

The Ukrainian Week

International edition

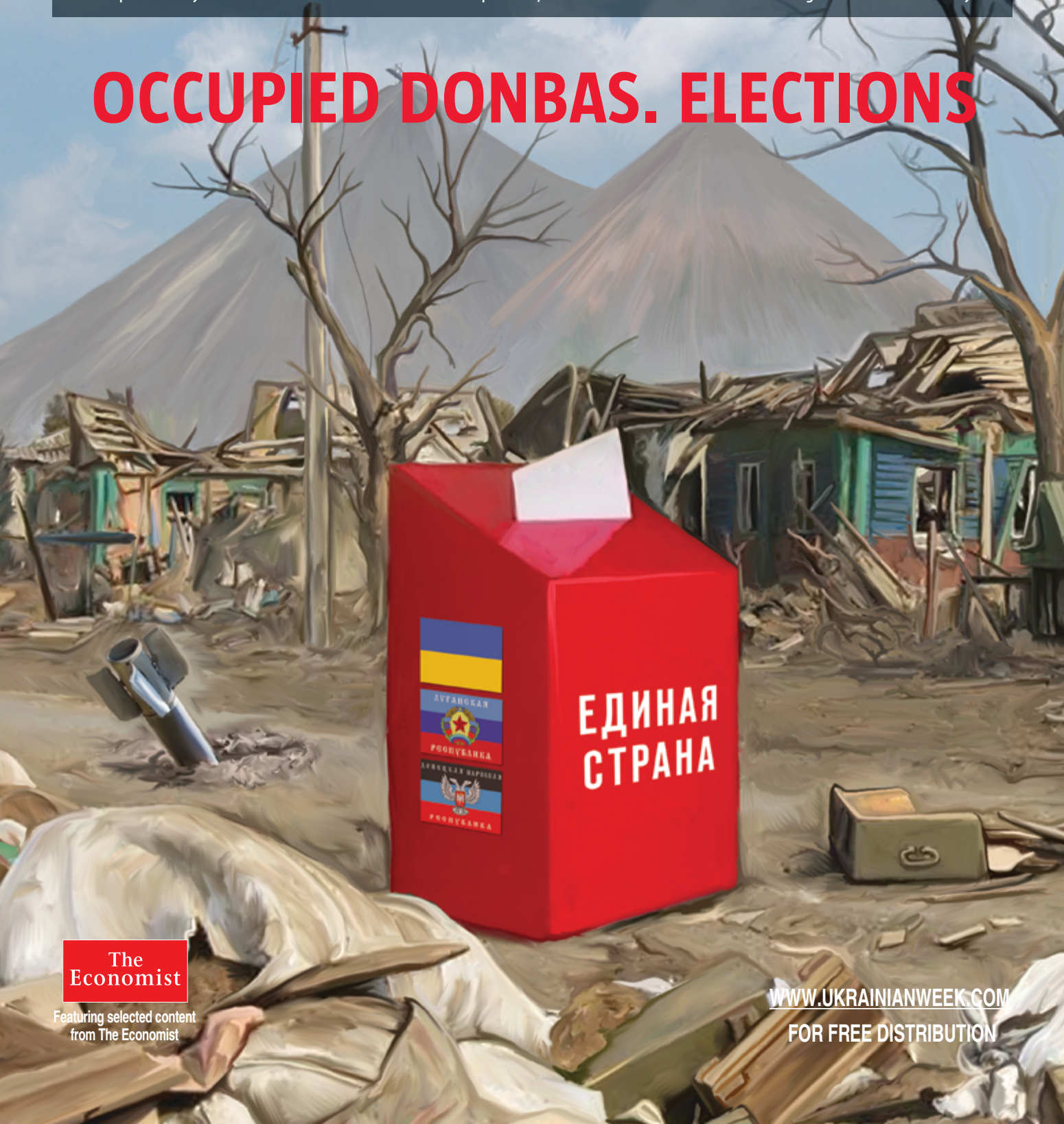
#6 (100) June 2016

Two years of Petro Poroshenko's presidency

Clean-up of Ukraine's banking sector: painful, efficient

Kazimir Malevich and avant-garde in the 1920s' Kyiv

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ТИЖДЕНЬ





BRIEFING

Black books and bought elections

Denys Kazanskiy

When *Ukrainska Pravda's* journalists published the Party of Regions' inventory register, it was not a sensation, but it did stir up even more talk about the need to battle political corruption. The published documents were nothing new for most Ukrainians, as there isn't anyone who didn't already know that Viktor Yanukovich and his team bought votes, paid for materials to be aired on the national channels, and were completely corrupted. The only shock came from the actual sums revealed: this was the first time that specific numbers were published.

