Even avoiding the concept of a "cradle" does little to change the situation today as it only multiplies the vagueness of the interpretation of Kyivan Rus and the roots of Ukrainian statehood. In the end,



UKRAINIAN ELITES DID NOT HAVE THE REMOTEST PROBLEM WITH UNDERSTANDING WHERE THE FOUNDATION OF UKRAINE'S UNINTERRUPTED HISTORY LAY

it serves mostly to preserve the old interpretation rather than replacing it by something new.

What's more, even the pre-soviet Ukrainian historical tradition that was carefully excised by Moscow, the work of Mykhailo Braichevskiy, who managed to follow his own path even during soviet times, and the efforts of contemporary historians to interpret Kyivan Rus in the 16th through 18th centuries in Ukraine and elsewhere in Europe—which offered eloquent, fresh academic arguments for a direct response to the question of its place in Ukrainian history—have all been sidelined. Indeed, the response of many students of the Kyivan Rus period to such eloquent, original arguments about how 16th-18th century Ukraine saw Kyivan Rus gives the

impression that these exasperate them more than anything—because they undermine the foundations of the familiar Russian interpretation. All this suggests that even modern historians primarily see their role as defending this foundation against any shifts or cracks and preserving the old pro-Moscow image of Kyivan Rus in Ukraine.

It is from this corner that we most often hear challenges to renowned historian Mykhailo Hrushevsky, who showed that Ukrainian history ran in an uninterrupted line from Kyivan Rus to the Halych-Volynian kingdom, through the era of the Polish-Lithuanian principality to the Hetmanate, and further on. Some have tried to toss it aside without even offering any academic arguments. Other opponents to this approach have also failed to provide a properly scientific refutation of Hrushevsky's interpretation, promoting, instead, the concept of "historical ruptures" clearly intended to suggest that Ukraine's links to the Kyivan-Rus era are indirect at best. And in this artificial, far-fetched manner, Ukrainian history has been "constructed:" a building without any foundation, made loosely of random blocks that don't even fit together.

The real purpose of such a construct is to underscore the uncertain prospects for Ukrainian civilization as such and its lack of internal cohesion. For three centuries, Muscovite Russia has attempted to fit Ukraine into its loins, and if not, then to dismember it—including now the concept

of federalization—, by those very actions confirming the existence of the Ukrainian state, despite the supposedly amorphous nature of the Ukrainian identity.

KYIVAN RUS AS THE MEDIEVAL UKRAINIAN STATE

Given this situation, it is hardly surprising that there has been little progress in conceptualizing this key component of the Kyivan Rus era: a specific link between Kyivan Rus with the later Ukrainian state. The open suspension of such debates today and the strengthening of the interpretation of “ruptures” in Ukrainian history indubitably feeds the “standard Russian interpretation of history” of longstanding Moscow ideology, whereby Kyivan Rus continued, not through the Halych-Volynian kingdom but transited through Vladimir-on-the-Kliazma (1108 AD) directly to the Muscovite principality. The key argument used by Moscow here to establish its primacy as heir to Kyivan Rus is that Muscovy’s princes came from the Riurikovich line. This one link has been used to the utmost: as evidence of the transformation of Kyivan history into Muscovite history—and as the source of Moscow’s ideology of its “natural right” to the “Kyivan heritage,” meaning to Ukrainian and Belarusian lands.

Russian approaches to constructing their own historical narrative have remained fundamentally unaltered in the 21st century—except perhaps that Vladimir Putin has called on Russian academics to prove that Moscow is older than Kyiv now, and that Ladoga was the origin of Russian history. This kind of fevered step only confirms Moscow’s inferiority complex and neurosis over the weakness and imaginary nature of the “standard narrative,” as well as the desperate need to find Rus’s roots on the territory of the modern-day Russian Federation. Yet the absence of Ukraine’s own worked-out concept of the Kyivan Rus Middle Ages artificially makes the “standard Russian historical narrative” looking uncontested.

