

# The Ukrainian Week

International edition

#6 (88) June 2015

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to decentralization for Ukraine

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# 2015

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Тиждень



As Serhiy Kliuyev, the brother of ex-Chief of Staff for Yanukovich and de jure owner of Mezhyhiria, speaks in Parliament against the motion to strip him of his MP immunity and investigate his financial activities, other MPs have hung a poster saying "Kliuyev must go behind bars" on the stand

**КЛЮЄВ  
МАЄ  
СИДІТИ  
ЗА ГРАТАМИ**

# It's Time to Cut Out Con Hysteria

**Author:**  
**Dmytro Krapyvenko**

**T**he term “criminal regime” used for Yanukovych's regime was by no means a hyperbole or a metaphor. Even innocent babies knew that the core of the die-hard criminal group that had usurped power in the country was the Party of Regions.

In the first post-Maidan days, the revolution followed its relentless logic: the Party of Regions disbanded its regional chapters, and its members fled or went into hiding. The situation was similar to that of the Communists back in 1991, when they at first feared revenge for their crimes. However, those moods were short lived, and the de-Sovietization of Ukraine is only starting now, with moans and groans. Having said that, what is there to expect of the criminal group that is deeply rooted in the country and has a rather broad parliamentary representation?

What would be the perception of the events of 2014-2015 from the perspective of experienced criminals suddenly losing control of the situation? The Big Boss has fled, taking with him a large share of the “kitty fund,” and infighting started in the gang. Jail instincts took over: the DED (dog eat dog) principle; the GULAG rule of “you die today and I die tomorrow”; crocodile tears, curses addressed to Yanukovych and other stage effects performed by the Party of Regions’ members for the public eye. However, those emotions were short-lived, the lads quickly realized that they would not have to face the music, and their spin doctors advised them to offset their image losses by rebranding: from the Party of Regions to the Opposition ■

PHOTO BY UNIAN



Bloc. Cleared of their ballast of the most notorious members, it once again got to the Parliament.

Criminals are good psychologists. For instance, they are great at "hacking through" their potential victims or opponents. The Party of Regions' members were afraid of the Maidan crowds – the kids wearing balaclavas and capable of breaking into their country homes, halting their executive-class cars or staging protests outside of the Parliament. Making terms with them was not realistic. The representatives of the pro-European political forces are quite another thing, though. According to the prison classification, they fall into the category of "trusties," a class of people who, while having no privileges of the thieves elite, are nevertheless provided with everything they need and exempt from hard physical labor: administrative staff, in a word. Finding a common ground with them was not a problem. In fact, it has apparently been found.

Already last summer, the Party of Regions' members took the liberty of accusing the Ukrainian army of "killing civilians in Donbas", expressing their sympathies to the separatists "forced to take up arms," and calling for the "normalization of relations with Russia." They felt that the "trusties" were letting them get away with what led to the massive murders, while the angry Maidan crowds were already busy fighting the war. Thus, no one seemed to pay attention to the Party of Regions.

The relationship between pro-Russian and pro-European political forces in Ukraine reminds of some perverse role-play: the hangman and his victim, for the sake of the democratic procedures, sometimes reluctantly switch roles, apparently only to go back to the traditional model where some feel comfortable in government positions, and others in the ranks of the opposition that time and again calls for a nation-wide uprising against the criminal regime.

The unpunished criminals are preparing revenge, and this is not a secret to anybody. The overall deterioration of the economic situation in the country provides some basis for this, and the half-heartedness of the authorities is encouraging. The nearest milestone is the local elections that will become a launching ground for the leap forward. No democratic procedures exist that

could stop them. Political views cannot be subject to criminal prosecution. This is an axiom that only brutal dictators would deny. But do these criminals have political views? What is the ideology of the party that hurried at full speed to sign the Association Agreement with the EU, but then suddenly stopped and turned around, recalling its strategic partnership with Russia; the party, whose numerous members secretly or openly support separatism; the party that is lobbying the interests of the oligarchs and playing with socialist populism at the same time? If we consider the logic behind the actions of the Party of Regions to be the logic of a criminal group, this will help us find relevant articles of the Criminal Code and the room in the dock for those whom the Prosecutor General's Office is only frightening so far, as if playing a children's game where you count till three: "One, two, two and a quarter, two and a half..." Judging from the duration of proceedings and the amounts of bails, there is



## **POLITICAL VIEWS CANNOT BE SUBJECT TO CRIMINAL PROSECUTION. BUT DO EX-PARTY OF REGIONS MEMBERS HAVE ANY?**

little hope to see at least one of the infamous leaders of the Party of Regions leaders behind bars.

In addition to being criminal by nature, the Party of Regions and its metastases also have manifest signs of being a fifth column of the aggressor country. This is a huge clandestine octopus operating in Ukraine, whose tentacles reach from the Russian estates of Yanukovich and Co. to their financial flows in Ukraine, and political life in Ukraine as such. However, all of this does not prevent the Party of Regions from playing the role of an entirely legitimate opposition.

Ukrainians sometimes wonder why the Donbas separatists are often referred to as rebels rather than terrorists in Western Europe or the United States. Various conspiracy theories can be constructed about the almighty Russian lobby in Europe. However, no lobbies are needed in the situation when the official Kyiv is negotiating, for almost a year now, with the leaders

of Luhansk and Donetsk People's Republics. In the civilized world, no one negotiates with terrorists. So, if Kyiv is willing to communicate with separatists, and even worse than that, to bargain with them about a "special status" for them, then it is worthwhile thinking about the right choice of terms for pro-Russian fighters.

The same goes for the Party of Regions. If they have the status of the parliamentary opposition, there can be no doubt that they will be heard by the civilized world. It is worthwhile recalling, for instance, a recent visit of Yuriy Boyko and Vadym Rabynovych to the French Senate, where the representatives of the Opposition Bloc delivered a passionate speech on the oppression of the freedom of expression in Ukraine.

Such criticism voiced by the opposition MPs sounds convincing a priori. Nevertheless, the speeches of Boyko and Rabynovych or the performances by Yuliya Lyovochkina in PACE applauded by the Russian delegation are nothing more than a con hysteria. This is a term used in criminology and referring to an extremely strange behavior of a detainee, when he or she deliberately plays the ape, cries out loud about abuse of power by "cops," and simulates acute mental illness. The objectives of such behavior may vary: to buy time, to provoke other cons to rebel, to puzzle the investigator or the convoy, or to divert attention. Con hysteria can have considerable impact on the soft hearted and inexperienced audience, and encourage the empathy of the naive one. Former members of the Party of Regions have fully mastered this art; moreover, they even started exporting it, that is, using it in foreign affairs.

Cutting out con hysterias, as well as the Party of Regions' attempts at revenge, could only be done by the actual condemnation of Yanukovich's criminal regime in general and of its satraps in particular. Individual charges of abuse of office or misappropriation of property would have the effect of firing guns at sparrows. All it takes is political will and the pressure from civil society. For the time being, however, there is not enough political will even to prohibit extra-parliamentary Communists, who are also placing some hopes on the local elections. ■

# Ultima Ratio Regis



Author:  
Yuriy Makarov

A flurry of explanations and evaluations accompanied the appointment of Mikheil Saakashvili governor of Odesa, making this the #1 news story in the last weeks—and the former Georgian President is a newsmaker worthy of the attention. What's more, the initial reaction was confusion, followed, inevitably, by the search for highly imaginative plots.

One pundit whom I admire supposed that this step was part of a long-term objective: the father of Georgian reforms, so it goes, is being prepared for the premiership and governing an oblast is technically necessary at this stage. Of course, in this case, it's not clear what the president plans to do with the pro-Yatseniuk faction, which is the second largest in the Rada and what that means for his coalition.

There were other explanations as well. We, who are well used to complex, multi-pass and multi-layered plots, find it hard to assume a simple solution: that an energetic, charismatic manager who recently gained Ukrainian citizenship is simply being tossed at the most complicated region in the country. But what is there to be surprised about? Odesa is corruption. Odesa is smuggling. Odesa borders on the pro-Russian pseudo-state Transnistria. Odesa still has a large pro-Russian element. Odesa is one of the main targets of Russian sabotage. And, to be honest, Odesa's not the most flourishing oblast—if one can even use the term “flourishing” in relation to Ukraine today. What's more, Odesa is home to a number of localized and personalized holes in the budget, through which public money is siphoned off, such as the port and the oil refineries. Taking them in hand would be a convincing precedent before the rest of the country for putting a stop to its artificial ruination.

It's important to understand that for the current administration, in this second year after the end of the Maidan, it's critically important to have a brilliant, unambiguous success story. At least one. In this sense, the candidate is ideal for the task: Mr. Saakashvili not only proved his capability to change the nature of relationships in certain outmoded interactive schemes, but convincingly matched this with a change in the decor, that is, to make his changes completely obvious to the most hardened skeptic. And if we recall that the current president has one noticeable weakness, which is making decisions about appointments based too much on personal loyalty, then it is easy to conclude that he does not see any threat in his previous counterpart. Looking at the bigger picture, however, Poroshenko needs to update his awareness and realize that the biggest danger for the Head of

State is not that his appointee might jump to the competition, but frequently publicized reports that he has flown to Switzerland to improve his own health while the oblast entrusted to him is buried in deep snow—the way it was with the previous governor of the oblast. With Saakashvili, of course, this likelihood is almost zero.

What's interesting is that this time there were no obvious challenges regarding the background of Ukraine's new “Great White Hope” for reforms. Everybody's adjusted somewhat and it's time now to admit that the widespread engagement of foreigners in key positions was a bit superficial. Not every Georgian is a natural-born reformer and not every American a top-notch manager. Other than, presumably, education and experience, foreigners have the main advantage that they don't belong to any influence group in Ukraine—although that can be overcome in the right circumstances: just recall David Zhvania, who was from Tbilisi, and Roman Zvarych, who was from Yonkers, New York. Their drawback is that they aren't in on the secrets of local details of the process they are expected to manage, that is they simply don't know the way the machinery works. This is probably the main reason why we aren't hearing about great successes in the ministries and other agencies that are being run by rescuers invited from abroad. Our “novice”, Mr. Saakashvili, has already managed, this past year, to rub shoulders in the corridors of power and has every chance of adding his name to the list of successful foreign appointees.

A different question is the kinds of instruments he is being provided with. Since when is the regional customs service subordinate to the governor? Will he be able to effectively maintain control over local prosecutors and police? How can he over-

come the sabotage of judges who are used to being well fed under the thoughtful eye of [Serhiy Kivalov?

It seems that Saakashvili was given some guarantees of support by the president, but might they not drown in the bureaucratic mudhole?

The freshman himself is optimistic and even pugilistic: “You've got bandits sitting on top of bandits here, and you can easily break your neck. That's why I agreed.” In that case, we can assume that fairly high stakes have been placed, if not the president's last shot. To give reforms a second wind by starting with the oblasts because they are clearly not moving ahead in the center, is, we have to admit, a creative decision. But God forbid, if this attempt should fail, we will have a scandal and very deep depression on a much larger scale than just Odesa Oblast. Let's hope that both presidents, the current Ukrainian one and the Georgian ex, understand what they are risking. ■

**TO GIVE REFORMS A SECOND WIND BY STARTING WITH THE OBLASTS BECAUSE THEY ARE CLEARLY NOT MOVING AHEAD IN THE CENTER, IS A CREATIVE DECISION**

# The Wrong Solution to the Wrong Problem?

An off-the-peg decentralisation solution to the complex problem of development without improvements to the physical and institutional infrastructure can do Ukraine more harm than good

**Author:**  
**Duncan Leitch**

In the wake of the annexation of Crimea and the continuing conflict in Donbas the government of Ukraine has embarked on a radical decentralisation of power in Ukraine based broadly on the model of local and regional government reorganisation in Poland in the pre-accession period. The *Verkhovna Rada*, Ukraine's parliament, has already approved the first stage, which is to be enacted by the autumn of 2015, and has established a constitutional commission to bring forward proposals for changes will ultimately affect every level of administration. Reform of this kind has been under discussion ever since independence in 1991, but this is the first time such bold proposals seem likely to be passed into law. Apart from its domestic objectives, the reform is intended to give the European Union a signal that Ukraine is serious in its wish to harmonise its system of government with what it understands to be good practice in the EU. This article provides a brief summary of the current proposals, set against the background of previous attempts to introduce decentralisation reforms.

It goes on to argue that it is a mistake to understand the planned reforms as a concession to long-standing but frustrated pressure to decentralise power, particularly stemming from the east of the country. Ukraine is in many ways a highly centralised state but apart from the immediate post-independence period of the early 1990s and during the time of the Orange Revolution in the winter of 2004/5, there has been little upward pressure for greater regional autonomy in Ukraine. Indeed the balance of authority between the

centre and the regions under successive presidents has actually suited the interests of regional elites rather well. Further, it is most unlikely that the Poroshenko administration's proposals for decentralisation will satisfy the demands of separatists in the east of the country. The conflict in Donbas has gone well beyond the point of resolution through administrative reorganisation. The article also suggests that however well thought through and long overdue the reforms may be, in the current context they will do little to address the major blockages to Ukraine's economic development and democratic consolidation and the chronic dysfunctionality of its public institutions. In fact they may well have quite the reverse impact.

## UKRAINE'S HYBRID STRUCTURE OF SUB-NATIONAL GOVERNMENT

First, some background on Ukraine's structure of regional and local government which has changed little since the adoption of the country's first independent constitution in July 1996. Indeed in some important ways it has not dramatically changed from the Soviet structure of centre-local relationships which preceded it.

The period immediately following independence in 1991 up to the adoption of the new constitution was characterised by centrifugal tendencies which seriously threatened the disintegration of the newly independent Ukraine. There were three attempted breakaways. The most serious was in Crimea but there were also locally organised referendums on the issue of independence in the western region of Zakarpattya and in the eastern *oblasts* of Donetsk and Luhansk, collectively known as

**REGIONAL INFRASTRUCTURE INITIATIVE:** The locals in Kolomyia, a town in Western Ukraine, plant flowers in road potholes to make the authorities pay attention to the problem

the Donbas. The movement for independence in Zakarpattya was largely inspired by a feeling of isolation from the rest of Ukraine and closer historical ties with neighbouring Hungary and Slovakia, a feeling which survives to some extent today. In the Donbas the conflict with Kyiv was a continuation of the tensions between the declining mining and steel industries of the region and Moscow, which had been a feature of the late Soviet period.





With the adoption of the constitution in July 1996, Ukraine finally opted for a unitary rather than a federal state structure but, as a concession to the pressures for greater local autonomy, the constitution offered what was described as a 'combination of centralisation and decentralisation in the exercise of state power.' Crimea was granted the status of an autonomous republic within the Ukrainian state, with its own parliament and prime minister, and the cities, towns and villages in all Ukraine's 24 *oblasts* were to have their own locally elected councils and the promise of enhanced financial autonomy from national government in Kyiv. At the same time however, the so-called 'state vertical' of *oblast* and *rayon* state administrations was strengthened. This meant that at the wider regional and district level within which self-governing towns and villages were located the delivery of public services was the responsibility of de-concentrated units of national ministries, responsible upwards to Kyiv rather than to the local electorate.

This uncomfortable hybrid system of local and regional government, with its set of parallel responsibilities between appointed state structures and locally accountable self-government is what has existed in Ukraine ever since. The arrangement has an inbuilt tendency towards confusion and dysfunctionality, but to place it in an international context, the hybrid structure was common in the post-communist countries of Eastern Europe in the 1990s and, perhaps more surprisingly, in France until the Mitterrand reforms of the 1980s.

The key post in the hybrid system is the regional governor, appointed by the President. To understand how the system works in practice it may be helpful to draw an analogy with the Soviet structure of regional administration, and with the post of *Obkom* first secretary. In much the same way as the *Obkom* first secretary, as the senior Party figure in the region, was in effect the boss of both Party and state structures and as such the chief bestower and withholder of patronage, so the regional governor is undoubtedly

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**Duncan Leicht** was educated as an economist and worked for 15 years as a senior manager in local government in London. Since 1993 Mr. Leicht has been working first in Russia and since 2000 in Ukraine, mainly giving advice on local government reform and regional development. He has recently completed a PhD thesis on the influence of international assistance to regional policy reform in Ukraine at the Centre for Russian, European and Eurasian Studies, University of Birmingham

the key political figure in the current structure and the main source of political power and patronage in the *oblast*. City mayors, particularly in the larger cities, are inclined to underline the importance of their elected status compared with that of the appointed *oblast* governor, and in regions where city councils are under the control of parties other than that of the President this has led to considerable tension. In practice however there is little doubt where the greater political clout lies.

## PREVIOUS ATTEMPTS AT REFORM

Unsurprisingly then, past efforts to introduce decentralisation reforms have focused largely on reducing or eliminating the power of the state vertical, and in particular the pivotal position of the regional governor. They have also attempted to address the problem of Ukraine's 15,000 or so small village communities which are nominally self-governing but which do not have the resources to deliver the services for which they are responsible. Prior to the current package of reforms, there have been two major initiatives since 2000 to deal with these issues and to increase the autonomy of local government, both of which were unsuccessful.

First was the so-called Budget Code reform of 2000-2001, described by one Ukrainian source as 'the most striking attempt to fight against the pervasive feudalism in centre-local relations' (Maynzyuk & Dzhygyr 2008/9). Its principal aim was to strike at the heart of the oblast governor's ability to exercise patronage by bringing to an end the situation where governors were able to control the distribution of all transfers from the state budget in Kyiv to local governments in the *oblast* to assist with their revenue expenditure and capital construction. The practice of *ruchne upravlinnya* or 'steering by hand' had given oblast governors immense scope to reward their political friends and punish their opponents. The Budget Code reform by-passed the governor entirely in the setting of local budgets, with the aim of guaranteeing that elected local governments from the largest cities to the smallest rural settlements had sufficient income to meet their responsibilities in law. Although the reform was passed into law in 2001, *oblast* governors successfully undermined its implemen-



tation in practice. Some years later the process of financing of local government in Ukraine was described by the World Bank as continuing to be an impenetrable 'black box' (2008).

The second attempted decentralisation was even more sweeping and followed the accession of Viktor Yushchenko to the presidency after the Orange Revolution of the winter of 2004-5. The so-called 'Reform for the People', led by vice-premier Roman Bezsmertnyi, proposed the complete dismantling of the state vertical and the replacement of appointed oblast governors and district heads of administration with locally elected councils with full executive powers. The reform also envisaged the compulsory amalgamation of Ukraine's 15,000 village and settlement communities into larger, more financially viable units of administration. The 'Reform for the People' proposals were never to reach the statute books. The Yushchenko administration handled them badly and their introduction was generally criticised for being too top-down and lacking proper consultation. The proposed compulsory amalgamations at village level were regarded as particularly heavy-handed. Crucially and somewhat paradoxically given the current situation in the Donbas, the reforms were most roundly rejected in the east of the country where many regional and city councils were under the control of Yushchenko's political opponents.

### THE POROSHENKO/ YATSENYUK PROPOSALS

The current reform proposals are more or less identical to those of the Yushchenko period, with one important difference. They were first set out in a Concept of Local Government and Territorial Organization of Power in Ukraine, which was adopted by the Cabinet of Minister on April 1, 2014. The Concept again proposes an end to the state vertical and the granting of full executive powers to elected regional and district councils. The post of oblast governor is to be replaced by a 'President's Representative', whose power is limited to monitoring and oversight of the legality of local government decisions, a role based on the *Voivode* in Poland and the *Prefet* in France. The Concept also again proposes a consolidation of the so-called primary units of administra-



PHOTO: UNIAN

Some of the products of earlier decentralisation attempts included supervisors that acted in regions on behalf of the central government, kickbacks and bribes. These reached an apogee under the presidency of Viktor Yanukovich

tion, the villages and settlements, into larger *hromada* or communes but this time on a voluntary basis with financial incentives to those who opt for amalgamation. The scale of the proposed reorganisation is very considerable, with the abolition of all the 24 *oblast* and approximately 500 *rayon* state administrations, a reduction in the number of (now to be self-governing) *rayons* from the current figure to about 120-150, and of the present 15,000 village administrations to 1,500-1,800 *hromada*.

The early months of 2015 have seen an increased tempo in moves to implement the decentralisation reform. In February the Verkhovna

Rada adopted legislation giving the go-ahead to the voluntary amalgamation of villages into larger administrative units, with the target of achieving this by the autumn of this year in time for elections to new self-governing councils who will be responsible for the delivery of services in the new *hromada*. In March the Rada introduced amendments to the Budget Code intended to ensure that those who opt for consolidation into *hromada* receive sufficient annual tax transfers from the state budget to meet their new responsibilities for schools and pre-school education, for primary health care and so on. Also in March President Poroshenko signed a decree establishing a Constitutional Commission to bring forward proposals for wider decentralisation, including the 2014 Concept's radical plan to dismantle the apparatus of the state vertical at *oblast* and *rayon* levels. The process is being led by the Verkhovna Rada Speaker Volodymyr Groisman, formerly mayor of Vinnytsia city and therefore with a background in local self-government, who has risen quickly under the Poroshenko presidency and Yatsenyuk premiership.