PHOTO: UKRAINIAN PHOTO



Debate immediately began over the veracity of the list. Those politicians whose names were on this list dove in to deny that they had ever cooperated with the Regionals. Still, at least one of the individuals named confirmed that the list was authentic. Journalist Oleksiy Mustafin shared a link to his 2012 interview on his Facebook page, in which he openly admitted that he had consulted for Party of the Regions. Nor did he deny that he was paid US \$20,000 a month for his efforts.

One of the main surprises was that even Nasha Ukraina, the party founded by Viktor Yushchenko, took money from PR. Still, such information has circulated in back rooms and the press for some time. For instance, in 2012, regional branches of Nasha Ukraina did little to hide the fact that relations with their one-time bitter rivals were quite comfortable. Moreover, NU campaign tents stood quietly on the central square of Donetsk next to those of the Regionals. Back in 2004, this would have been completely unthinkable: anyone wearing orange colors on the streets of the oblast capital risked being beaten. It seems that relations between Yushchenko and Yanukovych warmed up over the years.



ACCORDING TO SOME EXPERTS, THE DOCUMENTS THAT HAVE BEEN PUBLISHED ARE UNLIKELY TO PROVIDE THE BASIS FOR A CRIMINAL CASE, BECAUSE THE HAND-WRITTEN RECORDS SIMPLY DON'T PROVIDE ENOUGH EVIDENCE

When he found his name in the published lists, Yuriy Kostenko was quick to assure voters that he never took money from PR. Still, given the marginal ratings of both Kostenko and Nasha Ukraina, the scandal is unlikely to cause them any harm. In 2012, Nasha Ukraina had decided not to join the United Opposition and campaigned independently, in contrast to the other “orange” parties. Gaining just over 1% of the vote in the end, Yushchenko effectively played into Yanukovych’s hands, taking 226,000 voters away from the opposition.

Another unexpected sum that appeared on the newly-revealed lists was US \$2.2 million given to Donetsk sociologist Yevhen Kopatko. Previously, he had headed PR’s “pocket” sociology firm called R&B Group, which published falsified numbers in support of Yanukovych and Party of the Regions. Those who knew something about politics just laughed at the numbers. But those who didn’t care sold their votes for peanuts and disregarded all the polls. The impression is that Kopatko actually pulled numbers out of a hat and his sociology service was a front that existed only on paper. But it now turns out that he was actually being paid enormous sums for his efforts. These days, Kopatko lives in Crimea, where he is apparently working off his millions writing all kinds of apocalyptic prognoses about Ukraine and stories about how lovely life is in the annexed peninsula and in DNR.

The published bits of this illegal register are only a small percentage of the money that disappeared from the PR storehouse. Viktor Trepak told *Dzerkalo Tyzh-*

nia in an interview that he has sent quite a bit more material to the National Anti-Corruption Bureau, confirming that he had given the law enforcement agency documents involving up to US \$2 billion. The small portion published in *Ukrainska Pravda* journalists say came from a source that they would not name.

Why this exposé happened right now is not quite clear. Obviously, this is just the visible part of some political game that is still mostly under covers. Some journalists and experts are already hypothesizing that the revelation of this fragment of the list and the curious interview with Trepak, in which he acknowledged that the registers contain the names of any number of politicians and officials who are currently in office, is part of some kind of horse-trading: those in power are signaling to those who are on these lists that if they make the right offer, they can have their names removed.

The odd story of Oleh Liashko seems to support this interpretation. A day before the lists were published, the head of the Radical Party announced on Facebook that his name would likely appear in there and that this was a “provocation” on the part of the Administration against him and his party. When the publication came out, it provided plenty of grist for jokes and anecdotes. Never had the thieves’ hats burned so brightly. And yet, Liashko was not on the lists, after all. Apparently, he’s not being targeted but is being invited to make an offer.

In the end, the main conclusion that can be drawn from the appearance of part of the black cash register in the press is that the Yanukovych regime, which considered itself legitimate, really never was. All those hundreds of thousands of dollars that PR paid district electoral commissions (DVK) and circuit electoral commissions (OVK) prove that its members never did come to power based on democratic procedure, but blatantly bought their places on various councils.