Similarly, the lack of interest in the then-Ukrainian elite, including its own Riurikoviches, in thinking about the question of the “Kyivan heritage” in the early 16th

century effectively gave Moscow purchase over the issue. And it quickly took advantage of this unexpected generosity to begin acquiring a grander history, hoping, of course, to materialize it into territorial acquisitions as well.

Today, Ukraine’s academic historians avoid theses about Kyivan Rus as a medieval Ukrainian state. Nor is there anything to support this idea in history textbooks in Ukrainian schools. And so the “standard Russian historical narrative” continues to be artificially imposed, as it has been for hundreds of years, and carefully tended today at the intellectual level by Russian academics with the silent consent of Ukrainian ones. The emergence of quality Ukrainian studies of the history of the Halych-Volynian kingdom has not been enough to either dominate Moscow-centric notions in Ukraine or to break the current impasse.

Influenced by innovative scientific trends, Russian historians have meanwhile amended the “standard Russian historical narrative,” aided and abetted by Boris Florya, to derive a spin-off notion of “all-Russian culture.” This sub-concept completely denies the existence of a self-sustained, independent Ukrainian ethnicity and declares that those who lived on Ukrainian territory in the Middle Ages and the early Modern Era perceived themselves as part of a broader ethnos—“Russian,” of course. Therefore, the Pereiaslav Council of 1654 was seen as “accepted by both sides [residents of both Ukraine and Muscovy] as the revival of a one-time unity, the reunion of two parts of Rus that had been divided previously by political boundaries.”

HOW KYIVAN RUS WAS SEEN IN EARLY MODERN TIMES

Significantly, the problem of conceptualizing Kyivan Rus in Ukrainian studies emerged just as high-quality research appeared, both in Ukraine and abroad, on the history of how the “Kyivan heritage” was perceived in early modern Ukraine. The traditional Ukrainian elite, as was convincingly shown, both the princes and the nobles, all unanimously saw themselves as the heirs of the princes and boyars of Kyivan Rus and the later Ukrainian world as a



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direct extension of Kyivan Rus. In the early 1620s, Ukrainian intellectuals even established a Kyivan Rus lineage of the kozaks as having evolved from the retinues of the ancient Kyiv princes, that is, from that very same environment from which part of Ukraine's nobility had come. The elite of those times saw Ukrainian history as uninterruptedly extending from the era of princes to Ukraine as part of the Polish Commonwealth, and the key source of both the specific status of Ukrainian territories at the time of the Union of Lublin and the legitimacy of further claims to its preservation and expansion. The Ukrainian world was seen as historically distinct from all its neighbors, including Muscovy.

Contemporary Europe was also well aware of the distinctions between Ukraine and Russia and their connection to Rus. Ukrainian lands were referred to as "Rus" and its people "Rusins," while Russia was called "Muscovy" and its people "Muscovites."

The kozak elders, who became the new Ukrainian elite by the mid-17th century after having long lived according to the system of values of the nobility, quickly absorbed the necessary concepts. By the time of Hetman Bohdan Khmelnytskyi, the idea of the Hetmanate as a direct heir to Kyivan Rus was widely praised. The Hetmanate was called "Little Rus" to emphasize that this was where all of the Rus principdom had centered on and whose expansion had led to the emergence of "Great Rus." The idea of the Hetmanate being "Kyivan Rus today" began to gain purchase in Ukrainian society. The Hetmanate would eventually have been called the "Great Rus Principality," had the Hadziacz Treaty of 1658 not come to pass and Poland reformed into a Confederation of Lithuania, Poland and Ukraine.