### THE RESPONSE OF THE INTERNATIONAL COMMUNITY

The international community has been quick to offer its enthusiastic support to the policy of decentralisation, since it reflects a model of sub-national government that the EU, the Council of Europe and others have been advocating for Ukraine since the 1990s. For example the United States Agency for International Development (USAID) is financing a 'Dialogue' programme in conjunction with the Ministry of Regional Development and the Association of Ukrainian Cities, and jointly with the Council of Europe (CoE) is supporting the establishment of Offices for Local Government Reform Implementation in every *oblast*. The CoE has unveiled a new Action Plan for Ukraine 2015-2017, in which decentralisation of power to the regions is seen as a key plank in the process of implementing the Minsk agreement.

Significantly perhaps, while CoE Secretary General Thorbjorn Jagland has argued that models of "differentiated devolution" in other European states are a relevant model for Ukraine to learn from, President Poroshenko, in launching the Constitutional Commission, was

**DECENTRALISATION, HOWEVER  
DESIRABLE IN THE LONGER  
TERM, IS LIKELY TO BE A  
DISTRACTION FROM THE  
IMMEDIATE TASK OF BUILDING  
STRONG, UNIFYING  
GOVERNMENT**



unequivocal in asserting that “We have to preserve the integrity and unity of Ukraine. There should be no chances for those who wanted the so-called federalisation or, in fact, the split of Ukraine.” In any event it seems unlikely that the present proposals will have any impact on the conflict in the Donbas, and it is tempting to conclude that they are driven as much by a desire to demonstrate to the international community Ukraine’s renewed commitment to democratic reform as they are by a wish to satisfy the demands of a domestic audience.

### BUT DOES DECENTRALISATION OFFER A SOLUTION TO UKRAINE’S CURRENT PROBLEMS?

There is good reason to be cautious about the enthusiasm of international organisations for the decentralisation of government authority and its relevance to countries like Ukraine. Decentralisation, like ‘good’ governance, is one of those malleable concepts which are much favoured by the EU, the World Bank and others, and which somehow manage to combine a variety of shades of meaning with a strongly normative content. There is a plausible argument to be made that Ukraine, although nowadays classified as a middle-income country, shares much in common with poorer developing countries when it comes to the quality of its physical and institutional infrastructure at regional level and below. And in developing countries the record with regard to the benefits of decentralisation policies is at best mixed.

For example the State Strategy for Regional Development to 2020 states that an average 39% of fresh water supply for domestic use is in an emergency state of disrepair across the regions of Ukraine, and in some *oblasts* the figure exceeds 60%. In eight of the twenty-four *oblasts* more than a third of urban households have no guaranteed regular access to running water, and in rural areas the situation is much worse, with the village well being the only access to fresh water in up to 90% of rural communities in at least five regions. In cities the fresh water that is supplied is rarely of drinkable quality, and residents habitually buy their drinking water in bottles from supermarkets and grocery shops. 37% of the country’s waste water or

The scale of the reorganisation proposed by the new government is very considerable, with the abolition of all the 24 oblast and approximately

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rayon state administrations, a reduction in the number of (now to be self-governing) rayons from the current figure to about

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## CURRENT INFRASTRUCTURE REGENERATION CHALLENGES IN UKRAINE CAN HARDLY BE SATISFACTORILY ADDRESSED BY A PROGRAMME OF DECENTRALISATION

sewage networks are reported to be in a similar state of chronic disrepair with serious risk to public health (GoU 2014). Meanwhile the quality of Ukraine’s municipal housing stock, much of which dates from the Soviet period, is also very poor. The problem derives largely from the rapid privatisation of communal housing in the 1990s, under which the ownership of individual apartments was transferred to their occupants at a stroke, while the fabric of the buildings remained the responsibility of poorly resourced municipal administrations.

There is little reason to believe that infrastructure regeneration challenges like these, where international experience points to the need for major national programmes of capital investment, will be satisfactorily addressed by a programme of decentralisation. On the contrary the risk is that decentralisation could provide an opportunity to devolve, and in effect offload, the responsibility for the renewal of communal infrastructure to the small towns and villages that are the intended beneficiaries of the reform.

It is hardly coincidental that

cover from the centre but regional elites have had more or less free rein to exploit these strategies for their personal benefit on condition that a steady stream of the proceeds found its way to Kyiv also. This is a plausible explanation for why there has been so little organised pressure for decentralisation from the regional level since the presidency of Leonid Kuchma, when these practices began to flourish. Again, given the degraded state of Ukraine’s institutional infrastructure at sub-national level and the associated risk of local state capture, it is hard to sustain the argument that the bold decentralisation of power currently proposed will go any way towards resolving the immediate economic and political problems facing Ukraine.

The concerted pressure of the international community on the Government of Ukraine to proceed rapidly with what it regards as a long-overdue reform represents a depressingly characteristic response of an off-the-peg solution to the complex problem of development. It also reflects a flawed understanding of the roots of the Maidan protest. The origins of the current crisis in Ukraine lie not so much in inter-regional tensions over its future identity as an eastward or westward looking state as in the comprehensive failure to address the criminality at the heart of government in the generation that has passed since independence. The spontaneous eruption of massed protest on Kyiv’s Maidan in December 2013, like that of the Orange Revolution nine years earlier, was not about the abstract and unwanted question of whether Ukraine’s destiny lies with the European Union or with the Russian Federation. It was above all an outcry of collective anger at the way the country has been misgoverned for the last 20 years, an issue which has touched on the everyday lives of all Ukrainians and every region, east and west. The policy of decentralisation, however desirable in the longer term, is likely to be a distraction from the immediate task of building strong, unifying government which shows that it is capable of addressing the long-term collapse of the country’s physical and institutional underpinning and is thereby able to regain the confidence of the Ukrainian people. At worst it may even serve to subvert the achievement of that goal. ■

According to the State Strategy for Regional Development to 2020, an average

**39%**

of fresh water supply for domestic use is in an emergency state of disrepair across the regions of Ukraine, and in some oblasts the figure exceeds

**60%**

the process of decay in many of Ukraine’s essential utilities, particularly outside the major cities, has been accompanied by a steady growth in neo-patrimonial relationships between political, bureaucratic and business elites at all levels of government, a phenomenon which grew out of Ukraine’s post-independence institutional erosion in the 1990s (Fritz 2007) and which reached its apogee under the presidency of Viktor Yanukovich. In a perverse expression of the ‘centralised but also decentralised’ philosophy of the 1996 constitution, practices such as those of *smotryashchyy* – the supervisors acting on behalf of central government top officials, *konvertatsiynyi tsentr* – money laundering centers, *vidkat* or kickbacks, and *khabar* - bribes, have been organised and given protective



# Corruption in Ukraine: What Needs to Be Understood, and What Needs to Be Done?

**I**t is usually helpful to understand the nature of a problem before effective solutions to it can be developed and implemented. Towards that end, I will propose and answer four questions about corruption in Ukraine. Preliminarily though, we should all be clear about what we mean by “corruption.” Corruption refers to the misuse or abuse of *public* assets by *public* servants either by themselves or in combination with

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other public servants or private individuals—whether for personal, familial, partnership or partisan gain. The public assets most often are money, but may also be real estate, personal property or simply information. Examples include bribery, kickbacks, theft of state assets, conflict of interest and other schemes. There do, however, exist other malfunctions related to government such as, for example, the monopolizations of

power, but just because some phenomenon is a malfunction related to government does not make it corruption.

## **WHY IS THERE SUCH A HIGH LEVEL OF CORRUPTION IN UKRAINE?**

Ukraine’s widespread corruption cannot be understood without understanding four central features of Soviet society, whose legacy in part continues to haunt



Ukraine to the present day. These features are:

1. moral degradation in the public sphere;
2. virtuality, i.e., the practice of systematically pretending that things are different than they actually are;
3. social atomization;
4. the fundamental deformation of the Soviet legal system so that the rule of law was minimally present or altogether absent.

When I came to Ukraine for the first time in 1989 when it was still part of the Soviet Union, I heard two striking anecdotes that reflect the related pathologies of moral degradation and virtuality. The first was: “they pretend that they pay us, and we pretend that we work”; and the second was that in the Soviet Union, people “say one thing, think a second and do a third.” But it was Nikolai Ryzhkov, the Prime Minister of the Soviet Union under Gorbachev and one of the architects of “perestroika” who revealed the *pervasiveness* of the two pathologies when he said in 1985: the “moral state of [Soviet] society” was its “most terrifying” feature. He explained: “[We] stole from ourselves, took and gave bribes, lied in the reports, in newspapers, from high podiums, wallowed in our lies, hung medals on one another. And all of this—from top to bottom and from bottom to top.”

The third factor is social atomization. It is civil society, all of the social organizations and institutions that are independent of government, that teaches us and provides us with opportunities to build trust and solidarity with others and expect trust and solidarity from others. The Soviet system destroyed all civil society and proscribed its re-emergence; in its place, it substituted a society of suspicion and distrust that led to profound social atomization. If, in post-Soviet societies such as Ukraine, some or many citizens feel little or no solidarity with their fellow citizens and, thus, with Ukrainian society at large, it is not surprising that they are unlikely to exhibit much of a conscience when it comes to participating in corruption.

The fourth Soviet factor was the catastrophic decision by Lenin and his Bolsheviks to completely

disband the existing Russian imperial legal system and to substitute for it the “peoples’ courts,” the troikas, the show trials and the “kangaroo courts,” all totally subservient to the Communist Party, all divorced from considerations of justice as understood in the West, and, instead, all primarily in existence to help the Communist Party and government control its population. This was a system that has aptly been called legalized lawlessness and imitation legality.

The pervasiveness of corruption in Ukraine, and its equal pervasiveness in Russia and other post-Soviet states, cannot be understood without understanding



## THE SOVIET SYSTEM DESTROYED ALL CIVIL SOCIETY, SUBSTITUTING IT WITH SOCIETY OF SUSPICION AND DISTRUST THAT LED TO PROFOUND SOCIAL ATOMIZATION

and taking into account the four historical legacies identified here today. And any genuine reform requires that there also be an ongoing push back against those legacies.

### WHAT SHOULD BE DONE ABOUT CORRUPTION IN UKRAINE?

One often hears that corruption in Ukraine needs to be eliminated or defeated. Military terms may convey a sense of urgency, but in this context they confuse or mislead more than they illuminate. All countries and societies have corruption, so the distinction is not between those that have it and those that do not. The distinction is, rather, between those whose level of corruption is *systemic* and those whose level of corruption is merely *episodic*. All countries *can* be said to be found somewhere on an imaginary corruption scale. Those in which corruption is widespread, in which society’s attitude is that corruption is “normal” or inevitable, in which there is no genuine effort to prevent corruption and in which there are no law enforcement institutions that have the will and the capacity to investigate and punish corruption are the countries at the far end of the scale on the side of systemic cor-

ruption. In contrast those countries in which corruption is infrequent, whose societies hold corruption to be abnormal, where there exist rules, procedures and mechanisms to help prevent corruption and in which there exist effective law enforcement institutions willing and capable of investigating and punishing corruption are the countries that are on the *other* end of the scale, on the episodic corruption end of the scale. What needs to be done is to genuinely begin moving Ukraine from the systemic corruption side of the scale towards the episodic corruption side of the scale.

### HOW CAN CORRUPTION BE REDUCED TO EPISODIC?

There are three arenas in which action needs to be taken simultaneously in order to genuinely reduce corruption. These are law enforcement, societal attitudes, and economic incentives and disincentives.

Action must be taken with respect to all *three* because otherwise any corruption reduction campaign will fail. Thus, a majority in Ukrainian society must come to understand that corruption is not normal or inevitable and not acceptable in a healthy society, that corruption is a social cancer that undermines and destroys real democracy, a real market economy and, therefore, a chance at national prosperity; and, perhaps most importantly, it destroys rule of law and, thus, any chance for justice. It is necessary for a society to change its attitudes towards corruption because the avoidance of corruption must to a significant degree become voluntary. There is no law enforcement system in the world that *can* investigate and punish a quarter or a third of a country’s entire population. Happily, as the result of and as reflected by the Maidan, the change in attitudes towards corruption has undergone a major shift in a *positive* direction. But more needs to be done. Civil society and NGOs must continue to exert pressure for true reforms. Journalists need to continue to monitor the distance between words and deeds. And religious communities, who are not themselves infected with corruption, need to be mobilized to play a part.

\*Remarks presented at Symposium “Ukraine: Escaping From Its Post-Soviet Legacy” (Kyiv, April 24-26, 2015), through VoxUkraine

Economic incentives and disincentives are independently important. If a public servant earns a salary on which she cannot support a normal life style, then it perhaps should not be surprising that she may seek bribes. Singapore is one of the few countries that managed dramatically to reduce its level of corruption. Singapore paid its top civil servants a million dollars a year. Even the president of the United States does not earn half that much, and I understand that Ukraine is experiencing economic difficulties for understandable reasons, but the issue of economic incentives and disincentives cannot be ignored. Business in Ukraine and the people living in Ukraine must come to understand that it is immeasurably more preferable economically and morally to raise taxes a bit so that public servants receive a decent salary than it is to have to spend the same amount of money to pay bribes to those same public servants.

Just as there are public servants whose salaries are modest but who will *not* engage in corruption because their integrity will not allow it, there will always be public servants who are *already* wealthy who, nevertheless, *will* engage in corruption because they are endlessly greedy. That is why an effective system of law enforcement, whether in Ukraine or Singapore or the United States, is an absolute necessity. By an effective system of law enforcement I mean the following: although it may take a longer time to reform the entire judiciary and the entire procuracy, I mean a system in which at least the *unit* of the judiciary that would be responsible for hearing corruption cases is staffed by judges with high levels of integrity and competence; a system in which at least the *unit* of prosecutors responsible for taking corruption cases to court would be staffed by prosecutors with high levels of integrity and competence; and a system in which the *unit* of investigators and analysts that would be responsible for discovering and gathering evidence of corruption is staffed by detectives and analysts with high levels of integrity and competence. Last, but certainly not least, an effective system of law enforcement would

It is necessary for Ukrainian society to change its attitudes towards corruption: the avoidance of corruption must to a significant degree become voluntary



## THERE IS NO MAGIC WAND THAT A PRESIDENT OR A PRIME MINISTER OR ANYONE ELSE CAN WAVE TO REVERSE MANY DECADES OF PUBLIC CORRUPTION

Several months ago a prominent businessman in Ukraine was interviewed in the press. He stated that he had expected that Ukraine's new, post-Maidan government would immediately enforce a zero tolerance policy towards corruption, but the fact that it had not was profoundly disappointing, and it seemed as if nothing had changed. Such reports and analyses are both inaccurate and counter-productive. There is no magic wand that a president or a prime minister or anyone else can wave to reverse many decades of public corruption. On the one hand, it is of course understandable why people in Ukraine feel a high level of pent up frustration,

have to operate in a legal system in which the level of rule of law, and, thus, of justice, would be high enough to engender public confidence in the fairness of the corruption investigations and prosecutions that were conducted. Juries are one of the best mechanisms ever invented to help insure such confidence.

### WHO CAN DO ALL THAT?

The answer to this question is: *everyone* in Ukraine must contribute; every public servant from the President to judges to prosecutors on down to the lowest clerk at the local level, every resident of Ukraine and every business operating here must participate in reducing corruption because otherwise things will not change. Corruption is something that was one of or was perhaps *the* principal motivating factor behind the Euromaidan, but it must *continue* to be an issue of concern, and everyone must not only refuse to participate in low levels of corruption but must demand and keep demanding of their political leaders that grand corruption at the top and bribes must be controlled, and that effective law enforcement finally be created and its work facilitated.

but on the other hand, it is very important to avoid cynicism and a kind of intellectual laziness that may be involved when some analysts or journalists simply throw up their hands and repeat that nothing has changed because the world has not changed overnight. For purposes of developing positive momentum in corruption reduction, every gradual manifestation of change needs to be viewed as a victory on that long and difficult campaign. Hence, every improvement, however dramatic or un-dramatic, needs to be noticed and the public needs to be informed about it, for otherwise instead of developing momentum towards more positive change, discouragement and inertia will prevail.

A few concluding words about an effective system of law enforcement. Given the state of the post-Soviet legal system in Ukraine, establishing units of judges, prosecutors and investigators with high levels of integrity and competence may not be easy, but it *can* be done because of an important confluence of circumstances today: there is now, on the one hand, a *will and desire* in Ukraine to make this happen, and, on the other hand, there is a good amount of international assistance ready to help with both resources and advice. What Ukraine needs to do is to find or provide appropriate leadership for each of the units I've discussed. This leadership needs:

- to understand the post-Soviet legacies and tendencies of the Ukrainian legal system so as to provide a counterweight to them;
- to possess some experience and understanding of international systems and standards for reducing corruption; and,
- it needs to understand how the international community can help and how to make best use of such assistance.

Such units and their leadership must, of course, be independent so that they are not themselves compromised or politically undermined. Taken in its totality, there is much to be done, but it *must* be done in order to reduce Ukraine's systemic corruption and to create a new Ukraine so that its former Soviet identity becomes merely a matter of historical curiosity. ■





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# 2015

## Cloudy reforms, scattered election

# Threshold Elections

It's almost guaranteed that local elections will take place as scheduled, in October 2015. The ruling elite did not succumb to the temptation to engage in unconstitutional 'adventures' in order to extend the life of today's local councils. Instead, a lively debate is swirling around the question of electoral systems.

Ukrainians have long been demanding open party lists so that they might vote, not just for parties, but also for specific members of those parties. This way, local voters, not party bosses, get to decide who exactly will represent a given party in the local council. Of course, these bosses are squealing a bit, but they won't find it so easy to wiggle free this time.

Ukraine's MPs are now coming up to fulfilling one of the key commitments they made in the coalition agreement for the first half-year: reforming legislation governing elections to local councils. In this regard, the coalition agreement states: "To change the local election system... preserving the majority (first-past-the-post) system for village and town councils, and introducing a proportional electoral system with open lists for local elections at other levels."

It's not entirely clear right now, however, which law will be in effect when the election campaign starts at the end of August. Several bills are competing for the approval of deputies and the even existing law is included in the list as an option.

Although the Speaker announced that five bills would be considered, they can all be grouped into three options: (1) adopting a revolutionary new bill with a classic open lists system; (2) a new electoral system as a compromise between voter preferences and the interests of the ruling elite; (3) elections according to the old rules if these two groups can't come to an agreement. Insiders say that the most likely outcome will be (2) and that deputies will come up with a compromise in the legislature, that is, a new system that they will label "with open lists," but party bosses will still have plenty of influence over who exactly in each party gets a chance at being elected to the councils.

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And so they most often talk about the proposed bill that provides for only a single candidate from each party to be running in each riding. These candidates will not compete with candidates from other political parties in a given riding but will simply try to contribute the most votes to the party's party list "account" so that the party can meet the threshold requirements. And those who gain the most votes in their individual ridings, compared to their fellow candidates from the party, will get to sit on the councils (**see an interview with Oleksandr Chernenko, co-author of one of the bills, on p. 18 for more details**).

Although the initiators of this bill will try to persuade everybody that it provides for open lists, it should be perfectly clear to all that this is only somewhat—and possibly not at all—what voters have in mind. The reality is that party bosses will be able to influence who among their candidates has the exclusive right to be nomi-

two. So, if we just wait a little, goes the arguments, we will have elections according to the new rules... Undoubtedly, this is how Ukraine's lawmakers will explain away why they rejected revolutionary reforms to the local election system right now.

The entire discourse around changes to the law on elections suggests that this is just one theme in a much larger-scale drama going on in Ukraine since Euromaidan. In its thirst for real, long-awaited changes, Ukraine's civil society is—so far—in a cold war with the corrupt power elite that has once again sunk deeply into its cozy divans, from time to time saving itself with mimicry under the new political circumstances. Hints from Speaker Volodymyr Groisman that proposals are already circulating in the corridors of the Verkhovna Rada about raising the threshold are telling enough. Perhaps someone should remind the Speaker that higher electoral thresholds for parties are a feature of authoritarian regimes. For a Ukraine desperate to rotate and rejuvenate its elite, on the contrary, it's very important to actually lower the threshold—if not drop it altogether.

There is also the risk that those elected on October 25, 2014 will be typical "temporarily elected" lawmakers who will look at the timeframe for carrying out administrative reform of the country's territories and will simply wait for the next round of elections, which is supposed to take place as soon as these reforms are introduced. It's easy enough to imagine the appetites of these "temps" in a corrupted state.