In fact, it turns out that, at a minimum, the 2012 election was completely falsified in favor of Yanukovych and his clan. So all the accusations coming from the “separatist” enclaves about a “state coup” in 2014 have no basis whatsoever. Ukrainians were fighting on the streets with a militarized mafia organization that had usurped power in the country, not with a legitimate government.

In light of these new facts, events of 2013-2014 become quite unambiguous: resistance to the illegal taking of power. This means that the so-called “junta” in that situation was more correctly Yanukovych & Co., not the government that came to power after he fled and the Maidan prevailed.

What can be hoped for now, is that this time the corruption scandal will end with at least some of those who were involved being brought to justice. Lawyers are not so sure about this. According to some experts, the documents that have been published are unlikely to provide the basis for a criminal case, because the hand-written records simply don’t provide enough evidence. In a more civilized country, the publication of this kind of information would probably be the kiss of political death for every individual on the lists. But in Ukraine, as we know too well, many voters are not so demanding, so many of the “heroes” on the lists are likely to enjoy a long and healthy political career. ■

The fine art of compromise

Oleksandr Kramar

Although his powers as president of Ukraine are quite limited, over the last two years Petro Poroshenko has learned to use them like a virtuoso, allowing him considerable influence over the legislature and Government

After the mini blitzkrieg that resulted in Yuriy Lutsenko being named Prosecutor General showed just how much power the President has over the Verkhovna Rada, fears have grown that Petro Poroshenko was beginning to usurp power. Some quarters have even begun to compare him to Viktor Yanukovich.

Before his second anniversary had come around, Poroshenko really was able to break the resistance of Arseniy Yatseniuk and to reshuffle the Cabinet, eliminate his dependence on a recalcitrant minority from the previous coalition, and demonstrate his ability to persuade the legislature to support those decisions he needed, such as the vote on the new PG. In fact, what happened was only the result of shifting situational deals that took place in a more favorable Rada environment after the first coalition fell apart.

In his platform during the presidential campaign in 2014, Poroshenko promised voters that he would, among others, “guarantee the preservation of the recently-renewed parliamentary-presidential model of government...” and that he would “not try to gain greater powers than those for which I am elected.” In April 2015, when he launched the Constitutional commission, he once again assured Ukrainians that “the move to a parliamentary-presidential model of government is and remains a reliable guarantee of Ukraine’s European, democratic development.... As President, I have more than enough powers to carry out my job.” And he repeated this when he presented the constitutional changes ushering in decentralization to the Verkhovna Rada as well: “I have enough powers. I call on politicians not to anger Ukrainian society but to learn the fine art of compromise.”

It’s worth noting that, so far, Poroshenko has kept his promises, placing his bets not on expanding his own formal powers but on finding alternate, indirect leverage on other government agencies.

POWERS ON PAPER

During the Euromaidan Revolution, Ukraine returned to the parliamentary-presidential model of government, which restricts the powers of the president to foreign policy and national security, and to function as a check and balance against the other branches of government.

In the current version of the Constitution, Art. 106 states that the President is the Commander-in-Chief, that he appoints and dismisses the higher command of the Armed Forces of Ukraine and other military formations, that he heads the National Security Council, that he represents the state in international relations, that

he directs foreign policy activities, negotiates and signs international agreements, that he determines whether or not to recognize other countries, that he appoints and dismisses the heads of diplomatic missions, and that he approves decisions to grant or withdraw Ukrainian citizenship, and to grant asylum in Ukraine. In addition to this, he exercises clemency, confers national awards, appoints and dismisses one third of the Constitutional Court, half the board of the National Bank of Ukraine, and half the board of the National Broadcasting Council, and establishes courts according to the procedure established in the law passed by the Verkhovna Rada.

In all other matters, the Head of State depends on the Verkhovna Rada and the Government. Even the ministers of defense and foreign affairs, heading the agencies that are responsible for policy in his two constitutional spheres of direct power, the President’s nominee must have the support of the legislature. The same is true of the Prosecutor General, the head of the Security Bureau of Ukraine, and the National Bank. The Head of State also declares states of emergency, which also requires the approval of the legislature. He also determines to declare a partial or full mobilization and a state of war, but only in line with legislation that is passed by the Rada.