In 1672, even such an orthodox intellectual as Feodosiy Sofonovych, who was very distant from kozak realities, could write in his "Excerpts from the Ancient Chronicles" about a direct line from Kyivan Rus to the Hetmanate. The instructions of Vasyl Kochubey issued by Hetman Ivan Samoilovych in 1685 during negotiations with the Muscovite tsar not only reflected clearly the his-



The coins of Volodymyr the Great

torical convictions of the new Ukrainian elite regarding the continuity of Ukrainian history, but also eloquently distinguished the Kyivan princes from their Muscovite counterparts, thus extending the policies of Khmelnytskyi in dividing Ukraine from Muscovy. Feofan Prokopovych, who then still served his homeland of Rus-Ukraine, allegorically called upon Hetman Ivan Mazepa to see himself as Prince Volodymyr Velykiy [the Great]. This direct line from Kyivan Rus to the Hetmanate was also reflected in etchings of the time. On one of these, Princes Borys and Hlib hold the family crest of Ivan Mazepa; on another, the legendary baptizer of Rus, the Apostle Andrew Pervozvanyiy [First-Called], places that same crest on the Kyiv cliffs; and on a third, Hetman Mazepa is portrayed in a circle with the Princes Volodymyr, Borys and Hlib.

At the beginning of the 18th century, it came time to develop the kozak version of Ukrainian history. At its heart was the idea of Ukraine as an independent world, with an uninterrupted history from even before Kyivan Rus, and also—a point that was fundamentally important—different from the "Muscovite nation." Hetman Pylyp Orlyk and Hryhoriy

Polish king, to be released only during the times of Hetman Khmelnytskyi.

As we can see, the Ukrainian elites did not have the remotest problem with understanding who constituted the direct lineage from Kyivan Rus and where the foundation of Ukraine's uninterrupted history lay, or in understanding that Rus naturally flowed into Rus-Ukraine and that Muscovy arose as a separate offshoot. Early Modern Europe also had no doubts about this. Only now has the idea of "ruptures" in Ukrainian history come into play, deliberately breaking with long-standing Ukrainian traditions. Those who question Ukraine's heritage from Kyivan Rus or promulgate the concept "both yours and ours" are actually doing away with an entire epoch in Ukrainian history, thus promoting the canonic reading of Kyivan Rus invented by Moscow and providing a solid foundation for various manipulations of the historical memory of modern-day Ukrainians. Until this trend is overcome, it makes little sense to talk about a proper Ukrainian nation.

The time has come to stop heeding Moscow's interpretations, which were always strongly mixed with ideological components—all the more so, since Moscow has always looked with open disdain at any Ukrainian Rusists as junior colleagues, as a kind of "underbrush" for real ideologists, and continues to do so to this day. No amount of appeasement ever protected or will protect against the condescending, often heavily prejudiced criticism rained on the heads of any Kyiv historians who dare to cross a certain tacit threshold and begin to challenge the Russian monopoly on interpreting Kyivan Rus. On the other hand, Moscow rightfully had to come to terms with the strong and self-contained, like Mykhailo Hrushevsky and Mykhailo Braichevskiy. It is high time for Ukrainians to look at Kyivan Rus with their own eyes and, taking advantage of at least the works of western Rusists and of students of early modern Ukraine, to develop a competitive interpretation capable of becoming an outstanding intellectual charger. ■



TODAY, UKRAINE'S ACADEMIC HISTORIANS AVOID THESES ABOUT KYIVAN RUS AS A MEDIEVAL UKRAINIAN STATE. AND SO THE "STANDARD RUSSIAN HISTORICAL NARRATIVE" CONTINUES TO BE ARTIFICIALLY IMPOSED

Hrabianka, the author of the "Chronicles of Hrabianka," treated the kozak leadership as the new Ukrainian elite descended from the warrior Khozars [Khazars], that is, possessing completely different roots from the Muscovites. They claimed that the Khozars ruled a vast territory, including Rus, and after the Khozar Kahan-Hetman married, he decided to christen himself and all his people and became a pious Kyivan prince. Later on, the "kozak nation" was colonized by the



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