Still, local races will definitely air out the constituents of local councils that were elected back in the first year of Viktor Yanukovich's presidency. But this could be the only positive consequence following last October's vote. Still, what's also important is for the coalition to keep its word and make sure the new law on elections provides that "mayors of major cities go through two rounds based on the principle of an absolute majority of votes cast." This principle should protect Ukrainians from the Chernovetskiy phenomenon, when a candidate rides into the mayor's office on the backs of a well-fed electoral clique only a few percentage points ahead of his rivals—but not even close to a majority. ■

**LOCAL ELECTIONS WILL AIR OUT THE LOCAL COUNCILS ELECTED BACK IN YANUKOVYCH'S FIRST YEAR. BUT THIS COULD BE THE ONLY POSITIVE OUTCOME OF THE OCTOBER CAMPAIGN**

nated in the most receptive ridings. And so those who favor that party will be only be able to vote for the one candidate from that party in their riding.

Uncertainty around the new Constitution puts additional temptation in the way of lawmakers to postpone the adoption of the election law with a classic open lists system. The line here is that a new Constitution and nationwide administrative reform of the country's territories are in the wind and these will automatically lead to new elections to local councils. Under the current Constitution, the next local elections are supposed to take place at the end of October 2015, which means that the newly elected councils will only be in office a year or



# Oleksandr Chernenko:

## “The next local elections can take place two years after decentralization kicks in”

**C**o-author of one of the bills on local elections and a one-time chair of the Committee of Voters, Oleksandr Chernenko spoke with *The Ukrainian Week* about the main challenges to changing the local political powers-that-be, electoral risks, and the voting rights of internally displaced persons.

Interviewed by  
**Dmytro  
Krapyvenko**

that at the beginning of the campaign, the Central Election Commission, together with the Cabinet of Ministers, will put together a list of those population centers where elections will not take place at this time. After all, the Cabinet includes the Defense Ministry and we're talking about

the territory on the front. This encompasses the *rayon* or county councils that are there, as well as the village, town, city and other settlements where it will be impossible to hold elections from a security and logistics point of view. At the same time, the law will state that such elections will

### **U.W.: How do you see local elections taking place in Donbas?**

Right now, there's no point to talking about elections in the occupied territories. If and when elections do take place there, we'll need a special law. There's a problem with electing the oblast councils in parts of Donetsk and Luhansk Oblasts under control of Ukraine. Based on open party lists as proposed in our bill, among others, oblast councils are elected on a proportional basis and even part of a territory that has voted can fill empty seats in the council. But this would not be entirely fair. We propose that elections in Donbas be governed by a separate law.

My position on Donetsk and Luhansk Oblast councils is as follows: better not to elect them until the anti-terrorist operation (ATO) is over. Elections to city, county, village and town councils can then be held on the liberated territories. There's no problem right now in holding elections to the councils of Mariupol, Kramatorsk, Sloviansk or other village and town councils. The problem is what to do with those counties that the frontline crosses and those places that are supposedly Ukrainian territory, such as Stanytsia Luhanska, Shyrokyne and Shchastia, where running an election safely will be difficult at best. That's why I think our proposal will be in a separate law.

The way I see it, although it's not reflected in legislation, is



be held as soon as it becomes possible to do so.

**U.W.:** What do you think of the idea of setting up separate ridings for Donetsk and Luhansk Oblasts in the same way as we do abroad?

People are talking about this option. A colleague of mine who is now in charge of the Committee of Voters, Oleksiy Koshel, proposes making special ridings in the bigger towns, such as oblast centers, where the Donetsk Oblast council can be elected by the voters registered in Donetsk or Luhansk Oblasts, who have moved to other oblast centers as IDPs. I don't see any technical options for implementing this scenario because we will have to decide how to put to-

gether voter lists. Under the current system, you can come and you show your passport with a Donetsk registration and you are allowed to vote, then you can go off and vote in another riding the same way.

**"MY POSITION ON DONETSK AND LUHANSK OBLAST COUNCILS IS AS FOLLOWS: BETTER NOT TO ELECT THEM UNTIL THE ANTI-TERRORIST OPERATION IS OVER"**

Theoretically, such lists can be drawn up in five days, but I don't know how to get the ballots to each of the polling stations. So, it's a good idea, but practically impossible. Moreover, apart from oblast centers there are cities such as Severodonetsk, Kramatorsk, Sloviansk, Mariupol, where a lot of IDPs currently live. The question arises whether to register them to regular polling stations—and I think the polling stations simply won't be able to handle them—or to set up special polling stations for them, which costs money.

In short, you can describe any number of attractive projects, but you have to deal with reality. The key question is the voting rights of these IDPs, who have been forced to move. If the issue were elections for the president or Verkhovna Rada, there wouldn't be any problem at all. They would be held across the country where every citizen has the right to vote. But these are local elections. Only the members of a community have the right to elect their council. On the one hand, those people who have resettled to a place live there and in many cases are working, they're using utility services—and that already makes them members of the community! The question is did they arrive just today, or yesterday, or a

long time ago. Nobody really knows.

The next question is, when they will go back: today, tomorrow, or right after the election? On the one hand, we can give them the right to vote. The bill proposed by our working group works on the basis of a declaration. The voter needs to go to the office that is handling registrations no less than five days prior to Election Day, present a document proving that they are an IDP, register on the voter list, and then they can vote. This idea is acceptable to us, as we consider rights granted by the Constitution fundamental.

Still, it's good that not many of these people will go, because in Severodonetsk and Sloviansk, for instance, there are enough IDPs to affect the outcome of the election. I mean, if I live in a town where there are a lot of resettled people, I want to see a certain person as my mayor, while these people who have moved in and might move away again tomorrow, who either in that way or even for money or because of their convictions might vote for someone else and possibly then move away, this will cause a conflict. What comes first: being a member of a given community or my constitutional right to vote? The main thing is for there not to be any manipulation or wrongdoing. And so, the individual has to register in time in order to have the right to vote.

**U.W.:** What are the chances that your bill will be adopted?

It's already pretty obvious that there's going to be a real competition between the bill drafted by our working group and the bill sponsored by MPs Ihor Popov (Radical Party of Oleh Lyashko), Vadym Denysenko (Bloc of Petro Poroshenko) and others. What's the main difference between them? Both of them call for open lists but what we propose is a model at the level of

**BIO**

**Oleksandr Chernenko**, born in Kyiv Oblast in 1973, graduated from the Drahomanov National Pedagogic University in 1997 with a major in History and Country Studies. He later took a civic engagement course at the National Democratic Institute in the United States, and the Political Education course at the Klausenhof Academy in Germany. Mr. Chernenko worked as journalist in various publications. In 2009, he chaired the Board of the Committee of Voters of Ukraine. In 2014, he was elected to parliament as member of the Bloc of Petro Poroshenko

PHOTO BY UNIAN

oblast councils and bigger towns, 90,000 and up, with open lists similar to Poland's system of ridings. In each riding, the parties propose a list of candidates and voters must vote for a party and, optionally, for someone particular from the party's list.

For instance, if voters gave all their votes to a particular party but no votes to a particular candidate, then if the party gains enough votes for 10 seats, the first 10 on the party's list get seats. If the party gets enough votes for 10 seats while voters indicated their preference for three or five candidates, a candidate needs to get at least 3% of the vote to move up in the lists, which is the so-called "internal threshold." If you, the candidate, get more than 3%, then you begin to move up in the rankings. If five candidates have good ratings from voters while the party won 10 seats, then these five get first dibs on seats, and the next five get seats according to the party's list of top 10. That's more-or-less the model and it's meant for bigger towns and oblast councils.

For elections in smaller towns to *rayon* or county, village and hamlet councils, the first-past-the-post system is recommended, just as it has been until now. The difference is that, under the system we propose, not just one but two to four candidates win seats in each riding. Why this model? For voters, it makes sense. There is a ballot paper with candidates that are both independents and members of parties and all you have to do is check off the ones you prefer. People vote, they count how many votes each candidate got, and if two seats are being elected in this riding, then the top two get those seats. Why do it this way? First of all, to overcome the inherent conflict in the FPTP system, where only one person could win until now. Secondly, to provide better representation to voters. Right now, a candidate can theoretically get only 15% of the vote, come out first, and take the seat, leaving 85% of the voters unrepresented. If there are several seats to be won, then the sum of the candidates that gain seats immediately raises the level of representation.

**U.W.: You don't think voters will be confused by this?**

This is probably the biggest issue. We have half a year to go, but experience shows that, even if we had a year, everything would still be done at the last minute. We've been putting off electoral reform for years under the excuse that voters won't understand it. The election system problem does exist and it's huge, and this is the system's biggest challenge. But one of these days, we have to take that step and make a collective effort to hold an information campaign, train commissions, engage the press and involve civic organizations. We also propose that every ballot have instructions for how to vote properly printed on the back side.

**U.W.: How do you see the processes of decentralizing government and renewing local government working together?**

We won't be able to get it right for these upcoming elections. Based on the provisions of the current Constitution, we have to hold the election on October 25. So, like it or not, we have to get these electoral reforms in place.

## WE WON'T BE ABLE TO GET DECENTRALISATION RIGHT FOR THESE UPCOMING ELECTIONS

Changing the Constitution, which is necessary for decentralization, is a much more difficult task. Even if we get 226 votes for decentralization during this session, a ruling from the Constitutional Court over the summer, and 300 votes in September, we just won't make it, because the election campaign starts 50-60 days prior to Election Day, which means the end of August, early September.

The way it works, electoral legislation determines how people are elected and the Constitution determines their powers. To treat them completely separately is not the right approach, but making them dependent on each other is also wrong. Our position is that the electoral reform has to happen alongside with decentralization. But even if we manage to amend the Constitution in September—which is theoretically

possible but, I think, highly improbable—, it doesn't mean that decentralization has been completed. This will only be the beginning, as dozens of other laws need to be changed, and so on. In fact, between amending the Constitution and completing this reform process, we need 12-18 months, possibly two years. This means postponing the elections is not the right thing to do. That's why we made the decision to go ahead with the elections. All these processes will continue side-by-side.

We're also talking about holding new elections in about two years—something I agree with in principle—after decentralization has been finalized. But this raises another problem: once territorial communities are merged under the decentralization reform, they should hold their first joint elections. What's more, if some village merges into Kyiv, this is a new community and that means new elections. Once this becomes a single community, the election takes place not just in the newly-joined village but in the entire community. So we have a complicated situation where those communities that were unable to merge prior to the election will be unwilling to do so once the elections have been held. Will newly-elected councils, mayors and council chairs want this merger? In principle, the community can approve the change without them, but technically, it will be very difficult to do so. Someone just got elected and now they have to go for a merge and new elections? It's understandable that, after the elections, this process of merging communities will go on hold precisely because people won't want to go through another election.

However, if the new provisions in the Constitution state that new elections will be in two years, then everybody will drag things out for another year with the mergers, but at that point elections will be coming up anyway and they will have to go for it. It's a kind of incentive. Once again, they will have to go for it, like it or not. Of course, all this is only one approach that is now being debated. What will actually happen in the end, I don't know. ■



# Pavlo Rozenko:

## "The abolition of special pensions system has encountered vehement opposition"

The Minister for Social Policy spoke to *The Ukrainian Week* about his vision of the pension reform, de-shadowing of taxes and salaries, subsidies and assistance to IDPs and ATO veterans

Interviewed  
by  
Tetyana  
Omelchenko

**U.W.: In late March, you said that that Pension Fund was 81 billion hryvnia short to pay pensions at the current rate. What is the situation today?**

— This figure is not just for 2015; these are the dynamics that accumulated over the years. Each year, the Pension Fund was short of a certain amount and received state subsidies to cover it. Today, the gap between the PF's own revenues and its expenditures is UAH 81bn. To this day, the Pension Fund has been able to meet its obligations to the citizens of Ukraine in full and on time only because the state budget provides funds to cover this gap. Any increase or indexation of pensions would result in additional figures amounting to tens of billions of hryvnias.

**U.W.: How do you plan to fill the PF's budget hole?**

— The situation in the PF is the result of the economic situation. The fund is filled with the contributions withheld from people's wages. In the situation of an economic decline and job cuts, wages cannot grow either, which results in decreasing PF revenues. Therefore, the stabilization of the PF situation depends primarily on the economic developments. Two factors can help solve the Pension Fund's problems: the economic growth and the legalization of the labor market (that is, of shadow jobs and wages). According to various estimates, about UAH 200 billion of wages are paid annually in the shadows. No contributions are paid on these amounts, with the PF not

getting a single hryvnia. As the situation stabilizes, an increase in wages and pensions can be expected. The budget provides for raising social standards by 13% starting December 1, 2015. But let's not forget about the factor of war in Ukraine.

**U.W.: Will you have to go back to the issue of raising the statutory retirement age?**

— Today this issue is not on the Government's agenda. We believe that we have enough resources to implement the pension reform without raising the retirement age and the length of pensionable service, and without compromising the retirement terms. The Ministry of Social Policy has developed a draft law that

this may require increasing the retirement age, which I, as an expert, do not support. Already today, during discussions in the Parliament, we can feel the opposition to the reforms undertaken by our Ministry. The abolition of the system of special pensions (for public servants, judges, prosecutors, MPs, and Ministers) has encountered vehement opposition. However, I believe that we will manage to overcome the ambitions of some politicians who want to use this issue for self-advertising, and pass the bill.

**U.W.: One of the components of the proposed pension reform is introducing the second tier of the pension system and gradually bringing the rate of the contribution to personal savings accounts from 2% to 7% of the payroll. How could this measure be combined with decreasing the unified social tax (UST) rate from 36-49% to 16%?**

— Today, UST rates range from 36% to 49%. As for 16%, this is a long term prospect. For the moment, the comprehensive tax reform is in development. I believe that irrespective of what the tax reform will be, the rates of the defined contributions system can be anywhere between 2% and 7%, and eventually grow to 15%. However, there will be no general increase of the UST rate. The increase is more likely to take place through the redistribution of contributions. For the PF and for me as the Minister for Social Policy, the contribution amount itself is not important (or how it is administered or how it is called). The important thing is that it covers all the PF liabilities to the citizens in the pay-as-you-go system. This means almost UAH 250 billion. At the same time, the system has to remain personalized. I need to know who pays »

### TWO FACTORS CAN HELP SOLVE THE PENSION FUND'S PROBLEMS: THE ECONOMIC GROWTH AND THE LEGALIZATION OF THE LABOR MARKET

was introduced by the Government into Parliament. It provides for putting in order the pay-as-you-go pension scheme, introducing unified principles of pension accounting (that is, abolishing VIP pensions) and establishing a three-tier pension system (PAYG, defined contributions system and non-state pension insurance funds). If the bill is not supported by the Parliament, the next Government will face the challenge of looking into pension reform op-

#### BIO

**Pavlo Rozenko** was born in Kyiv. He graduated from the Kyiv Polytechnic Institute. He worked as the First Deputy Minister of Labor and Social Policy of Ukraine. In 2006-2007, he headed the Social Policy Service at the Secretariat of the President of Ukraine. In the past, he was an MP from the UDAR party and Petro Poroshenko Bloc. Since December 2, 2014, he is the Minister of Social Policy of Ukraine

contributions and in what amount, in order to calculate his or her future pension.

**U.W.: The Government expects about 3.5-4 million households to apply for subsidies for utilities payments. Taking into account current prices and incomes, there should be at least three times more applicants for subsidies. Is the welfare system ready for this?**

– By various estimates, today Ukraine has about 14 million households, therefore, there cannot be three times more applicants. However, we do not set the limit of 3.5-4 million households. If more people turn to us, this is not a problem. To effectively launch the reformed system of subsidies offered by my team in the Ministry and supported by the Government, about five months were required. However, we only had four weeks to start changing the system. Last month, the country got the new reformed system of subsidies. As of today, about 500,000 people have turned to Social Protection offices and to local authorities.

**U.W.: One of the major innovations in tax legislation adopted in late 2014 were changes to the UST adopted to bring wages "out of the shadows." Did this innovation prove efficient, given the current statistics?**

– The previous Government took the UST administration from the PF and transferred it to the State Fiscal Service (SFS). To my mind, changing the UST is inefficient. This is a malpractice that no other country has. I can understand why Azarov and Arbutov introduced it: they wanted to control and distribute manu-

ally any finances passing through the state budget. As a result, we have serious discrepancies between the SFS and PF databases, and a whole number of problems. Frankly speaking, collecting the UST is not a priority for the SFS. In civilized countries (such as Germany), the administration and collection of insurance payments (UST) is carried out by funds, including pension funds and social insurance funds.

**U.W.: What has your ministry done for the rehabilitation of ATO participants? Do you plan establishing rehabilitation centers? What about subsidies for ATO participants?**

– All relevant social programs have been transferred to the Ukrainian State Service for War Veterans and ATO Participants. The service was established to address social and other issues of the disabled war veterans. The current state budget provides for six major programs controlled by this service. They include social and psychological rehabilitation, prosthetics care for the disabled, allocation of housing to survivors, labor rehabilitation (employment), sanatorium-and-spa treatment, and subsidies for utilities payments. These programs are already being implemented. Subsidies are provided to individuals having the official status of military operations participants (disabled veterans). Before I came to the Ministry, about three months were required to get the status in order to enjoy certain privileges. In cooperation with the Ukrainian State Service for War Veterans and ATO Participants, we reduced this procedure. Now it takes not more than a month. The central committee at the above service has been liquidated. It col-



lected all the information, but failed to examine the documents in time. The function of awarding the status of military operations participants has been transferred to ministerial committees, Interior Ministry, Security Service, Ministry of Defense, State Border Service, and the National Guards.

**U.W.: How much does the state budget allocate for the benefits and rehabilitation of ATO**

#### EXPERT COMMENT

## Pension Reform: Yet Another Attempt

**Author:**  
**Vitaliy Melnychuk**

The existing pension system is one of the major pillars of the ineffective and corrupt political and socio-economic model of the "old Ukraine". Strongly misfit for the needs of this time and generation of Ukrainians, it

is unfair and inadequate, extremely burdensome for the taxpayers and business, affecting the lives of every Ukrainian. Ukraine is de facto still using the pension system founded in 1889 in Germany by Otto von Bismarck and copied by the Soviet authorities later. This is the solidarity system

where all working people pay contributions into the Pension Fund to finance pensions for the current pensioners, expecting that the next generations will similarly be paying contributions to finance their own pensions once they retire. The system was fairly effective when the number of those employed



PHOTO BY ANDRIY LOMAKIN

### participants? How will they be granted?

– Each state program provides for different amounts. There are also non-monetized benefits. For example, families receive death gratuity payment, but no travel privileges. The funds from six state budget programs will be transferred to local authorities. Under each program, there is a protocol for the allocation of funds. For instance, util-

ity subsidies are paid at the end of the year. This applies to all categories of privileged citizens, and segregating just ATO participants is impossible. 300 million hryvnia have been allocated for the housing program for survivors.

### U.W.: What is the difference between the number of registered internal migrants and their real numbers?

– It has been reported that 1.3 million migrants have been registered on the territory of Ukraine. However, identifying their actual numbers is next to impossible. You can not provide each migrant with a social workers or a policeman to control them. It is the responsibility of the relevant departments of the State Migration Service (SMS), which, according to the laws of Ukraine (and in compliance with the social status of the displaced persons), should check the residence of the migrants. Our Ministry only registers them based on the certificates provided by the SMS. However, the cases of the so-called "retirement tourism" do exist (when a person gets registered as a migrant, but resides in the territory that is not controlled by the Ukrainian authorities). Security Service often publishes such information.

### U.W.: How simple is the registration system?

– You have to provide a certificate issued by the SMS, indicating the place of registration. But the problem is that registration is now the responsibility of local authorities. There are queues. Besides, local authorities are also responsible for granting subsidies and allocating social assistance, while neither their staff nor their payroll have increased. Today, border regions (parts of Donetsk and Luhansk oblasts controlled by Ukraine, and Kharkiv Oblast), as well as Zaporizhia and Dnipropetrovsk oblasts, carry the heaviest social burden. But no one was prepared in advance for such situation, no one could think that we would have 1.3 million migrants who have to be registered, provided with medical and social assistance, and accommodated. ■

exceeded the number of pensioners. This ratio changed in the 1980-1990s as Ukrainian families moved to 1-2 children, life expectancy grew and the number of pensioners rose, while the number of employed taxpayers shrank. The system began to fail now and then, but the authorities kept finding room to "improve" it in all years of independence by introducing privileged pensions to civil servants, judges, prosecutors, MPs, customs officers, journalists of state-owned media and many others.