THE PRESIDENT HAS THE RIGHT TO DISSOLVE THE VERKHOVNA RADA AND TO CALL SNAP ELECTIONS, BUT ONLY IF THE LEGISLATURE ITSELF PROVIDES THE NECESSARY CONDITIONS: IF IT IS UNABLE TO FORM A COALITION AND GOVERNMENT WITHIN A SPECIFIC TIMEFRAME

At the same time, the Verkhovna Rada may declare non-confidence in the Prosecutor General, which automatically results in that person’s dismissal. Where the President initially appoints judges for a five-year term, subsequent lifetime appointments are approved by the legislature.

Any constitutional changes are also completely in the hands of National Deputies and the President’s only option here is to exercise informal influence over members of the legislature, because at least 301 deputies must approve any amendments to the Basic Law. In the current Rada, this means nearly 3/4 of the actual sitting deputies, not 2/3, because for a variety of reasons there are only 418 seats filled today, rather than 450.

The President has the right to dissolve the Verkhovna Rada and to call snap elections, but only if the legislature itself provides the necessary conditions: if it is unable to form a coalition and Government within a specific time- ➤



PHOTO: UNIAN

Merely a guarantor. Formally, the president's powers are limited to national security, foreign politics and provision of counterbalance to other authorities

frame. The President presents a candidate for Premier to the legislature, but this can only be someone whom the factions in the ruling coalition nominate. The President can also refuse to sign bills into law after the Rada has passed them and to veto them, but both these decisions can be overruled by a vote of 301 deputies to do so. The President also has the right to curtail any acts issued by the Government, but only if they are in violation of the Constitution and only until such time as the Constitutional Court of Ukraine issues a final ruling.

By contrast, in many instances, the President is not just dependent on the legislature but on the Cabinet as well. For instance, presidential decrees that affect certain spheres need the signature of the Premier or the line Minister.

Although local state administrations are the sphere of influence of the Head of State, the Constitution states that their bosses are appointed and dismissed by the Cabinet of Ministers. Moreover, their decisions can only be overruled by the President if they are in violation of the Constitution or other laws. Finally, the Constitution states that the heads of local state admin-

istrations depend even more on local councils than on the President: if 2/3 of the deputies on these councils declare non-confidence in the head of any local administration, the President must dismiss that individual, regardless of personal preferences.

INFLUENCE AS A NUMBERS GAME

Despite these formal limitations on his powers, in the last two years President Poroshenko has displayed enormous virtuosity in his ability to effectively use those powers that he does have over the Rada and Cabinet. This multiplied his options severalfold and had brought virtually all the branches of government under his effective control—other than perhaps the judiciary. Despite what the opposition has been saying, the judiciary remains a closed corporation of judges who serve the interests of those who might “interest” its individual members. The President still has no whip over them. His formal influence over the Supreme Council of Justice, which has real influence over the body of judges, is very limited, as he appoints less than half of its members.

The key trump in President Poroshenko's hand is that, unlike the first three presidents of Ukraine—his predecessor being the other exception—, he has his own substantial faction in the Verkhovna Rada, whose size, at 143 deputies, is nearly 1/3 of a Constitutional majority, but in actual fact even more because 32 seats remain empty in the legislature. This means, in effect, that no bill passed in the Verkhovna Rada will become law if Poroshenko is against it: there simply won't be enough votes to overrule his constitutional right to veto, even if all the other deputies except for the Bloc of Petro Poroshenko (BPP) vote unanimously in favor. This also means that no workable coalition can be cobbled together and form a Government today—without the support of the President.

The only other president in modern-day Ukraine who had this powerful a presence in the Rada was Viktor Yanukovich, Poroshenko's predecessor. Neither Viktor Yushchenko nor Leonid Kuchma prior to 2002 had anything closely resembling this, which forced them into situational alliances and cooperation with rivals who had the support of the majority in the legislature at one point or another. Even after 2002, when he had far broader constitutional powers than Poroshenko today, President Kuchma had to share power with Premier Yanukovich and his Donetsk team in order to gain a majority in the Rada.

The formation of a Government under Poroshenko ally Volodymyr Groisman is the clearest demonstration of the President's influence in the legislature. This makes the President the most influential player in the camp that prefers to maintain stability and the current composition of the Rada. Even when Arseniy Yatseniuk headed the Government, he was not playing at Poroshenko's level in this camp, and since his dismissal, he has been rapidly losing position. If the leaders of his Narodny Front wanted to dissolve the legislature now, such a move would be unlikely to gain support from a majority even of its own faction because the Front's prospects are so uncertain today.