Currently, pensions for most people remain scant (UAH 1,590 or ar. USD 80 per month for most, with only 3% of the population entitled to pensions that exceed UAH 3,500 or ar. USD 170). Yet, multiplied by the number of pensioners, they add up to a huge burden for the taxpayers, growing at the pace that the economy cannot catch up with. The Pension Fund tax in Ukraine is among the highest ones in the world. And still, the Pension Fund runs into chronic deficits that increase annually and will reach

USD 253bn in 2015. These permanent deficits are tapped by transfers from the budget, thus stealing funds from health care, culture, education, defense, and road construction. The situation will continue to worsen unless cardinal measures are taken, as the current ratio of pensioners per working people is 1:1, and it will go to 1:1.4, which can lead to a collapse of the pension system and leave no chance of a well-off retirement for those who work today, especially for the young generation.



# A Sea of Change on the Gas Market

A number of challenges and opportunities are coming Ukraine's way as the European gas market undergoes a major restructuring

**T**he European gas market is about to enter the final stages of a major reorganization that will change its structure from the foundations up. Ukraine must respond appropriately to these tectonic changes.

## GOING AFTER THE MONOPOLIST

On April 22, the European Commission accused Gazprom of interfering in the formation of a consolidated market and establishing fair prices for all consumers. The ultimate fine could be as much as 10% of the Russian gas monopolist's annual income, which, based on the company's own figures, was EUR 9.3 billion in 2013.

Preparations to form an Energy Union among the EU's 28 member countries continue, with the purpose of putting an end to their fragmentation in relations with external suppliers of natural gas, starting with Gazprom. And this should make the EU's position stronger than that of certain individual countries today. Above all, the idea is to put an end to politically motivated pricing and to establish universal principles for all consumers.

Gazprom President Alexei Miller has already admitted that the fulfillment of the Third Energy Package and new initiatives from the European Commission are causing mayhem with the gas giant's traditional operating strategy on the European market. He warned that any efforts to establish a single im-

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

port price for gas would lead to its becoming more expensive for many EU countries, adding that the company was prepared to simply stop deliveries.

"We can always take a break, if necessary, and we will maintain it if someone forces our hand," Miller threatened.

The ire of the Russian monopolist is easy to understand in the face of not only losing opportunities to carry out its plan to subordinate the European gas market and being relegated to the position of a mere resource supplier, as is being proposed. A revolution on the global gas



**IT IS CLEAR THAT UKRAINE WILL ULTIMATELY AND IRREVERSIBLY LOSE ITS STATUS AS THE MAIN TRANSIT NETWORK SUPPLYING THE EU WITH RUSSIAN GAS**

market brought about by the expansion of shale gas extraction, growing supplies of liquefied gas extracted in more traditional ways, and last year's drop in oil prices have left Gazprom with sharply shrinking profits.

In particular, Gazprom's latest financial report shows that the considerable devaluation of the ruble in QIV 2014 still left the company's gross income from gas sales in rubles at 2011 levels, while pre-tax profits fell from RUR 1.49 trillion in 2013 and RUR 1.14tn in 2011 to



RUR 0.31tn in 2014 as costs mounted. Although less than half of Gazprom's production goes for export—207.5bn cu m vs 232.4bn cu m sold to domestic consumers in 2014—, the lion's share of income—RUR 2.15tn vs RUR 0.82tn—comes from it. Domestic sales amounted to only 27.3%, while in 2015 the relative value will likely be even worse due to the devaluation of the ruble, as in 2014 it only began to be felt in QIII.

## REALIGNING NETWORKS

Year-end results show that Gazprom exports to the EU shrank by 13.8%, to 121.3bn cu m. This volume was almost equivalent to deliveries to EU countries from Norway's Statoil. Meanwhile, Statoil has expanded right to the borders of the Eurasian Union and has entered not only the Polish market, but also the Ukrainian and Lithuanian ones. In addition, an LNG terminal went on line in Lithuania in December 2014 that has a capacity of 4bn cu m. Since Lithuania only used 2.54bn cu m last year, this offers another opportunity to cover demand in neighboring Latvia and Estonia, whose combined consumption was 1.4bn cu m in 2014. At the moment, its



contract with Statoil is only for 0.54bn cu m of natural gas per year.

From the southern flank, alternative sources besides Russia will include Caspian gas in another 3-4 years, which will go to the Balkans through the Azeri-Turkish TANAP pipeline whose construction began on March 17, 2014 and is planned to be complete by 2018. Initial capacity will be 16bn cu m per year with the option of expanding it based on demand for Caspian fuels and specifically demand for it in Europe. Today, Bulgaria is dependent on Russia for 80% of its supplies but is preparing to receive at least 1bn cu m through TANAP, which will replace 35-40% of the volume imported from Russia in recent years.

But this is not all. Not long ago, energy ministers from Greece, Bulgaria and Romania signed an agreement to build links among their countries' gas transport systems, a kind of vertical gas corridor whose construction will start in March 2016 and be completed by the end of 2018. The purpose is to set up opportunities to transfer 3-5bn cu m of natural gas from the TANAP pipeline and the LNG terminal that could be built across northern Greece to Bulgaria, Romania, Hun-

Marosz Szeftczowicz, Vice President of the European Commission whose responsibilities cover the EU's energy policy, and Alexei Miller, Gazprom Chairman. The terms of Russian gas supply to Europe are becoming less and less beneficial to Moscow

gary and Moldova. The capacity of this vertical gas corridor can be expanded to include the pipeline currently being used in Ukraine to transport Russian deliveries. The necessary conditions for this could emerge should Gazprom make good its managements threat to stop shipping via Ukraine starting in 2019.

In a recent interview with Reuters, European Commission Vice President Marosz Szeftczowicz announced that the European Union was counting on bringing in gas through Azerbaijan and Turkey and from Turkmenistan by 2019. "The political decision has been made that Turkmenistan is part of this project and will be supplying in the direction of Europe," he noted. Turkmenistan has been feeling the pain of lost markets as Gazprom's purchases collapsed from 11bn cu m to 4bn cu m. Even if political issues arise with the uncertain status of the Caspian Sea and it proves impossible to build a pipeline along its bottom, it will still be possible to move 5-10bn cu m either through Iran or by building LNG terminals in Turkmenistan and Azerbaijan.

Meanwhile, the Russian Federation is also actively working to shift its center of trade in gas from the EU to the Balkans. Its "special relations" are helping in this, including the newly friendly relationship between the new government in Greece and the Kremlin. Greece shares a marine border with the biggest consumer of Russian gas after Germany, Italy. In addition, it can receive gas through the Turkish Stream, across the bottom of the Black Sea and the territory of Turkey, which is also one of the biggest consumers of Russian natural gas.

Gazprom boss Alexei Miller told Greek Premier Alexis Tsipras in recent talks that the Russian side could guarantee 47bn cu m gas transit across Greek territory annually and noted the benefits of investing in the Greek portion of the pipeline.

This clearly shows that the structure of the European gas market is in the process of being reorganized and will be fundamentally different by 2020 from what it was prior to 2010. Gazprom's monopolist position on Central and Eastern European markets and its dominance in such major national consumers of gas like Germany, Italy and Turkey will be challenged by a much higher level of diversification.

Options for transferring huge volumes of fuel among individual countries in Europe will multiply, especially among CEE countries. The transit role of Turkey will grow, and likely Greece, although in the case of the latter, this will be reversed somewhat by regulations governing its transit gas facilities through EU energy legislation.

## THE CLOUD: DECLINING VOLUMES

Whatever way the gas market goes, it's clear that Ukraine will ultimately and irreversibly lose its status as the main transit network supplying the EU with Russian gas. Ukraine's Energy Minister Volodymyr Demchyshyn recently announced that Gazprom realistically would not have the option of stopping gas deliveries through Ukraine in 2019. Still, the throughput capacity of Ukraine's GTS is 142.5bn cu m. In 2008, it handled 116.9bn cu m and Ukraine's 2009 contract with Russia obligates Gazprom to pump at least 110bn cu m through Ukraine's pipelines annually. In actual fact, volumes have been falling steadily and were down to 84.3bn cu m in 2012 and 62.2bn cu m in 2014. Given that Gazprom export deliveries to European countries was 126bn cu m in 2014, Ukraine's share of this transit has declined by 49% already.

In 2015, volumes of Russian gas transiting through Ukraine's GTS are expected to shrink further, to a maximum of 50bn cu m. Over January-March 2015, for instance, compared to the same period of 2014, volumes fell by 31.4%. Over January-February, even though this was the winter heating season, Ukraine's GTS transported only 26.2% of Russia's exported gas or 7.22bn out of 27.5bn cu m. And nearly a third of that returned to Ukraine as reverse gas from Slovakia.

In short, should the situation with Gazprom go into conflict mode, Ukraine could find its GTS running empty next heating season as Gazprom can turn off the taps without a catastrophic collapse in its export revenues. Meanwhile, only 14% of the natural gas consumed in the EU in 2014 went through Ukraine's system. Of the six biggest gas markets in the Union—Germany, Great Britain, Italy, the Netherlands, France, and Spain—, only Italy imported more than 15% of its gas via this

pipeline last year. Right now, it serves mostly minor gas markets in the EU: Bulgaria, Hungary and Slovakia. Even those countries that are 100% dependent on Russian gas coming via Ukraine's pipelines—Moldova, Bulgaria, Greece, Macedonia, Serbia, Hungary, and Slovakia—only bought 18.6bn cu m of it. Italy, Slovenia and Austria, which also depend on Russian gas coming exclusively from Ukraine but to a lesser degree, bought an additional 26.1bn cu m.

Cologne University's Energiewirtschaftliches Institut, an energy research institute, published a study on March 19 that showed that the EU is now much better prepared for disruptions in Russian gas transit via Ukraine than during the 2009 gas crisis. It will survive even a months-long interruption in supplies relatively painlessly. A simulation carried out by energy specialists showed that even if supplies are stopped during the cold season for as long as six months, only one country in the EU will face serious problems, and that's Bulgaria. Of course, Ukraine itself will sharply feel the sudden lack of natural gas. Should heavy frosts accompany this situation, Greece and Italy are also likely to find themselves unable to satisfy domestic demand fully. The remaining EU members are capable of providing themselves with enough natural gas to cover temporary disruptions.

### THE SILVER LINING: INDEPENDENCE

Without any doubt, the reorganization of the European gas market presents challenges to Ukraine, but it also offers some obvious advantages. The apparent interdependence between Ukraine and Russia, with one completely dependent on the supply of gas and the other on its transit, was an anachronism inherited from soviet times with their "single economic complex." In all the years that Ukraine has been independent, this atavism got in the way of Ukraine's economic and energy emancipation from Russian influence, of a complete cutting of the colonial umbilicus to the one-time soviet metropole. Ukraine's GTS and gas market were never seen outside the context of Russia, let alone in the context of a single European energy market.

\*Whereas over January-April 2015, only 2.45bn cu m or 33.8% of the total 7.24bn cu m came from Russia and the remaining 4.79bn cu m or 66.2% from the EU, Russia's share jumped to 51.3% in May or 0.79bn cu m. In June, purchases through the Slovak pipeline increased a bit, but the daily throughput remained 25-30% lower than it had been in March-April. By contrast, Russia was shipping nearly twice as much gas as it had been just two-three months earlier. The problem is that this is happening at the cost of gas via the European route. The trend to not use the Slovak pipeline to capacity levels, equal to 0.3-0.5bn cu m per month, continues, which increases Ukraine's vulnerability to possible cutbacks in Russia's deliveries of natural gas during the next heating season.

The same can be seen in the trade and economic sphere, especially in the cooperation between the two countries in the military-industrial-complex and in heavy industry in general: a complete break is necessary for Ukraine to become truly independent and to leave Moscow's orbit. Russia should have diversified its transit networks and reduced—if not completely lost—interest in Ukraine's GTS, while Ukraine should have diversified its suppliers and lost any incentives to agree to political and economic concessions in exchange for price breaks. Right now, the important point is for Ukraine to be prepared to abandon Russian gas imports or to reduce them to less significant levels, say 10-20% of annual consumption, by 2020, when the Russian Federation will be entirely able to abandon Ukraine's gas transit network. Otherwise, the interdependence of old time threatens to transform itself into completely unilateral dependence on Moscow.

Still, there are reasons to be concerned. In April, it seemed that the goal had almost been reached: of the 1.48bn cu m of gas imported by Ukraine, 1.18bn cu m came from the EU and only 0.3bn cu m from Russia. Still, at the beginning of May, Ukraine cut purchases from the EU nearly in half and increased its purchases from Russia\*.

At this time, the biggest problem is, that all of Ukraine's diversification is oriented towards re-exports of natural gas. Existing infrastructure makes it possible to ensure the delivery of up to 50mn cu m of gas daily from EU countries, that is, over 18bn cu m per year. For comparison, in 2014, Ukraine only needed to import 19.9bn cu m, including for the occupied areas of Donbas, where industries functioned normally the first six months and household rates had not yet been increased.

Should Russia stop transporting gas through Ukraine's system, serious problems could arise with reverse transit. This problem can only be resolved if European consumers and Gazprom can be pressured to move the points of sale of Russian gas to the eastern border of Ukraine, not the western one, as it is now. Whether this can be achieved is not clear yet. If the Turkish Stream is completed, Balkan and Italian consumers will genuinely find it more convenient to buy gas at the border between Turkey and Greece. At that

point, the Ukrainian network will offer a clear advantage only to Hungary, Slovakia and Austria.

### CONSIDERING ALL OPTIONS

Naftogaz Ukrainy meantime is counting on a significant increase in domestic extraction of traditional gas, with the potential to reach 27-29bn cu m by 2020. But this means a sharp increase in investment capital and this also means raising prices for domestic natural gas to import levels, while keeping the tax burden for its extraction at a reasonable level. So far, this is all a bit problematic and populist politicians continue to insist on maintaining below-market household rates that would be detrimental to domestic production.

Building interconnectors between Ukraine and those countries that will be receiving large volumes from alternative sources by 2020 could reduce the negative impact of a possible stop in the transit of Russian gas through Ukraine's GTS and the inevitable shortage in volumes available in the GTSs of Slovakia and Hungary. In particular, this can already be seen in Ukraine's cooperation with the Polish GTS operator Gas-System regarding an increase in throughput capacity along the Polish branch feeding Ukraine from the current 1bn cu m to 8-9bn cu m per year. Talks have also renewed with Romania to supply Ukraine with natural gas from the Balkans, where it is likely to be delivered by the TANAP pipeline or via an LNG terminal that might be built in northern Greece.

Still, Ukraine needs to take the initiative to build an LNG terminal itself, most likely on its own Black Sea coast. The overall capacity of LNG terminals in Northern Africa—Egypt and Algeria—alone is 44.1bn cu m. Deliveries from these countries have gone down in recent years. Should there be difficulties with supplies through Black Sea streams, an LNG terminal to handle gas from Azerbaijan or Turkmenistan can be built on the Georgian coast and financed independently by Ukraine. If geopolitical problems arise with this as well, another option is to build a Polish-Ukrainian LNG terminal on Poland's Baltic coast, given that this country is a reliable, consistent ally of Ukraine in holding back Russia's geopolitical and energy expansionism in the region, and to then transport gas from it to Ukraine through Poland's GTS. ■





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# Werner Hoyer:

## “In Ukraine as elsewhere SMEs are the backbone of the future economy”

*The Ukrainian Week* spoke to the President of the European Investment Bank about priorities in cooperation with Ukraine, quality control of projects that receive access to the funding and SMEs as a potential driver of Ukraine's economy

Interviewed by  
Anna Korbut

**U.W.:** What are the priority areas of cooperation between the EIB and Ukraine today?

After the change that took place in Ukraine over a year ago, the EIB decided to considerably step up its lending to the country. As part of an overall EU effort to support Ukraine, we plan to make available loans for EUR 3 billion for the 2014-2016 period. We have already signed loans for half that amount and I am confident that we can deliver the rest.

The spheres of investment are diverse, ranging from classic infrastructure, transportation and electricity, to urban development, housing, as well access to funding for SMEs in Ukraine. Being a Bank, we offer loans, not grants, albeit at very attractive conditions. The EIB is also fully financed by capital markets, so we must deliver proof to our investors that we do good projects. Therefore, we are looking for economically viable, sustainable projects, and we call on parties in Ukraine to structure and select their priorities.

**U.W.:** In fact, SMEs are seen as a good alternative to the oligarch business in Ukraine and a potentially solid basis for stronger, more diverse economy. What are your key





### **criteria when selecting a viable SME project to invest into?**

In Ukraine as elsewhere SMEs are the backbone of the future economy. That is why SMEs are so important in our financing strategy, both within and outside the EU. EIB Group funding reached some 260,000 SMEs in 2014. SMEs are among the most innovative companies, and innovation is key to every country's competitiveness.

Of particular interest is Ukraine's agricultural sector, an extremely important one for the country. There you have a mix of some big companies and new dynamic SMEs which should get particular attention because they can be a considerable source of growth for Ukraine.

### **U.W.: When a company gets a loan from you, do you provide it with some expertise or recommendations in the course of its work further on, or is it up to the business to figure out a way to develop?**

The EIB, the EU bank, is the world's largest multilateral public lender. It is normal that we should deal with a great number of large projects. When we go into smaller ones, we still try to be as efficient and effective as we can, by collaborating with local banks. That is true in Ukraine, too. We need knowledgeable banking partners which have direct client contact on the ground. This chain enables us to give loans to small businesses. We can't know every middle and small entrepreneur in Ukraine from Luxembourg, so we trust that to the expertise of the local banks.

In terms of technical expertise, the EIB's is second to none. There is no public bank of that or even smaller dimension with a comparable structure of engineers and researchers who prepare the due diligence checks of projects. The international rating agencies look at our portfolio and assess how sound business projects are.

The EIB also provides technical advice for companies as they prepare their bid for funding, supporting them in preparing the project in the best possible way and even helping them identify ways of picking and

mixing different possible sources of funding.

### **U.W.: Do you have any tools to control how the investment funds are administered on the ground? Or is this the responsibility of the local partners solely?**

We have tough criteria vis-à-vis our partner banks. Our contracts set out what we expect from them. Going into details of individual small companies is difficult for us, so we have to rely on our local partners in that. Still we have very close monitoring of what they do, paying regular visits to the banks and telling them to not only find new projects, but to look at the existing ones. Compliance with EIB's criteria is checked on a regular basis.

### **U.W.: You attract money from capital markets, private investors. Where do you see the most investment interest for Ukraine coming from?**

Basically, we do not try to match investors with specific projects. We do not earmark billions coming from a specific investor to a specific small company in Ukraine. Instead, we go to capital markets with the objective of financing our overall business volume, which in 2014 was worth around EUR 80bn in new loans. Investors trust the quality of our portfolio.

Of course in terms of individual projects we act as catalysts for additional investment by others. Once a project has got an approval stamp of the EIB and our engineers, others join in because they see that it is obviously a good one, a reliable partner. This is what prompts investors to put their money into a business. Ukrainian companies, in turn, are ready to live up to certain criteria provided that the EIB participates in the financing.

### **U.W.: One thing that scares off investors, aside from war, is slow reforms. When you meet with Ukrainian top officials, how determined are they to conduct structural transformations?**

Sometimes you only need to mention a few catchwords with the Ukrainian President, Foreign Minister, Finance Minister

or others, and say that we have this or that problem with decision making in your administration, they immediately say "I know what you're talking about". So, I think that the awareness of the political leaders and our business partners is absolutely there. We can only encourage them to really improve the situation. Administrative processes in Ukraine sometimes do not meet the state-of-art level which we would like to see.

Also, my advice to partners within the EU – we are a public bank, after all, with 28 member-states as our shareholders – that the best thing they can do to help Ukraine is to support the government in the reorganization and restructuring of administration, in streamlining processes, and bringing in clear application of the rule of law. That way, processes will not only be more efficient but more reliable legally. When you are afraid of corruption around every corner, you do not feel free to do the business you would like to.

### **U.W.: What do you see as competitive advantages of Ukraine now, even despite the war?**

You've mentioned the war twice, and I can only say that this is on our mind all the time. When we talk about Ukraine, we see

## **IF UKRAINE BECOMES AN ECONOMIC SUCCESS STORY, IT WILL MAKE A DIFFERENCE IN THE WORLD**

and feel the suffering of people. Some in Western Europe fail to grasp the scale of suffering people in Ukraine are going through. As to competitive advantages, Ukraine has a highly-skilled labor force and a lot of industrial experience. If modernized, Ukraine's big-scale industry can be a very strong competitor in the world. In Soviet times, it was focused on areas which are no longer in the foreground, so there a huge effort is required. In partnership with Western companies and nations, I think it will be possible to modernize Ukraine within a decade or so, and make it a very competitive economy. ■



# Far Away From Home

Ukraine has 1.3 million of internally displaced persons, according to the UN estimates. The Sociology Department of the Ukrainian Catholic University, with the support of the UK Embassy and the Ukrainian Peacekeeping School, has conducted the first ever profound academic study of what forced these people to flee, how they feel in new places, and what difficulties they run into when adapting to the new environment

**T**he study covered five cities with over 1 million people where most IDPs settled, including Dnipropetrovsk, Kharkiv, Odesa, Lviv and Kyiv. These are people who decided to leave their homes voluntarily in March-April and May-July 2014. People evacuated by the government from the occupied territory in the fall and winter of 2014-2015 were not included in the study. The researchers conducted 46 profound interviews with internally displaced people from the Donbas, and 24 with those from Crimea. *The Ukrainian Week* looks at their findings.

Crimean IDPs were mostly “squeezed out” of the peninsula by the aggravating atmosphere, lack of prospects, aggression, threats to raid their businesses and the like. Most Crimean IDPs headed to Kyiv and Lviv. The choice of Kyiv is self-explanatory: it is where most government entities in charge of Crimea are based. This makes it easier for the IDPs to solve their bureaucracy-related issues. Employment also matters: due to a gigantic imbalance, it is still far easier to find a job in Kyiv than in any other city or town. Crimean Tatars mostly moved to Lviv, attracted by the warm welcome of the locals and the city’s readiness to host them. This empathy for Crimean Tatars in Western Ukraine partly stems from the latter’s own experience of mass post-WWII deportations.

**Author:**  
**Bohdan Butkevych**

The Donbas refugees mostly cite direct threat to their lives as their motivation to leave. From day one of the conflict in the Donbas, pro-Russian groups unleashed a wave of physical violence against opponents through the hands of misfits and through incitement of clashes between various social groups, thus artificially deepening the homeboy-stranger divide. Their goal was to provoke as much aggression as possible to justify the launch of war.

However, when “black lists” of pro-Ukrainian Donbas citizens, with their personal details and home addresses, were compiled and

**UNLIKE IDPs FROM THE DONBAS, THOSE FROM CRIMEA MOSTLY REALIZE THAT THEY HAVE LEFT FOR A LONG TIME, IF NOT FOR GOOD**

published online, they failed to provoke major violence against these people. Nor did the anti-Semitic leaflets and statements cause any persecutions of Jews in the Donbas initially. This was just one of the many proofs of how manmade and virtual the “tensions” in the Donbas were. During that initial period, the pro-Ukrainians had a chance to flee with no major difficulties. Many people fled because of fear for their children.

## HOW AND WHERE THEY HEADED

Unlike the Crimeans who began to leave their homes from the very first days of the Russian invasion as they clearly realized what was happening, the Donbas IDPs kept delaying the move. They were reluctant to believe that their homes were becoming a threat to their lives. Almost all respondents thought that the situation was absurd and short-lived. Therefore, they only planned to leave temporarily. The fighting in Eastern Ukraine intensified last summer as the vacation season neared, so most respondents thought of their leave as a vacation of sorts while trying to preserve their usual lifestyle. Most people did not take any serious moves to sell or rent out apartments or to quit jobs. Many did not even take winter clothes, let alone other property.

In parallel, people were trying to save their jobs. Subsequently, they began to quit from their new homes as their companies or institutions switched to the Donetsk and Luhansk People’s Republics. Employees of enterprises that were officially evacuated from the occupied territory found themselves in a somewhat better position. But most institutions and companies were eventually split, however, posing an uneasy choice for their employees.

Another major difference between IDPs from the Donbas and Crimea was that the latter rarely left





for patriotic motivations. They were rather driven by survival instincts, so an important factor affecting their choice of a destination was having family or friends who could accommodate them initially, help them integrate into the new community, and assist them in finding a job. Many chose destinations familiar from previous visits.

Many IDPs from the Donbas chose to settle down near the anti-terrorist operation area (ATO): they hoped to return home soon and wanted to stay in touch with their relatives who remained on the occupied territory. They said that living not far from home encouraged them to hope that they would soon regain access to their property, made them feel closer to home where they could return at any moment.

In terms of the choice of geography, many IDPs were guided by clichés and fears. Those who had previously been more vulnerable to the Russian propaganda refrained from moving to Lviv seeing it as the heartland of the Right Sector and Banderites. In fact, some Donbas locals never left their homes specifically because of these stereotypes.

## HOW THEY ADJUST

It is important to differentiate IDPs who moved as part of an organized group (company staff, institutions, religious communities, regular army units) and those who left on their own. The former are mostly entitled

to assistance with accommodation and employment, so they find it relatively easier to adjust to the new living conditions. The latter mostly had to flee in haste, so they face the most problems.

Before the Ukrainian government introduced financial assistance to IDPs, most refugees from the Donbas preferred to not get official registration as internally displaced persons – unlike Crimeans. On the record, they would claim that they felt independent of the state and could deal with their problems on their own. Between the lines, however, was fear and lack of trust: people did not know why and how the lists of registered IDPs would be used.

Difficult financial position and the introduction of IDP benefits, as well as realization of the fact that the IDP certificate becomes virtually the only valid document that guarantees some opportunities in the new home pushed most IDPs to get their registration eventually.

Almost all respondents confirm that they have heard rumors of clashes and conflicts between the locals and the newly-arrived IDPs, but in most cases the respondents have been neither part nor eye-witnesses to these conflicts. For the most part, they are reluctant to discuss this.

IDPs do not speak out because they want to fit into the environment and stop feeling that they are different. For this, they are willing to

Most refugees from Crimea had a chance to take at least basics with them. The Donbas civilians often fled under heavy shelling, taking with them only what they had on at the moment

stifle their mindset, sentiments and values. However, this does not mean that they reject that for good. This is more of a delayed-action situation similar to that after the collapse of the Soviet Union, when part of the population did not accept changes but expressed no dissent. At some point, however, spin doctors behind pro-Russian rallies manipulated these stifled sentiments, longing more for the Russia associated with the Soviet Union than the Russia as it is today. Another reason that pushes IDPs to stifle their opinion is that they do not feel like they are full-fledged citizens. Instead, they feel dependent on political decisions and attitude in their new community, and want to avoid tensions in the process of adaptation. All this can explode in the future, however, and quite unexpectedly. Another factor aggravating adaptation is oversensitivity: IDPs tend to overplay reactions to themselves and their actions from their new communities, and perceive neutral statements as judgment.

Many IDPs are traumatized by the broken family ties. Many older family members refuse to leave their homes because they realize that the scant government assistance will not be enough for the whole family. Some stay to look after the property and make sure that looters or raiders do not take over their apartments. Now, many young and middle-aged men tend to return to the occupied territory in search of jobs, often after futile job hunting in their new communities. So, not all those who return to the occupied territory support separatism.

## HOW THEY SURVIVE

Almost all IDPs have faced negative attitude when looking for apartments to rent. These mostly stem from concerns over the IDPs' ability to pay the rent, as well as over their Donetsk origins. People whose main income is from renting out apartments do not want payment issues. Moreover, most owners of rented apartments do not report their income from this business and do not pay taxes on it, so accommodating IDPs who must get an official registration generates additional concerns.

Employment is another big issue. Many employers are reluctant to hire IDPs from the Donbas. Quite understandably, nobody wants to hire young and inexperienced or old





people. Concerns over Donbas origins stem from clichés, as well as pragmatic reasons: IDPs are seen as unstable employees because of their unclear social status, who can leave at any moment, once the fighting in the East subsides. Some employers try to manipulate the situation and hire IDPs illegally to pay them lower salaries. Plus, very often IDPs find themselves unable to start working immediately due to stress.

One of the issues aggravating the employment process is the difference in the employment structure between the East and the rest of Ukraine and specific qualifications of IDPs from the Donbas, most of them industry-oriented. Moreover, a salary of just one person cannot provide for the whole family. Single IDPs, mostly young ones, often unite in groups and merge funds to be able to afford rent and other basic needs.

Young people find it easier to cope with the situation, looking at it as a new opportunity. They do not think of going back home but focus on finding a place in the new community. The older generation misses their home and dreams of return. Attitudes towards property is another thing: while older people have sentiments about what they have earned and accumulated over their entire life, young people realize that the move hardly changes anything in terms of assets for them. They would have to rent an apartment if they moved out from

Although official estimates claim the number of IDPs to be around 1.3 million, the real numbers are probably unknown

their parents' houses anyway, so why not do it in Kyiv or elsewhere – even if it's risky, it can open new doors too.

The unclear prospects of the occupied territory leave the IDPs in a wobbly position: those from the Donbas have nowhere to return so far, and yet they are not ready to fully reject the prospect of return. Most still have no clear understanding of what has happened. For the most part, these people think of the situation as something artificial, brought from outside (from the United States, Europe, Kyiv or Russia according to different opinions).

## **EMPLOYERS ARE RELUCTANT TO HIRE IDPS BECAUSE THEY CAN LEAVE AT ANY MOMENT, AS SOON AS THE FIGHTING SUBSIDES**

Many IDPs have negative experience in dealing with public institutions. Red tape and reluctance of officials to go beyond bureaucratic schemes in cases where IDPs have lost some documents is their most common complaint. However, these complaints come partly from exceeded expectations. The respondents believe that the state should be do everything for them, seeing it as the government's direct responsibility. Unexpected assistance from volunteers, NGOs and

average people, on the contrary, is highly appreciated by IDPs.

Another important aspect of IDPs is that they themselves have been actively engaged in assisting people who remain on the occupied territory. Yet, almost no IDPs from the Donbas supported the Ukrainian Army. This signals their latent condemnation of both the conflict and all sides to it.

Most IDPs admit that they have virtually lost everything after the resettlement and have to start everything from scratch, while being dependent on the government and volunteers for aid. On the other hand, they still claim that their situation is normal, acceptable. As the economic situation in Ukraine deteriorates, IDPs feel that government assistance undermines the fragile balance in the distribution of resources which are too scant to suffice for all. Hence, the sense of guilt for the need of help. They tend to claim that this is difficult time for everyone in the country, so everyone needs help. Such statements partly stem from the desire to not attract too much attention or provoke resentment.

The final argument is physical and mental health. Many IDPs describe their state as unsound, mention suicidal sentiments, the sense of being rejected, and restrictions of their citizens' rights. The occupation of part of Ukraine's territory and the reaction of the Ukrainian government to it pushed these people to revise the phenomenon of citizenship: the IDPs who have experienced restrictions of citizen rights focus on Ukrainian citizenship, underlining the desire to resume this status in full, and criticizing the government for not protecting its citizens properly. Most IDPs from the Donbas feel that they are alone in facing their problem, that the problems of the Donbas are not seen as nationwide in Ukraine.

Importantly, unlike the Crimeans, the Donbas IDPs are reluctant to enter into contact with their new communities because they do not want to further traumatize themselves with more war-related debates. Instead, they tend to lock in their family circle and restrict contacts with the world.

Most respondents are pessimistic about the future of their region, seeing it as the lost territory that will hardly return to Ukraine anytime soon. ■



# The Jihad of the French Radicals in Donbas

**Author:**  
**Alla Lazareva,**  
**Paris**

**T**he French National Front party not only gets loans from Russian banks. It also sends emissaries to Donetsk, to bring presents to orphanages, to visit the wounded in hospitals, and upon returning home, to tell horrors about the brutalities of the Ukrainian army. Small groups to the further right of the National Front boast of their direct involvement in the conflict, arms in hand, on the side of the Donetsk People's Republic. They seem to be set to confirm the Lenin's statement that an imperialist to another imperialist is a friend, a comrade, and a brother. French Themis has so far refrained from arresting those who recruit people willing to fight for Russia on the Ukrainian territory. Nevertheless, the French Ministry of Internal Affairs assured *The Ukrainian Week* that they consistently gather intelligence on Russian invaders' partners in crime.

"For peace in Ukraine" is the slogan that French supporters of Ukrainian separatists use when organizing their meetings and waging their information campaigns. In the best traditions of Soviet propaganda, the events are presented mirrorwise. Aggressors are called the victims of the "junta," and the self-proclaimed authorities are seen as the "legitimate representatives of people's interests." "Ukrainians stifle hospital patients by gas," informs Alain Fragny, one of the leaders of the Identity Block, a radical structure to the far right of the National Front, on the organization's website.

Monsieur Fragny visited Donetsk on the anniversary of DPR in the company of Emmanuel Leroy, Marine Le Pen's long-term speechwriter. The joint initiative under the disguise of a children's charity, Urgence d'Enfants Ukraine, has its own website and is funded "by private donations." It was Leroy who, through the intermediary of his Russian wife, introduced Le Pen to the head of the Russian Duma Ser-

gei Naryshkin and to other Kremlin leaders. In unison with Aleksandr Dugin, an ideologist close to Putin, Leroy promotes a pan-Aryan ideology with a focus on the Russian component and the doctrine of a unipolar world.

The audience of the Identity Block, compared to that of the National Front, is limited. "Most activists of the Block are blinded by anti-American sentiments," explained to *The Ukrainian Week* an official of the French Ministry of Internal Affairs investigating mercenary activities of French citizens and their individual participation in armed conflicts around the world. "There are no more than ten French guerilla fighters, so to say, in Donbas," he says. "The core of the group are members of a small radical organization called Continental Unit, which openly recruits young French for this undeclared war. The most dangerous member of the group is Nikola Perovic, a

An exception was made for the Ukrainian media organization, without approval of the management and on the condition of anonymity. The reason is my counterpart's "outrage with the refusal of the official Paris to give weapons to Kyiv and the disagreement with the sluggish sanctions against Russia."

My source stressed that the representatives not only of the far right, but also of the far left went to Donbas. "Several French mercenaries are National Bolsheviks by their ideology. They started off as communists, but now they define themselves as nationalists, but of a specific kind," he says. "There is a small group of them in Crimea. All these people obviously enjoy financial support from Russia. The same goes for their ideologists: Alain Soral, the former communist and later a close associate of Marine Le Pen, who today positions himself as a "national socialist," or historian Christian Boucher, whose son Guillaume is busy lobbying the delivery of Mistral ships to Russia."

Why have not Donbas mercenaries been equated with Islamist jihadists? "France is well acquainted with Islamic fanaticism and the related threats. However, the war in Ukraine for our political class is a new phenomenon," my French vis-à-vis suggested. "The understanding will come later. I hope, not too late." Before bidding adieu, he stressed that the French right-wing circles are far from being unanimous in their sympathies for Putin's regime. "The elites are corrupt, and no one wants to investigate Le Pen's Russian funding, because both socialists and moderate rightists received money from Qatar, the Arab leaders, and Africa," he said. "But the moods among ordinary voters are quite different. Many sympathize with Ukraine. This sympathy for the Ukrainians fighting for their freedom is the only reason why I broke my job regulations today." ■

## **MOST FRENCH IN THE SERVICE OF THE DONETSK PEOPLE'S REPUBLIC PERFORM ANCILLARY FUNCTIONS IN SEPARATIST GROUPS**

French national of Serbian origin with Afghan war experience. Recently, the structure split. Perovic and his colleague Victor-Alfonso Lenta were summoned on a "disciplinary trip" to Moscow, according to our information, for the excessively brutal treatment of comrades. The rest of the French in the service of DPR perform ancillary functions in separatist groups. We know all of them very well, we keep a close watch on them, and we hope to take them to court one day."

In our conversation my counterpart stressed that his management "does not encourage experts in this field to talk to journalists."

# Alternative reality

Vladimir Putin concocts a new story on Ukraine, leaving the West wondering what he is up to



In the original instalment of the “hybrid war” that it launched against Ukraine last year, Russia’s propaganda machine depicted its neighbour as a neo-Nazi state whose soldiers burnt villages and crucified children in the Russian-speaking east. But after the vast military parade Russia staged on May 9<sup>th</sup>, marking its victory over German (and by implication Ukrainian) fascism, a new story-line started to take shape. Ukraine is now portrayed as a failed state. It has defaulted on its debts and violated every international norm, and its Western sponsors are panicking. A new Maidan revolution could happen at any time—the smell of burnt tyres is in the air.

Western leaders, the story goes, have realised their mistake and are flocking to make amends with Vladimir Putin, the magnanimous Russian leader who tried to warn them against supporting Ukraine. First it was Angela Merkel, the German chancellor, who sought an audience with Mr. Putin. Then it was John

Kerry, America’s secretary of state, who flew all the way to Sochi to pay his respects. “America has realised that Ukraine is not worth spoiling its relationship with Russia,” proclaimed Channel One, Russia’s main television station. Russia’s military might and its alliance with China, the channel implied, had forced America back to the table.

The images of war which dominated Russian television for the past year have been supplanted by tales of diplomatic victories and Ukraine’s failures. If war resumes, according to Channel One, it will be launched by the desperate Ukrainians. This new narrative is not meant only for a Russian audience. No sooner had Mr. Kerry left Sochi than Russia sent its emissaries to Kiev to tell Petro Poroshenko, Ukraine’s president, that America and Europe had dumped him. The other intended audience was the European Union, which on June 22<sup>nd</sup> will decide whether to prolong its sanctions on Russia. If America is willing to make amends, Moscow

is asking, what is the point of spoiling good business with us?

In fact, American sources insist Mr. Kerry’s visit was meant not to make amends but to ascertain Mr. Putin’s thinking on several issues. Will Mr. Putin work against America on Iran? Is he willing to co-operate in Syria? Will he stop meddling in Ukraine? The answer to all three questions seemed to be no. Mr. Kerry also delivered a message in response to Mr. Putin’s nuclear sabre-rattling: do not go too far in testing NATO’s military resolve, as it will backfire. Mr. Putin spun Mr. Kerry’s visit as a diplomatic triumph, but he now faces the question of what to do next.

The situation in Ukraine has reached a stalemate. Although Mr. Putin endorsed the Minsk peace agreement last September, his goals are the opposite of those of Ukraine and the West. He wants the separatist Donbas to remain inside Ukraine, but as an open sore which Russia can prod when needed to control the country. Only once he

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has this “political settlement” will he discuss closing the border with Ukraine. The West wants Russia to secure the border and withdraw its forces from Ukraine, so that local elections in Donbas can pave the way for its reintegration. That would defy the purpose of Mr. Putin’s exercise.

Yet the conflict cannot be frozen without a permanent Russian military presence and financial support for the rebels. After a year-long war, people in Donbas are not prepared to be governed by Kyiv, but many are starting to resent the fighters who have seized power in their region, and who divide Russia’s humanitarian aid among themselves. If Russia withdraws, the rebel governments could fall. This may explain the fresh buildup of Russian troops and weaponry reported by observers along Russia’s border with Ukraine.

The infighting among the separatists has already started. On May 23rd Alexei Mozgovoï, a rebel commander who challenged the Moscow-backed government in Luhansk and insisted on “the struggle for independence”, was blown up in his car. His killing coincided with

Russia’s abandonment, at least for now, of its project to create a large Russian enclave in Ukraine.

“The Kremlin wanted to conduct this war on the cheap,” says Alexander Baunov of the Carnegie Moscow Centre, a think-tank. The cost of restarting the war would be high. Russia would probably be hit

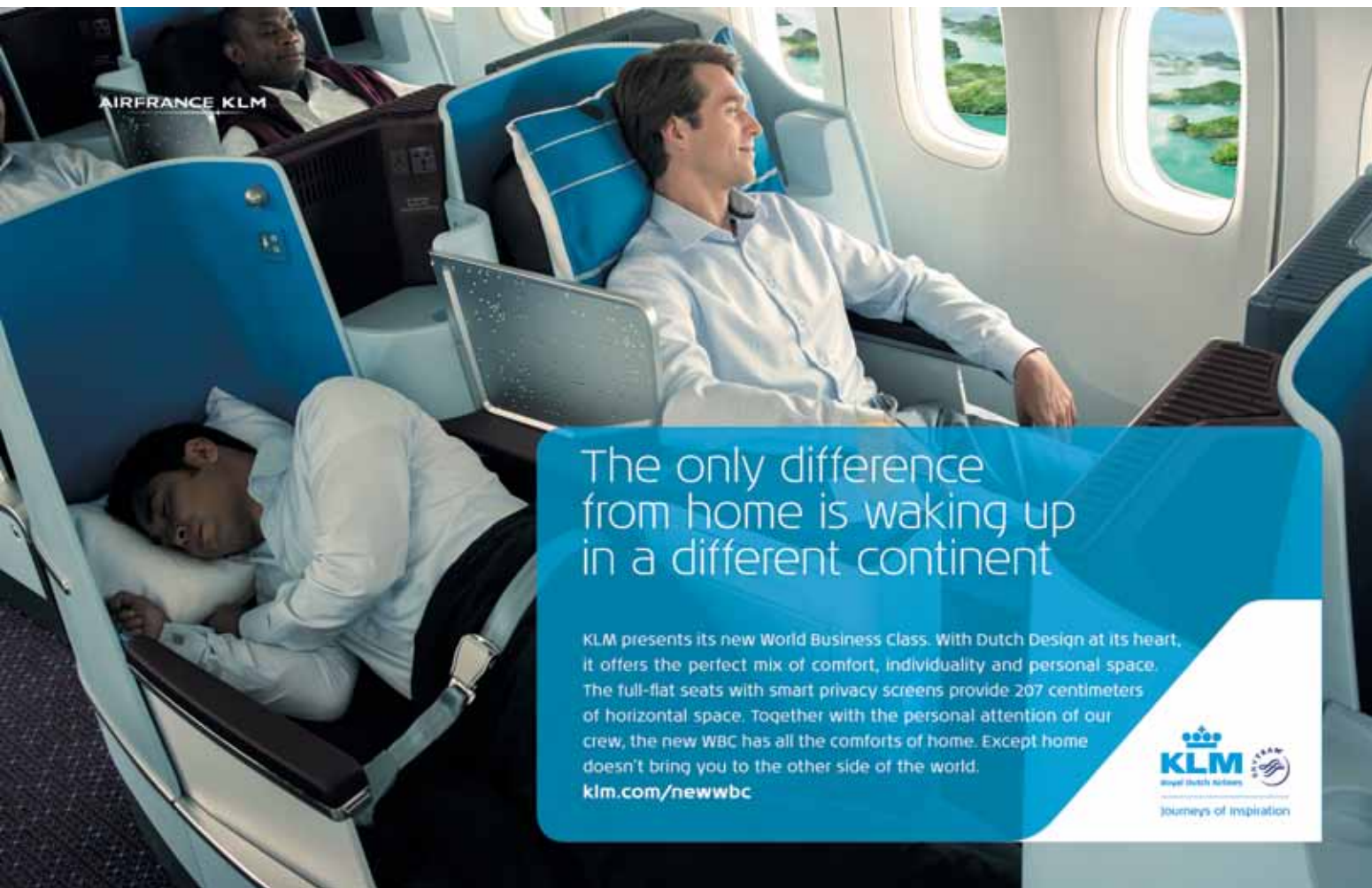
would require greater mobilisation of the Russian public, control over all spheres of social life and broader repression. The Kremlin has already suppressed all independent political activity in the country. In the past week it has moved beyond politics.

On May 23<sup>rd</sup> Mr. Putin signed a law on “unwanted foreign organisations” in Russia. Two days later, the justice ministry listed two of the country’s most respected foundations for science and education as “foreign agents”. One, the Liberal Mission, is led by Yevgeny Yasin, an 81-year-old former economics minister. The other, called Dynasty, supports natural science and education. It is financed by Dmitry Zimin, an 82-year-old scientist, philanthropist and founder of the country’s most successful telecommunications company, Vimpelcom. Dynasty steered clear of politics, seeing its goal rather as fostering a class of enlightened, independent-thinking men and women. The message from the Kremlin could not have been clearer: no activity independent of the state is welcome in Russia any longer. ■

## AMERICAN SOURCES INSIST MR. KERRY’S VISIT WAS MEANT NOT TO MAKE AMENDS BUT TO ASCERTAIN MR. PUTIN’S THINKING ON SEVERAL ISSUES

with a fresh round of sanctions, which could bring down its banks. It would also have to send large numbers of regular troops to Ukraine, which most Russians do not support. The Kremlin’s hope is that Ukraine will simply implode under the weight of its economic problems.

But as Mr. Kerry has learned, Mr. Putin will not leave Ukraine alone. If all else fails, Russia will escalate, as its wargames in the region are meant to show. A full war



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# The Pit of Fear

**Author:**  
**Siarhei Pulsha**

**T**he Belarusian society was rather shaken by the events that unfolded in the Ukrainian capital in early 2014. Armed clashes in the centre of Kyiv, scenes of protesters being shot at Instytutska st. made a daunting impression on the citizens of the neighboring country, with the prevailing sentiment being: "No, this kind of democracy we'd rather do without!"

According to the survey by the Independent Institute of Socio-economic and Political Studies (IISEPS), in June 2014 the Belarusians felt strongly negative about the Maidan, although the question contained an important provision: "Considering the post-Maidan developments in Ukraine, how do you feel about the Euromaidan and the ousting of president Yanukovich?" At that point, in mid-2014, 63.2% of respondents felt negative, with the positive response given by only 23.2% of the surveyed. This is not surprising, firstly, given the deaths in the centre of Kyiv, and, secondly, by then Crimea had already been snatched, and the chaos in Donbas had already begun. The biggest and perhaps the most important factor in all was the influence of the Russian television, which is readily available in Belarus. So much so that, for example, the Russian channels RTR and NTV are part of what is called the "social package", which is aired via the nationwide broadcasting network. They aren't even cable or satellite channels, they are on equal footing with the Belarusian state-owned TV. Regular Belarusians saw Ukraine through the prism of the Russian interests and the Kremlin's propaganda.

The Belarusian people, which, according to the most recent stud-

ies, lost one third of its population during World War II, developed a very strong aversion to war of any kind. "As long as there's no war" (Soviet-era expression mostly used in place of 'could be worse' – Ed.) can practically be considered the national motto for a regular Belarusian. To such a great degree that the citizens, while acknowledging the direct threat to their country, aren't prepared to defend it.

At that time, in June 2014, 67% of citizens believed that Russia may annex part of Belarus or its entire territory. Opinions spread from "possible, but unlikely" (36.4%) to "it is inevitable" (4.4%), but such a threat was largely acknowledged. And at the same time only 14.4% expressed readiness to take up arms to resist it. 47.7% would rather "adapt to the situation" and 16.5% would even "welcome such changes".

By January 2015 the trends did not change significantly. Although the percentage of those willing to defend Belarus grew by 9% (to 23.4%), and the demographic welcoming the annexation by Russia shrunk to 9.7%, nevertheless the percentage of 'opportunists' remained the same – 47%.

## RUSSIA'S INFORMATION WAR

The IISEPS sociologist and political analyst Siarhei Nikaliuk believes that the Maidan along with the ensuing events in Ukraine brought home just how decisive is the influence of the Russian propaganda on the Belarusian society. "Belarus is positioned inside the information space of the Russian Federation. And nearly 60% of population or more are receptive to the Russian interpretation of events. That is why they perceived these events the way Russians did: they were overcome



with euphoria about Crimea becoming Russian. As a result already in March 2014 emerged the situation that I labeled 'Anomaly-2014'. The rate of income growth among the population began to slow down and by the end of the year reached zero, if not negative values. And the Belarusians have grown accustomed to associating economic stability with doubling income, which is exactly what we had for 10 years. The anomaly lies in the fact that during the economic downturn the support of the authorities and Lukashenka in particular went up," says the sociologist.

The results of the first survey of 2015, according to Nikaliuk, show that the anomaly is running out of steam somewhat, especially after the devaluation of the Belarusian ruble in late December 2014, but it is still apparent. "We recorded the perceived catastrophic drop of living standards among the citizen, but their trust in the authorities remains quite high. The electoral rating of Lukashenka dropped to 34.2%, but the trust level is still abnormally high at 48.8%. And that's while 46.3% stated that their financial situation has worsened," says the analyst.

So why did the Belarusians go all euphoric about Russia grab-



PHOTO BY STANISLAV KOZLUK

**BELARUSIAN SOCIETY IS IN A 'PIT OF FEAR':** The opposition is demoralized, while Lukashenka has very good chances to normalize relations with the West but has so far been leaving this potential unused

tion leaders under 2% each, and some of them ended up in jail, including Mikalay Statkevych, who remains in prison to this day.

Many Belarusian opposition leaders visited the Maidan to support democratic change in Ukraine. Much like in 2004 during the Orange Revolution they hoped that the democratic Ukraine would pave the way for democratic change in Belarus.

After the shooting of protesters at Instytutska St. in Kyiv the Belarusian society turned away from any ideas about having anything like the Maidan. This left the opposition without its mobilizing idea – its own *ploshcha*, the square, where Belarusians attempt to demonstrate to the authorities by means of peaceful protest that there are many in the country of those, who are at odds with the government's policy, as well as the official election results. In different moments in time rallies in Belarusian *squares* had different goals: from attempts to get the authorities to re-count the votes, to making them take notice of the opposition and its views. Now, after the bloodshed in Ukraine, the *square* is no longer on the agenda. The opposition basically lost its only mobilizing tool for its presidential campaign.

The protest vote in Belarus makes 25% of all voters. And these 25% are willing to support the single opposition candidate largely regardless of who this candidate is. The "mobilization" of this demographic was always tied to the

bing Crimea? It's simple, according to Nikaliuk: they associated themselves with Russians. "One of the basic elements of Russian culture, and no one is going to challenge the fact, is its imperialism. And what I say (causing a bit of a stir among my colleagues) is that it is also characteristic of many Belarusians, as much as the Russians. Imperialism is a trait of *homo sovieticus*. Our famous compatriot Alies Adamovich was onto something, when he called Belarus the 'Vendée of perestroika'. According to one of the early polls conducted throughout the entire Soviet Union in 1991, prior to the collapse of the USSR the percentage of *homo sovieticus* in Belarus was the highest of all the Soviet republics. To remind, at the time the question read: do you consider yourself a citizen of the USSR or a citizen of your republic? In their 'sovietness' Belarusians came ahead of all the republics of the former Soviet Union, it was the most soviet nation," Siarhei Nikaliuk says.

Therefore the imperialism is perceived by them as something close to their hearts, and all the while the Russian propaganda bolsters the imperialist mindset. "The Russian propaganda in Belarus fell on fertile ground. It

awakened and unearthed what was buried inside a soviet Belarusian," believes Nikaliuk.

"The propaganda created two levels of perception amongst Belarusians. One being the economic one (the decline in living standards is perceived quite objectively), the other one being symbolic (the attitude towards the authorities and the state). And these perceptions live two separate lives, we don't yet observe the expected decline in the symbolic level following the decline of the real one. It's quite a mystery for sociologists," Nikaliuk says.

#### MAIDAN KILLED THE PLOSHCHA

In the run up to the presidential election in Belarus, which is to take place no later than November 2015, the opposition found itself in a dismantled state. The inability to agree in order to come forward with a single candidate has always been a problem for Belarusian opposition politicians. That's what occurred in 2006, when two democrats, Aliaksandr Milinkevych and Aliaksandr Kaluzin, ran for president. Same transpired in 2010, when the inability to reach an agreement resulted in a "parade of candidates". In the end the authorities made sure that votes were counted in a way that gave opposi-

## AFTER THE MAIDAN BELARUSIANS ARE AFRAID OF WHAT MIGHT HAPPEN, IF THEIR OWN PROTEST AGAINST AUTHORITIES WAS SUDDENLY TO SUCCEED

*square*. Towards the end of an election day the supporters of the opposition would gather at the main squares of Minsk in order to "either celebrate the victory or make the authorities return the stolen votes". This call traditionally was the main mobilizing force for the voters: even in case of defeat the opposition just wouldn't give up.

After the Maidan, though, things changed dramatically. Fol-



lowing the events in Ukraine Belarusian opposition leaders are not simply fearful of the *square* as a form of protest. They're afraid of what might happen, if the protest was suddenly to succeed.

In such a case, many believe, the Russian Federation may launch the "Ukrainian scenario" in Belarus, which in a society completely hooked on the Russian television, one that is basically part of the Russian media-sphere, will lead to loss of sovereignty and independence. Which is why the central theme for the opposition at the next election is preserving sovereignty and independence. So this time it is to avoid mass protests on the streets not to rub Russia the wrong way, to avoid providing the Kremlin an excuse to interfere in Belarus.

There's even a new saying making the rounds among the public: "Better Lukashenka Aliaksandr than a Russian Ivan on a tank".

In 1997, when Lukashenka was on a roll signing documents for the creation of a union of Belarus and Russia, I had the honor to meet dissident Valeriya Novodvorskaya in Moscow. As we wrapped the interview she said: "You will see the day when Lukashenka fights for the independence of Belarus in a trench with a gun in his hand". Back then this seemed preposterous: the president, who is "selling off" the country, to fight for its sovereignty? Fast forward almost 20 years and... it turns out Lukashenka, according to, perhaps not publicly voiced, but clearly implied view of the Belarusian opposition, is the guarantor of sovereignty and independence of Belarus. Novodvorskaya saw this coming way back!

## LUKASHENKA'S SETBACK

From the very beginning Aliaksandr Lukashenka was less than thrilled about Russia's actions in Crimea and Donbas. Moreover, he was the first to get the chills about such a turn of events. Granted, Russia is the main partner of Belarus in all areas: political, military and economic, but Ukraine is also extremely important being the third biggest (after Russia and the entire EU) trade partner.

Russia's actions in Crimea violated the Budapest Memorandum, which guaranteed Ukraine territo-

rial integrity and inviolability of borders in return for giving up nuclear weapons. But the thing is that the aforementioned memorandum envisaged the very same guarantees for Belarus. So the fact that one of the "guarantors" defied this document naturally caused serious headaches for the Belarusian leader.

Which is why since the early days of the conflict Lukashenka tried to distance himself from the Russian Federation. It's worth mentioning the meeting that he had with the then acting president of Ukraine Oleksandr Turchynov, at which Lukashenka promised to do everything in his power to ensure his support and mutually beneficial cooperation.

Also evident is the fact that the Belarusian leader made the right conclusions from the Russo-Ukrainian conflict. During the course of 2014 he focused heavily on the development of the Armed Forces of Belarus. Among the results of this was the development of new military machinery unveiled during the May 9 parade in Minsk.

Of course, Lukashenka did recognize the occupied Crimea as part of Russia, in words at least. The Belarusian leader presented his views at the large press-conference on January 29, 2015: "You know about my position regarding Crimea. You've had it coming. If you consider it to be your territory, you should have fought for it. And since you didn't fight, it's not yours".

This, however, does not necessarily imply his support of Russia in the Crimean matter. His interpretation of events never trans-

lated into concrete legal moves. The Belarusian president himself stated that he had never been approached regarding the official recognition of Crimea, while the recognition inquiries of the Luhansk and Donetsk "People's Republics" sent to the Belarusian parliament had been ignored. One could read Lukashenka's true attitude towards the annexation of Crimea in the policy of the national airline Belavia, which no longer makes flights to the peninsula, thereby fully supporting the view that the occupied territory should be a no-fly zone.

The Russo-Ukrainian conflict gave Aliaksandr Lukashenka the opportunity to improve his relationships with the West. On the one hand, he believes that a stable and peaceful Belarus, albeit with "Europe's last dictator" in charge, is of great value for the West. On the other hand, it is valuable as a venue for peaceful negotiations. The Minsk-1 and Minsk-2 meetings prove this point. On top of that everyone expected the second talks in Minsk to be a major breakthrough in the political blockade held by the EU over Belarus since 1996. After Lukashenka rewrote the Constitution almost 20 years ago the PACE refused to recognize the Belarusian parliament, while the following undemocratic elections and human rights abuse have put the country under EU sanctions and even direct financial sanctions by the International Labour Organization. The latter kicked Belarus out of ILO's General Preference System due to persecution of trade unions. This incurs direct financial losses for the country.

THE HIGHLIGHT OF THE 2015 PARADE IN MINSK: the brand new Belarusian multiple launch rocket system Polonez based on MZKT-7930 chassis. Little detail is known so far, but here is a quote from the parade's TV broadcast director: "Each fighting vehicle is capable of simultaneously striking 8 targets at a distance of 200 km plus"





One would have thought that after the visit of François Hollande and Angela Merkel the EU sanctions would be swept under a rug. Surely Lukashenka can't be non-grata in the EU after all the handshakes with Europe's top brass? Turns out, he can.

Contrary to all the predictions regarding the "warming of relationships" with the West, the latter turned out to be more principled than even the Belarusian opposition could imagine. The list of sanctioned officials involved in persecution and election-rigging did not vanish into thin air. And Lukashenka is still unwelcome in Europe, another proof of which is May's Eastern Partnership Summit in Riga. Belarus got the invitation, but not for Aliaksandr Lukashenka personally. Therefore he failed to achieve his goal here.

### "THE 'RUSSIAN WORLD' IS NOT ABOUT US"

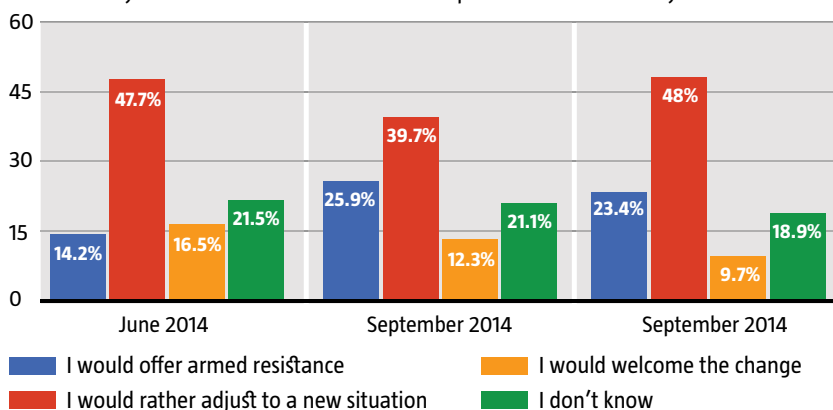
This is what Lukashenka proclaimed during his April 29 address to the people and the parliament. The relationships with Russia, which at first glance may seem to be in perfect health, in reality are anything but healthy. The Belarusian economy is almost fully dependent on the Russian Federation. The crisis in Russia prompted by the plummeting oil prices and the fall of the ruble, had a devastating impact on Belarus. In late 2014 the national currency devaluated by 40%. In times of crisis in Belarus Moscow always used to come to the rescue. But not anymore.

Minsk asked for a USD 2.5 billion loan in early 2015. But the Russian Federation could only provide USD 110 million to its "brother nation". Meanwhile Kyrgyzstan received USD 200 million of gratuitous financial aid (not loan) from Russia for equipping its state border. Such a brazen neglect of Moscow's "main ally" has to mean something.

"The Russian leadership is not very satisfied with the stance taken by Belarus regarding the Ukrainian issue," says political analyst Andrei Fiodarav, "but it is not being expressed yet. As far as the loan is concerned, it's hard to say what the culprit was: whether it's the Belarusian stance regarding Ukraine, or the fact that Rus-

### Sobering up. A little

What would you do if Russia tried to annex all or part of Belarus' territory?



Source: A poll by the Independent Institute of Socio-economic and Political Studies (IIEPS)

sia itself is in a similarly dire situation, or the failure to meet the obligations, under which previous loans were provided."

"One cannot definitely see this as a demonstration of displeasure by Moscow. There's no evident displeasure expressed on the political level. The meeting in the frameworks of the Commonwealth of Independent States and the Eurasian Economic Union took place on May 8, and the outward impression is of complete harmony. So Moscow is to tolerate Aliaksandr Lukashenka for a while longer, keeping an eye on

well. There is nothing new or unusual about this: take for example the 'liberalization' of 2008-2010, which allowed the Belarusian leader to receive USD 3 billion loan from the IMF in order to bankroll his 2010 election campaign. And we know well how that presidential race ended: Statkevych, mentioned above is still in prison.

### VICTORY OR DEFEAT?

With all things considered one can state that in Belarus nobody gained from the Maidan and the ensuing events in Ukraine. The Belarusian society has been bullied into a "pit of fear". The opposition is demoralized. And while Lukashenka received a good opportunity to normalize the relationships with the West, this potential so far remains untapped. There is no evident change in the relationships with Moscow: the Kremlin continues to keep its "ally" on a short leash. Russia, however, didn't manage to get Belarus to totally adopt Moscow's stance in regards to the events in Ukraine.

All in all, in the spirit of the paradoxical saying that "negotiations are successful when both parties are dissatisfied", the Maidan and the events in Donbas showed the weak spots of the Belarusian statehood. They include the inability to counter foreign propaganda, East-oriented Armed Forces, one-sided foreign policy, and great many other things that need working on. Whether Belarus is going to work on them, is another question altogether. ■

### "BETTER LUKASHENKA ALIAKSANDR THAN A RUSSIAN IVAN ON A TANK," IS THE NEW SAYING IN BELARUS

his behavior, on whether he keeps within the 'bounds of decency,'" the analyst says.

Fiodarav noted that at Lukashenka's large press-conference he made no bones about his concerns regarding the repeat of the Ukrainian scenario in Belarus. Which is why he will stick to certain boundaries set by Moscow.

Aliaksandr Lukashenka finds himself in a position of a "geopolitical pendulum", which he perfected over the years: threatening Moscow by 'swinging westwards' and getting money for staying in the confines of the 'Russian sphere of influence', but at the same time simulating reforms and liberalization for the West and getting loans from there as

# Dace Melbārde:

## "One goal of the Russian propaganda is to weaken one's sense of patriotism and belonging to his or her country"

Interviewed by  
Anna Korbut

**L**atvian Minister of Culture spoke to *The Ukrainian Week* about Russia's war for the hearts and minds of young people, and ways for Latvia and Europe to resist it effectively.

**U.W.:** It has been nearly a month since the latest marking of the end of World War II – commemoration of victims for some, celebration of victory for others. Is there a divide into the "May 8" and "May 9" supporters in Latvia? How deep, if any?

That's a good question. The attitude towards the result of WWII is one of the themes that make us talk about divided social memory today. It is also one of the criteria by which we assess the issues on which our society is divided.

Half of our population has experienced the First Republic, the proclamation of Latvia's independence and the subsequent Soviet occupation in 1940. It believed that WWII would end with a new opportunity to regain independence. For them, the result of WWII – the so-called liberation – was the loss of hope, the second occupation.

The other part of society regards the result of WWII as the great victory of the Soviet Union and the Russian civilization. This perception is part of the mythology that has been promoted in our media space through various Russian channels. That has been a way to fuel the division into two groups of social memory in our society.

Since Latvia is a democratic country and we have defined freedoms of assembly and speech, we do not restrict anyone from gathering and marking the end of WWII as they see fit.



PHOTO BY ANDRIY LOMAKIN

**U.W.:** What is the portrait of the "May 9" group in your society?

It is diverse, mostly comprised of Russian-speakers and people who experienced WWII personally as soldiers, or their family members. What worries us as a country that is trying to work on unified memory is the increasing number of young people joining this perspective and celebrations. This means that the teaching of Latvian history in schools, particularly in Russian-language ones, has been disputable. This raises many questions about the kind of literature and messages are being used and delivered in these schools and what has pushed this younger generation to join this particular group of social memory linked to old Soviet times.

One answer is the growing propaganda in our media. All our statistics show that they add more and more lies in their narrative. Moreover, they have intensified the

amount of information on Latvia over the past two years, only 2% of this content being positive, 38% being neutral, and the rest being negative or hostile. Their main messages are that Latvia is a failed state experiencing a rebirth of Nazism, and not respecting human rights. Russian TV channels air many historical materials, including films on WWII, attractive TV shows and documentaries, and fiction movies. They have an impact on young people who subsequently turn to the pro-Russian social memory.

In addition to that, Russia is very actively working with young leaders from the Russian-speaking communities, engaging them in summer camps organized on its territory. It also works with NGOs and finances local history and culture-related projects. We thus see many features of this hybrid war going on in Latvia. This is a fight for the souls and minds of people that feeds them with the different set of values and

motivates them to become part of the "Russian world".

**U.W.: This hybrid war has been going on for over a year on a visible level, and far longer before that. How do you plan to resist it?**

We are aware that we are a small country and we find it nearly impossible to resist the extremely aggressive propaganda machine, in which Russia has invested millions, on our own. We don't have funds to equal it. It is also important to say that we, as a democratic country, can't respond to Russia's propaganda with similar methods or censorship. If we do that, we really become part of its world. So this is a huge challenge: countering the propaganda while enhancing freedom of speech and journalism at the same time. On the other hand, we have to protect our society, particularly vulnerable groups such as young people, from the growing propaganda.

One of the priority answers here is education. It should start at a very early stage and teach children and teenagers to perceive the media and information critically, to understand the difference between lies and truth. Critical thinking is something we have to actively focus on. We have thus asked our Education and Science Ministry to work more effectively on information literacy programs. It is a long-term effort but we look at it as a preventive measure that has to be implemented.

Another vector we should think about and work on is alternative content for Russian-speakers. There are two groups in terms of information space – Latvian and Russian speakers. Latvian-speaking people prefer to live in Latvian space and use Latvian as their native language at home. According to a recent research, they watch Latvian channels only or more often than Russian channels. However, the number of Latvians who watch Russian channels is growing. The reason is that Russia provides really interesting content, dynamic and diverse. According to a recent research of what Latvians like and dislike in their media, the dominant answer is that people get tired of negativism that comes from our national media. Thus the challenge is to make our content more attractive to them.

But we are very much worried about the part of society that speaks Russian at home, and the media content they prefer. These are not

necessarily ethnic Russians – they comprise 27% of our population, while Russian-speakers are much more numerous. They are mainly representatives of other ethnic minorities in which Latvian or their own languages and cultures were not promoted in Soviet times, so their first language is Russian today. The share of people watching only or mainly Russian channels exceeds 80%. This evidences clearly that there is a large group of people who now live in the information space created by the Russian media.

One way for us to compete – with locally-focused content, shows and movies addressing local problems and presenting local people. Also, we have some methods against this that are working well already, and more need to be found - outside



**«WE WANT TO BALANCE OUR HISTORY SO THAT WE NOT ONLY TALK ABOUT TRAGEDIES AND VICTIMS OF THE PAST, BUT ABOUT ACHIEVEMENTS, RICHNESS OF OUR HERITAGE AND OUR EUROPEAN IDENTITY»**

the media space as well. For example, we opened the doors to the KGB headquarters in Latvia last year. People can come there now and see documents and places that testify the crimes of totalitarian regime with their own eyes. It is important for us to intensify discussions about totalitarianism. Another important project is our Museum of Occupation. In it, we present and condemn all forms of totalitarianism, both Nazism and Communism. This is our official attitude and ideology of our social memory.

The methods we can use should be based on creative solutions and emphatic approach. History is often told in facts and figures while it is

extremely important to tell in a different manner – through art. We should provide documents, books, films and theatre art – things that cause emotions, that people can understand and relate to. This is particularly true for the younger generation under 25, which did not even witness history of Latvia's gaining of independence in the 1990s. Now, they should have a chance to experience it empathically.

**U.W.: What about broader, European solutions?**

Another way is to unite European efforts, set up new TV channels or internet platforms that could provide more objective information to the Russian-speaking people who live in different places of the EU. But it's not only about them, of course. We are all targets of the Russian propaganda and need objective content.

During our presidency in the Council of the EU (January-June 2015 – Ed.), we have been working to improve legal instruments (our audio-visual media sector is regulated by the EU legal norms). This would allow us to be more flexible and proactive in dealing with misinformation.

Another issue is strategic communication within the European community and nationally. This means deciding what national narratives are and on instruments that can be used to promote these narratives; what policy of social memory we use. If we want to have a more competitive and constructive alternative in the international environment we need to work systematically on our social memory policy, on the kinds of messages we express.

One goal of the Russian propaganda is to weaken one's sense of need for his or her country, of patriotism. In response, we should produce programs to strengthen our confidence in our countries. For us, 2018 is a strategic year because we will then celebrate our centenary. We are now working to reinforce this sense of belonging to Latvia in our society by that benchmark. We In that effort, we want to balance our history so that we not only talk about tragedies and victims of the past, but about achievements, richness of our heritage and our European identity. These are the approaches we should apply to balance our information space and to strengthen the sense of belonging to a country in society. ■

#### BIO

**Dace Melbārde**, born in Riga in 1971, holds a BA in History, as well as an MA in Theory of Culture from the Latvian Academy of Culture and MS in Public Administration from the University of Latvia. Ms. Melbārde has worked as Secretary General of the Latvian National Commission for UNESCO, Deputy State Secretary on Cultural Policy at the Ministry of Culture, Country Manager of the British Council Latvia, Director of the National State Centre for Arts Education and Intangible Heritage and the organizer of the Latvian Song and Dance Celebration. As she took upon the role of the Minister for Culture, Ms. Melbārde also returned to the Latvian National Commission for UNESCO as its president



# The German Phoenix

The first post-war German Chancellor Konrad Adenauer laid the foundation of the country that is today the key to the entire EU policies

"The task confronting me in a war-ravaged Cologne was a huge and extra-ordinarily difficult one. The extent of the damage suffered by the city in air raids and from the other effects of war was enormous. More than half of the houses and public buildings were totally destroyed, nearly all the others had suffered partial damage. Only 300 houses had escaped unscathed." This is how Konrad Adenauer, the Mayor of Cologne for many years, described his impressions upon returning to the post-war city, the city where he grew up, and where he greeted, with other residents, Kaiser Wilhelm at the opening of the Cologne Cathedral in 1880 (this occasion he later recalled as the moment of his greatest childhood pride).

"With its razed churches, many of them almost a thousand years old, its bombed-out cathedral, with the ruins of once beautiful bridges sticking up out of the Rhine, and the vast expanses of derelict houses, Cologne was a ghost of a city," Adenauer continued in his "Memoirs." One can only imagine how shocked was a devoted Catholic, brought up in a family where the Prussian rationality and industriousness bordered on fervent piety, by this landscape of his native city. It is difficult to overestimate what it was for Adenauer. In the interwar years, the Mayor put a lot of energy into turning Cologne into a cultural and commercial center. When, after the First World War, he got an opportunity to rebuild it into a modern city, making it green and destroying the old fortifications, he was so carried away with his projects that time and again he forgot about the restrictions set by the municipal budget. For this, he often came under fire from both government officials from Berlin and the representa-

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tives of the Centre Party, of which he was a member. In May 1945, Cologne was mostly ashes. The number of residents decreased from 790,000 before the war to 30,000 that huddled in basements and bomb shelters. From these post-war ruins and ashes, the new German Phoenix was to rise.

After the war, the old Adenauer returned to the post of the Mayor of Cologne. But not for long. Managing an occupied city that lay mostly in ruins, where there were few opportunities to act independently, was becoming increasingly difficult. He had several serious quarrels with the representatives of the British occupation authorities. After one of his speeches, in which the Mayor blamed the Allies for destroying Cologne, it was finally decided that he was "inadequate" for the office. It was time to realize Adenauer's ideas and plans as to the

sions about the need for a party that would represent the interests of all citizens, and not just of a share of the population. Besides, his second wife Auguste Zinsser belonged to a Protestant family. This even was the first obstacle to their marriage (the second one being the big age difference). While still holding the post of the Mayor of Cologne and thus not having the right to political activity, Adenauer followed closely the negotiations on creating a new party that was formally established on September 2, 1945, and was informed on the progress of negotiations. The future Chancellor had his own clear vision of the policy of the CDU and the future of Germany. Already in March of the next year, Konrad Adenauer headed the CDU in the British zone of occupation. By that time, the politician had turned 70, however, in his case this was rather an advantage than a drawback. Too many young people fanatically supported the Nazi regime, while the elderly but still active and deeply patriotic Adenauer, a Catholic married to a Protestant, who had lived through the Kaiser's Germany, the Weimar Republic and the Nazis, commanded respect.

Thinking about the future of the German Phoenix, he stressed that the Germans had been putting the state ahead of an individual for too long, and that it was time to leave the past behind and to move on to liberal democracy. This is what the Weimar Republic tried but failed to do, according to Adenauer, because even though it changed institutions, the human minds remained the same. The future Chancellor saw Germany as an outpost of the new Europe united by democratic values. This is why he so insisted on a centrist ideology that could consolidate the representatives of different classes and religions. His attitude towards the Nazis and Commu-

## KONRAD ADENAUER SAW GERMANY AS AN OUTPOST OF THE NEW EUROPE UNITED BY DEMOCRATIC VALUES

future of Germany, not just of the Rhineland, with which his entire political career was associated earlier. While in exile during the Nazi regime, he spent most of his time thinking about the postwar future of his country.

### THE FATHER OF THE NEW GERMANY

The Centre Party, of which Adenauer was a member since his University years, promoted the interests of the Catholic population primarily. For the young Konrad, who grew up in a family with serious Catholic traditions, joining this political force was quite logical. However, after joining the Centre Party, he initiated discus-



PHOTO BY AP

nists was similar: "From the East we were menaced by the atheistic, communist dictatorship. The Soviet Union showed us that a dictatorship of the Left is at least as dangerous as one of the Right. As a result of the war the Soviet Union had advanced deep into central Germany, up to the Elbe, and was a great danger to us." The future Chancellor believed it extremely important to change the political culture of the country, and thanks to the CDU, he did succeed. CDU was the first real Volkspartei, because it took into account the interests of different religions and classes. The confessional unity was an extremely important aspect, according to Adenauer, since the inability of different confessions to agree with each other was one of

the factors of the growing support for Hitler after the fall of the Weimar Republic. Equally significant was the representation of different class groups. In a much later interview to foreign journalists Adenauer, already a Chancellor, stressed that he would not like a political force to represent any one of the classes. In order to be more "extraclass," Christian Democrats decided to call themselves a "union" rather than a party. During the first elections, Adenauer along with the CDU made a strong emphasis on the economic changes in the post-war country, beside the social ones. However, he was a poor economist. A great asset for the "Father of the New Germany" was the economics minister Ludwig Erhard, whose candidacy was actu-

**KONRAD ADENAUER AND CHARLES DE GAULLE:** to Adenauer, Westpolitik always mattered more than Ostpolitik

ally imposed by the Americans and who, upon Adenauer's resignation, succeeded him as Chancellor. Thanks to Erhard, Germany experienced an "economic miracle" already during the first post-war decade.

### A DAM AGAINST THE RED FLOOD

From his election as Chancellor in 1949 and until his death in 1967, foreign policy for Adenauer was one of the priorities. In fact, "Der Alte" (the old man) wanted Germany to regain its subjectivity in the international arena. His pride knew no bounds when on May 5, 1955 he had the opportunity to pose on the steps of the Schaumburg palace on the occasion of the proclamation of the sovereignty of Western Germany and the termination of the occupation statute. However, shortly after, an incident occurred, which incredibly annoyed the old Chancellor. The US President Eisenhower at one of his press conference said that creating a neutral zone in Central Europe was worthwhile. Adenauer immediately summoned the key ambassadors. He saw clearly that such intentions could have sad consequences. The fear of a "neutral" Germany," which would immediately fall under the influence of the Soviet Union, made him actively support the European Defence Community. "Only if Europe were formed with the inclusion of a free Germany could it be a dam against the red flood," Adenauer once said in one of his speeches. For him, Westpolitik always prevailed over Ostpolitik, that is, the Chancellor saw the establishment of a strong and independent Germany within the West as a more relevant goal than the reunion with East Germany. He believed that if West Germany were strong and independent enough, the Soviet Union would not be able to oppose its integration with East Germany.

For Germans, the post-war period is the "Adenauer era." This may sound somewhat authoritarian, and the old Chancellor was repeatedly blamed for that, but during his years in office, the foundations of the modern Germany were laid, which until today affect the future not only of Germany, but of Europe in general. ■

# Great Victories: The Burden of Faking an Empire

The burden of empire is terribly heavy. Empires are fated to drag along with them a cast iron wreath of invincibility and lead chains of infallibility. An empire can never lose or make a mistake, otherwise, it's not really an empire

The Barber of Siberia directed by Nikita Mikhalkov where he acted as Aleksander III of Russia was a harbinger of a tsunami of contemporary films hailing the empire and the "glory of the Russian arms"



**Author:**  
**Valeriy**  
**Prymost**

**R**ussia is no exception. Once upon a time in Zalesye, the land fertilized by Kyivan Rus was sown with the seed of empire by the Horde. Out of it grew Muscovy, which was then called the Grand Duchy of Vladimir and was an administrative territory of the Golden Horde in the great Mongolian Empire. And when the dream of empire arose, it mattered little whether it was from Genghis Khan or Byzantium. To become an empire myths about its invincibility were desperately needed.

## FROM RUFIANS TO RULERS—THE PATHWAY OF EMPIRE

The first hero of the Russian Empire, Aleksandr Nevsky, was forged and figured to meet imperial objectives. From traitor to saint, from murderer to hero, from Tatar deuce to top dog: this was the grand image of the Scourge of Sarai and the dog knights that everyone knew from Sergei Eisenstein's propaganda film in soviet times. Such a titan, naturally, needed great victories. And so a thuggish ambush of Swedish merchants who had cho-

sen to illegally trade with Izhora or Ingria, a region subordinate to Novgorod, was turned into the glorious Battle of the Neva in imperial historiography, while a minor skirmish with Livonians on Lake Peipus was transformed into the grandiose "Battle on Ice," and the feeble Livonian Order into a mortal threat to all Rus lands.

The next pillar of empire was Dmitri Donskoy. The approach was the same: a loyal servant of the Khan suddenly becomes a proud, autocratic ruler. Donskoy also needed some high-profile victories, so historical sources began



to talk about the Battle of Kulikovo. The course of the battle was pinched from the “Battle on Ice:” an enemy attacks and drives deeply, but then a hand-picked platoon hits its flank. The fact that no traces of a battle have ever been found in Kulikov field has never stood in the way of the Battle of Kulikovo becoming a “triumph of Muscovite arms.” The 19<sup>th</sup> century Russian historian Sergei Soloviov even compared it with the battles of the Catalaunian Plains in 451 AD and Poitiers in 732 AD. If indeed there had been such an epic battle, Donskoy’s part in it was simply as a loyal vassal of the legitimate Khan Tokhtamysh against a usurper, Khan Mamai. Just two years later, in 1382, that same Tokhtamysh laid waste to Moscow: Donskoy abandoned his capital city and fled to Kostroma. Yet that caused no harm to the myth of Kulikovo or the image of this princeling as victorious over the Tatar yoke.

The next epic event was the Great Stand on the Ugra River in 1490, which is also referred to as a “great triumph” and “the end of the Mongol-Tatar yoke.” In reality, the real yoke had ceased to exist back in 1327, after the Tver uprising: tributes were no longer collected by the Mongol *baskaks* or *darughachi*, but by a Great Prince of Vladimir. At the Ugra, Ivan III merely outstood Khan Akhmat, the leader of the Great Horde, a bloodied splinter of the Golden Horde from which Kazan, Crimea, Astrakhan and the Nogai had already split off. Indeed, the following year, those same Nogai murdered Akhmat. What’s interesting is that 22 years after his victory on the Ugra, Ivan III once again declared himself a vassal of the Khan of the Great Horde. The men who did in the Great Horde were not even Muscovites, but Crimean Tatars, who succeeded the Golden Horde and to whom Moscow paid tributes until the early 18th century.

### BUILDING ON THE BONES OF FEEBLE ENEMIES

The Livonian Wars of 1558-1583 were the next major Muscovite “triumph.” One of the most highly promoted Muscovite rulers was Ivan Grozny, known in English as “the Terrible” and the hero of yet another Eisenstein film. He un-

dertook the first large-scale invasion of Europe in Russian history. At first, things went well and the Livonian Order was easily routed, because Muscovy’s forces and resources outmatched the Livonians severalfold. Even during Nevsky’s time, the Livonians were not powerful and once they were thrashed by the Lithuanians and Poles at Vilkomir—now Ukmergė—in 1435, the Order went into complete decline. Unfortunately, now the Russian leader had to face the Poles, Lithuanians and Swedes—a catastrophe that brought such devastation as Muscovy had not seen since the invasion of the Mongols. Considerable territory was lost and the Riurykovich dynasty soon disappeared into history. Yet Russian historiography presents the Livonian wars as a military draw, as though the brave Russians first destroyed the cursed Livonian Germans and then prevented the Poles, Lithuanians and Swedes from taking over Great Russia.

In 1612, another “great victory” was chalked up by Muscovy when it forced the Polish garrison in the Kremlin to surrender. Of course, Muscovites themselves had invited the Poles to the Kremlin when they chose the Polish King Wladislaw to rule over them. How a sole foreign garrison in the capital of an enemy country might have been in a position to offer serious resistance is not clear, but the leaders of the “struggle against the Polish invasion,” Kuzma Minin and Prince Dmitri Pozharskiy, are glorified to this day in a monument on Red Square.

### AIMING TOWARDS EUROPE

Finally, there was the amazing military success of the Russo-Polish War of 1654-1667, when Muscovy, together with the Ukrainian Hetmanate, the Swedes, Siebenbürgen (historic Transylvania), and Brandenburg, destroyed Poland. It was precisely with the joining of the Hetmanate that Muscovy crept into a corner of Europe and began to position itself more and more as a European country, including through military and political alliances.

The first such alliance was an anti-Polish one during the Deluge, then came an anti-Swedish one during the Great Northern War, which ended in yet another “glorious triumph.” Despite its enor-

mous advantage in forces and resources, Moscow was tormented by the Swedes for more than two decades, managing to completely lose battles where it had as much as a fivefold advantage—at Narva in 1700—and winning finally at Poltava in 1709—against a starving, exhausted Swedish and Kozak force that was half its size and running short of both artillery and ammunition.

The Seven Years’ War of 1756-1763 brought the next imperial triumph. Entering the war on the side of Austria and France against tiny Prussia, the Russians spent several years fending off the very persistent Frederick the Great. At Gross-Jägersdorf in 1757, they were unable to win despite a twofold advantage in numbers. At Zorndorf in 1758, a 50% size advantage also failed to bring victory. Finally, at Kunersdorf in 1759, the Russians had their victory, albeit a Pyrrhic one, as they lost far more men than the vanquished enemy. In short, Russia waged a very costly war on behalf of Austrian interests without gaining any significant benefit. Wherein lies the Russian victory?



## THE DREAM OF EMPIRE FORCED RUSSIA TO MAKE HEROES OF WORTHLESS CLAY. IN TIME, THE INVENTIONS TOOK ON A LIFE OF THEIR OWN AND THE ADDICTION TO MYTHS MARCHED ON

The real winners of the Seven Years’ War were England, which decisively took from France its status as the top power in the world, and Prussia, which maintained its right to Silesia.

### CANNON FODDER FOR THE GLORY OF OTHERS

This tendency to do battle for others’ interests, as though it were a vassal and not an empire, became more and more pronounced in Russian history by the mid 18th century, when Holstein-Gottrop Germans came to the Russian throne. Russians slowly turned into European cannon fodder, fighting the Seven Years’ War, on behalf of Austria, the Napoleonic Wars on behalf of Austria and England, WWI on behalf of Eng-



land and France, and WWII on behalf of the United States and, once again, England and France. But an empire cannot tolerate this kind of humiliating image, so two means were used to transform it: glorifying the success of Russian arms and soldiers, and accusing opponents of aggressive intentions.

Of course, Russian soldiers were considered the best in Europe: after all, the great Frederick himself said that it wasn't enough to kill a Russian soldier, he had to be toppled as well. But the valor of soldiers could not compensate for the strategic mistakes of their commanders. Even Aleksandr Suvorov's famed march through the Alps in 1799 after Mitten Valley, was essentially a hasty retreat while being hammered by a looming enemy. Yet Suvorov, the famed victor over irregular Turks, Polish insurgents and Pugachov Bashkirs became the next pillar in the ideological construct of empire.

Even the image of Suvorov and his endless victories is a powerful, well-wrought myth, as are the many aphorisms attributed to him. The famous phrase about "warriors of wonder," which he supposedly said about Russian soldiers, was found in Suvorov's letters, where he used the term "wonder warrior" with reference to one man—and one man only—, Napoleon Bonaparte, whom he genuinely admired.

Count Dmitri Miliutin, then Minister of Defense, clearly stated what he thought of Suvorov's Swiss march: "This unsuccessful campaign brought the Russian military greater honor than the most brilliant victory." And there is some sense to this statement, as only the bravery and endurance of Russian soldiers who meekly covered the snowy slopes of Alpine passes with their bodies made it possible for Suvorov to complete this tragic expedition. The soldiers died, but Suvorov was given the title "generalissimo" for the Swiss march and a grand monument in St. Petersburg.

With the start of the Napoleonic Wars, however, opinion as to Russian soldiers began to change. Napoleon himself wrote: "I know what they were thinking when they went on the Austerlitz campaign: they saw themselves as invincible. But now they are quite



**ALEKSANDR. THE BATTLE OF THE NEVA** - An eternal myth that continues to inspire Russian filmmakers to this day



## CALLING ONESELF AN EMPIRE WHILE DEFENDING FOREIGN INTERESTS AND HIDING BEHIND THE HEROISM OF ONE'S SOLDIERS WAS THE PATH OF RUSSIAN HISTORY SINCE THE 18TH CENTURY

convinced that they will be defeated by my armies."

### WHO ATTACKED WHOM?

The other way to hide the real state of affairs in wars with Europe was to shout, "They attacked us first. And even if they didn't actually attack, they were planning to attack! After all, every Russian knows how nasty Europe just dreams of taking a tasty morsel out of Great Russia!"

Henry Kissinger once spoke on this: "Being paradoxical has always been the most classic feature of Russia. While constantly at war and expanding in every direction, it was completely convinced that it was under constant threat. The more multilingual the empire became, the more vulnerable it felt—in part because it needed to isolate so many different nationalities from their neighbors. To strengthen its control and overcome tensions among the different

peoples who lived across its vast territory, all of Russia's rulers used the myth of a powerful foreign threat. In time it became a self-fulfilling prophecy and doomed Europe to instability..."

In actual fact, prior to Napoleon, not one European leader had ever planned to conquer Russia: not the Prussians, not the Swedes, not the Poles, let alone the Livonian knights. Given conditions at the time, Europeans were in no position to take on and hold such an enormous country with its terrible infrastructure. Moreover, what were they to do with this trunk without handles: a roadless, lawless, half-empty wasteland without any industry, populated by dense, ignorant, aggressive people.

Even the Mongols never bothered placing garrisons in the cities of Zalesye or appointing governors there. All they did was to require one of the local princes to collect tributes and bring it to Sarai. None of the hordes' khans ever tried to establish a seat at Vladimir-on-Kliazma or Moscow or to declare himself the great Vladimir Prince—unlike the Mongol emperors in China, the Ilkhan dynasty in Iran, or the rulers of Moghulistan and Mavarannahr.

And Alexander Gonciwski's hapless Poles only ended up in the Kremlin because Muscovites themselves elected a Polish prince to be their tsar. As to the Livonian Knights, the Grand Duchy of Lithuania, Poland, Sweden, and Prussia—they were all fending off incursions launched by Russia.

Even Napoleon organized his march on Russia only after Russian armies invaded Europe three times and began attacking him. But even he had no intention of conquering Russia. He simply wanted to force the Russian tsar to fulfill the provisions of the Treaty of Tilsit, which the autocrat had signed five years earlier, after the Russians were pulverized at Friedland. Napoleon was interested in England: Russia was not part of his plans at all—until it started to get in the way of them.

Historically, the Battle of Borodino is the culmination of the War of 1812, which the Russians immediately claimed as a victory. Prince Mikhail Kutuzov was promoted to General Field Marshal and all Russian participants in the battle were awarded medals and money. Since

that time, the Battle of Borodino has been a celebration of Russian arms, a source of inspiration—and yet another brilliant example of imperial propaganda. The actual results of the battle were thus: the Russians lost one and a half times more men than the French, they left the battlefield and abandoned their capital without resistance, burning it down before leaving. If this is victory, then what might Russians see as a defeat?

It seems that Napoleon is more accurate in his memoirs: “The Battle of Moscow is my greatest battle: a showdown between two giants. Russians had 170,000 armed men. They had every advantage— numbers of infantry, cavalry and artillery, and a brilliant position. And they were defeated!” More neutral Russian historians evasively refer to Borodino as a “moral victory” for the Russians.

Of course, winning Borodino did not bring the French overall victory in the war. But what did victory bring the Russians? Why had they become the victims of a Napoleonic campaign? In order to defend English interests. For what did they sacrifice hundreds of thousands of lives in Russia and then in Europe? To destroy Napoleon and return the Bourbons to the throne, so that English trade—not French—might flourish in both hemispheres, and so that Indian chiefs, African potentates and Asian emirs might bow to the English flag—not the French one.

Russia paid very dearly for the defeat of Napoleon and got nothing in return: Russians could not even stay in Europe any longer than the English and Austrians allowed them. To bring down an opponent together with allies and then to see yourself—and only yourself!—as invincible is a tune Russia sang again and again.

### THE SEDUCTION OF CRIMEA

In 1853, Russia finally decided to get involved in big politics on its own. And so it attacked the weak Ottoman Empire, all in the name of “freeing Balkan Slavs,” in the hope of getting its hands on Constantinople and the Straits. This was the third time that Russia believed in its own imperial propaganda and decided to launch a major war without allies. The first ended in the catastrophe of the Li-

vonian War. The second, Russia’s first march on the Ottomans, ended up with the ignominious encirclement of Peter I on the Prut River in 1711.

Initially, things went well, much as for Ivan the Terrible and Peter I: the Ottoman fleet was easily sunk in the Battle of Sinop. After this, however, the big guns, England and France, came in on the side of the Ottomans. They sailed to Crimea, crushed the Russian army in Alma, and surrounded Sevastopol.

This is when the imperial fiction about Sevastopol as “the City of Russian glory” was born. It started with Leo Tolstoy’s “Tales of Sevastopol” and continued through numberless novels, paintings, films and even postage stamps. The “glory” was based on the sinking of the Russian fleet in its harbor without a shot being fired and the wasted deaths of a large number of defenders during massive allied bombardment. What’s more, during the first phase of the siege, the allies cleverly blocked the Russians even though they were outnumbered.

The 349-day siege ended with the surrender of the city and the retreat of Russian forces. During nearly one year, the Russians attempted to unblock Sevastopol three times and were defeated all three times—at Balaclava, at Inkerman and on the Chorna River. But you will never hear about a “defeat at Sevastopol.” The logic of Russian propagandists is the same here as with the Livonian War: We gave Sevastopol up, but we prevented the enemy from going any deeper into Russia—as though that was the enemy’s intention all along...

The Crimean War also cost Russia the territory of Bessarabia, a protectorate over Moldova and Walachia, and the right to have its fleet in the Black Sea. This disgraceful loss was damaging to the grand imperial image, so it was necessary to counter it with tales of heroism, the bravery of the defenders, no doubt, a counterbalance to the technical backwardness of the Russian army and the mistakes of its command.

### BLOOD VS TECHNOLOGY

In its wars with Europe, the Muscovite-Russian army was always inferior in terms of its arms and



IN THE NAME OF THE MOTHERLAND. GO, WARRIORS! The image of the “invincible” army with a history dating back ages was the foundation of Soviet propaganda in the years of World War II

organization, in the training of its soldiers and the skills of its generals. But it always enjoyed superiority of numbers in men and resources. There were more Russian soldiers than Swedes, Prussians or Frenchmen, while the vast and fabulously rich storehouse that was Siberia made it easy to cover any losses. The result was that the blood of brave Russian soldiers compensated for the mediocrity of their generals: “an army of lions led by donkeys” was how Napoleon put it.

So this became the imperial Russian style of waging war: brave slaves desperately defended their slavery, fighting with muskets

## THE PERSISTENT MYTH OF AN OUTSIDE THREAT HAS SERVED TO CONSOLIDATE RUSSIANS AROUND AUTOCRACY WHILE DOOMING EUROPE TO INSTABILITY

against shotguns, with windjammers against steamers. In contrast to the shotguns and steamers, however, slaves cost nothing, there were always plenty more »





where they came from, and so no one worried about preserving them. Using blood vs technology, the slave-owning empire simply did not know how to fight differently.

What's more, the empire never learned from its mistakes. "They forgot nothing and learned nothing," meaning they never forgot their victories and failed to learn from their defeats.

### THE LAST FOLLIES OF THE ROMANOVs

In 1877, Russia launched a new war against the Ottoman Empire, using the same battle cry about liberating Balkan Slavs with the same strategic aim—to capture Constantinople and the Straits. Despite major losses, the Russian army achieved considerable success: the Turks were routed and Adrianopolis was occupied, within spitting distance of Constantinople. Once this was in Russian hands, victory would be complete. But when British warships entered the Sea of Marmara, the Russians were forced to withdraw, repeating the Crimean catastrophe of 20 years earlier.

The Russian cult of "the great General Suvorov" infected Ukraine as well. The city of Tulchynka in Vinnytsia Oblast has a monument to him on its central square



**SLAVES COST NOTHING,  
SO NO ONE CARED ABOUT  
THEM: BLOOD VS TECHNOLOGY.  
THE SLAVE-OWNING EMPIRE  
DID NOT KNOW HOW TO FIGHT  
ANY OTHER WAY**

Once again, Russia had lost a war because it gained nothing in the end—except perhaps the glory of being the "liberator of Slavs." For some reason, though, the liberated folks were more interested in the West than in Russia. In Romania, Germany's Hohenzollern-Sigmaringen dynasty took over, while in Bulgaria it was Aleksandr I Battenberg first and then Ferdinand I of Saxe-Cobourg-Gotha, taking over thrones generously bought with the blood of Russian soldiers.

Russia could still relish the laurels of a triumphant victor with its entire soul, while clever authors, from Valentin Pikul to Boris Akunin, thrilled their readers with tale after tale of heroic Russian exploits.

Another 27 years were to pass before Russia risked war without serious allies, this time against tiny Japan. The Russo-Japanese War ended with Russia losing both fleets, the southern half of Sakhalin Island, possession of the Liadong Peninsula and influence in Manchuria, known as Yellow Russia. Its plan to occupy the territory was dropped once and for all. This was a disaster of spectacular proportions that led to serious economic and social upheaval—and the Revolution of 1905. As usual, official imperial historiography claims that things did not end too badly after all: the Japanese were exhausted and they weren't able to penetrate any further into Mother Russia.

In a mere nine years, Russia found itself entangled in the Great War, once again on behalf of foreign interests. This war is generally termed "incomplete," as if to say, "Were it not for the Revolution of 1917, we would have done Fritz in!" And now we have Vladimir Putin addressing the Federation Council and blaming the Bolsheviks for Russia's defeat in WWI. The reality was just a little different: the Bolshevik putsch was still just a revolutionary dream when Russia was forced to give up Poland, part of the Baltics and Belarus and nearly all of Western Ukraine after the "Great Retreat" of 1915.

Despite all its subsequent efforts, the imperial army managed to nothing noteworthy by the time the February Revolution took place in 1917. It left the stage as it had lived: drowning in blood, cursing fools, cowards and traitors—its commanders—, dragging a long list of defeats renamed as victories (or at least draws).

Its last battle was lost to masses of yesterday's peasants, reinforced by gangs of foreign-born nationalists of every stripe: from Jews to Chinese. These crowds overcame the Russian army in the classic imperial Russian style: piling up the corpses and losses be damned. The Imperial Army met with even fiercer Russian imperialists and lost. The New Russians, a red variety, would soon show the world a new, terrifying example of the imperial Russian style of waging war, including "brilliant victories" kludged from bloody defeats. ■

# Back Into the Past

Official Russian history is reverting to the Brezhnev era, when propagandists portrayed the Soviet Union as a peace-loving power which acted reluctantly to forestall the machinations of imperialist warmongers

Author:  
Edward Lucas



**T**he Kremlin clock is ticking backwards. Vladimir Putin recently defended the Molotov-Ribbentrop Pact, and Stalin's post-war seizure of east-central Europe. Now Russia's main state television channel has broadcast a documentary on the history of the Warsaw Pact, which among other grotesqueries defends the Soviet-led invasion of Czechoslovakia in 1968 and the imposition of martial law in Poland in 1981.

These are not isolated incidents. A "colossal achievement of Stalin's diplomacy" is how Russia's culture minister Vladimir Medinsky praised the infamous secret deal, which consigned the countries between the Baltic Sea and the Black Sea to the meat-grinder, and allowed Hitler's mass-murderers access to the biggest concentration of European Jewry. With a mixture of obfuscation, "what-aboutism", and paranoid nationalism, Russia has gone from apologising for Soviet crimes, to ignoring them, to celebrating them. It is hard to remember that Mr. Putin attended commemoration ceremonies for the Prague Spring in 2008 and for the 50th anniversary of the Hungarian uprising in 2006.

He also condemned the Hitler-Stalin pact when visiting Poland to mark the 70th anniversary of the outbreak of the Second World War. No longer. Official Russian history is reverting to the Brezhnev era, when propagandists portrayed the Soviet Union as a peace-loving power which acted reluctantly to forestall the machinations of imperialist warmongers. This shift is so breathtaking that it can render outsiders speechless. What are we supposed to do when a big nuclear-armed country declares that black is white, the earth is flat, and the Prague Spring was a fascist plot exploited by NATO? The danger is that we shrug our shoulders, issue a token protest, and try not to take it too seriously. It is no more ridiculous really than a scuba-diving expedition in which the president "finds" two amphorae which have been

carefully placed there from a museum shortly beforehand.

We should brace ourselves. This is going to get a lot worse. Take for example the massacre of 20,000 captured Polish officers at Katyń and other locations, which the Soviet Union perpetrated and then blamed on the Germans. I would not be surprised if Russian media were now to start re-spraying that crime with old lies. The deportations from the Baltic States, Poland and Western Ukraine can also be brushed away as exaggerations, or justified on the Soviet-era grounds that those affected were fascist collaborators.

This is not about textbooks. It is about the future. Lies about history pose a direct threat to the security of Russia's neighbours. If it was right for the Soviet Union to attack Finland, the Baltic States or Poland for pre-emptive strategic reasons 70 years

ago, then Russia can plead similar grounds for doing the same thing now. The consequences inside Russia are dire too. Putinist propaganda so far praises Stalin only as a wartime leader and strategist. The clock needs to tick back only a little further

**THE BEST PEOPLE  
TO CONVINCE RUSSIANS  
THEY ARE WRONG  
ARE OTHER RUSSIANS  
WHO ARE RIGHT**

ther and the moustached monster will be praised also for his tough leadership in the 1930s. The Great Terror, which even Brezhnev's propagandists found hard to deal with, will be rehabilitated as a great success: tough treatment of shirkers and wreckers, with bad mistakes, of course, but also with great results.

Western rebuttals and exposés of Kremlin lies and mischief about history are important, but they will make little impact in a mindset which has been clenched shut by the regime's hysterical insistence that the outside world is bent on destroying the country. More useful is to create safe, free places where Russians can study, teach and research history properly. The best people to convince Russians they are wrong are other Russians who are right. ■

**June 13, 7 p.m.**

**Dakh Daughters Band**  
**Ivan Franko Theater**  
**42, vul. Nezalezhnosti,**  
**Ivano-Frankivsk**

The daughters of Dakh, a modern theater, or a freak cabaret – that's how the audience knows the band. Seven talented performers – musicians, singers and actresses – turned their experiment into a bundle of styles and genres, voices and music instruments, characters and stories. Seven angelic faces with demonic voices challenge the controversial reality as they attempt to show deep and complex situations from life in a scandalous, yet easily understandable form on stage. In other words, Dakh Daughters try to play life on stage. It's their way to convey what matters most to the audience.

**June 10-30**

**World Press Photo 2015**  
**Taras Shevchenko**  
**National Museum**  
**12, Boulevard Tarasa Shevchenka,**  
**Kyiv**

A world-famed photo contest will soon arrive in Kyiv. This will be the first time for Ukraine to be among the first hosts of the show. This year, it builds around the 2014 unrests, including the civil war in Syria, the violence of the Islamic State, and the conflict in Ukraine. Ukrainian photographers whose works capturing the reality of 2014 did not make into the main show have a chance to present them at the special theme exhibition "Ukrainian Challenge". Viktor Marushchenko, an acclaimed Ukrainian photographer, will attend as a special guest.

**June 19, 7 p.m.**

**Jamala**  
**Atlas**  
**37-41, vul. Artema, Kyiv**

Original, bold and unpredictable – this is how Jamala's devoted audience in Ukraine knows her. And this is what her next show is about to be. The upcoming gig will feature songs from Jamala's 2014 record *Diakuyu* (Thank You in Ukrainian), and the more electro-synthjazz songs from her new album to be released in the fall of 2015. The new pieces include single *With Your Eyes*, *Returning Home* – a song Jamala, a Crimean Tatar native, dedicated to the anniversary of Stalin's deportations of her people, and songs with poems by Lina Kostenko and Marina Tsvetaeva as lyrics. "There is so much more that the audience who comes to Atlas on that night will get to hear," Jamala says.

**June 20-21, 10 a.m.**

**Dream Land**  
**Pyrohovo open-air museum**  
**Village of Pyrohiv, Kyiv**

This year's ethno festival will offer a variety of entertainments for the public, from the festival of balloons and the stage for contemporary bandura music to a special area where hard-core fashionistas can parade their ethno fashion outfits. The main stage of the 12<sup>th</sup> annual Dream Land will feature the ethno rocking Vopli Vidopliasova, the rhythmic TNMK, the electronic ONUKA, the vocal acoustic Pikardiyska Tertsia, Boombox with its elements of hip hop and funk rock, and the punk rockers Motor'rola. The poetry and literature stage will host Vasyl Shklyar, Ivan Malkovych, Serhiy Zhadan, Kapranov Brothers and many more.

**From June 25, 10 a.m.**

**Belgian Film Week 2015**  
**Kyiv film theater**  
**19, vul. Velyka Vasylkivska, Kyiv**

Ukrainian film lovers will have a chance to see a selection of some top indie Belgian films produced over the past five years. Five films are five stories that have something in common and yet are very different. Love at first sight in *The Broken Circle Breakdown*, teenagers facing cruel reality in *Violet*, and unpredictability of life in *Waste Land*. A story of a Belgian doctor taking care of a Moroccan boy in *À perdre la raison*, and adventures of five married friends who rent an apartment for their little affairs in the *Loft*.

**June 30, 7 p.m.**

**The Night of Argentinean Tango**  
**Officers' House**  
**30/1, vul. Hrushevskoho, Kyiv**

Powerful music background with the unique timber of bandoneon, dramatic vocals and sensual dancing will fill the show that reveals the secrets of Argentinean tango. The audience will have a chance to enjoy a night of passionate dance from the Trinidad Arfó trio with vocalist Carlos Roulet and dance couples from Argentina and Ukraine. Accompanied by traditional music, professional dancers will share their little stories and emotions, leaving unforgettable memories for those who come to enjoy the show.





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