DÉJÀ-VU ALL OVER AGAIN?

The situation in the “mature Poroshenko” legislature, meaning as of spring 2016, looks very similar to the situation in the “early Yanukovich” Verkhovna Rada in 2010-2012. The majority of deputies then, too, were doing everything they could to avoid a snap election and so they demonstrated amazing “constructiveness.” And until a critical mass of today's lawmakers finds an alternative leader, the chances of the opposition forcing a dissolution of this Rada are marginal. All the more so, because the socio-economic situation in Ukraine is expected to improve, however gradually, in the next while.

In the meantime, for Poroshenko too, whose influence is based mostly not on the powers of the Head of State but on a powerful position in the legislature, the chances of increasing his numbers in the Rada at the next election are negative. This means that everything is currently working to keep the current convocation of the Verkhovna Rada for its full term and that means it will support the President.

Given that the legislature and Government cannot function without his support, Petro Poroshenko can now extend his influence to other government agencies as well. Under these new circumstances, there is no basis for a battle over local government control, for confronta-

tion between the Government, Rada and President, or for using this situation in the interests of outside players.

This vicious cycle, in turn, increases the opportunities for the Head of State to influence every government agency in the land, because he can simultaneously make use of the potential provided by all the others to curb any individual agency. In the current interlinked mechanism of power, the President himself, despite his minimal formal constitutional powers, is the key link, without which the functioning of the entire system becomes impossible. What's more, that very fact that his influence on nearly all branches of power is informal provides the President with a very convenient out from real accountability: he can always claim that his own powers are highly limited and shift any blame to the Government or the Verkhovna Rada.

CONSOLIDATION VS USURPATION

Still, unlike Yanukovich, Poroshenko cannot be accused of trying to usurp power. So far. To control the situation in the country, he has not resorted to altering the Constitution by stealth in order to grab the powers of others, but is consolidating power within the limits of the existing parliamentary-presidential model. In short, this is a necessary process of concentrating powers in order to progress along his lines without disruption. And if his approach is upsetting, the problem is not with concentrating powers but with the platform, the politicians and the parties that Ukrainians voted for at the last elections to reach certain goals. After the current terms end, voters can change all of these for others.



NO BILL PASSED IN THE VERKHOVNA RADA WILL BECOME LAW IF POROSHENKO IS AGAINST IT. NO WORKABLE COALITION CAN BE COBBLED TOGETHER AND FORM A GOVERNMENT TODAY—WITHOUT THE SUPPORT OF THE PRESIDENT

After all, it's far worse when a government is unable to carry out any systemic policies during the course of its constitutional term because of internecine warfare. This is exactly what went wrong over 2005-2009 under President Yushchenko, when Yulia Tymoshenko and Viktor Yanukovich were his disputatious premiers, and, to a much lesser extent, when Arseniy Yatseniuk was premier under Poroshenko.

This problem, incidentally, is hardly typical for just Ukraine. It can be seen in all representative democracies, such as when the US President fails to find support in a Congress that is dominated by his opponents and has a hard time carrying out his platform. Even there, decisive changes are possible only when the Head of State enjoys a loyal majority in the legislature.

Yes, such a consolidation of power can at times transform into a usurpation of power, but only if the mechanisms of democratic transfer of power are blocked. Efforts by the opposition to complicate the work of a “president-centric” government in a parliamentary-presidential republic come across, not so much as “preventing usurpation” but as simply the typical political struggle to accelerate a change of government. ■

Bouillabaisse de president

Bohdan Butkevych

What is Petro Poroshenko's team and who are the centres of influence in it

A lot of myths and legends circulate about how the Ukrainian government and its presidential branch actually operate. There is no doubt that in addition to the official structures with approved personnel, there are also some sort of inner-circle clubs. Few can imagine exactly what they look like and how the informal centres of decision-making around the president function. That is why there are a lot of rumours, gossip and different theories. The nature of Petro Poroshenko's decisions suggests that he is unlikely to have a fully-fledged "presidential team": it is more a number of situational alliances that are created for specific tasks. These groups inherently vary in quantity and quality, depending on their degree of influence. This article examines the unions that are most often talked about in political circles today.

Firstly, something known as the Strategic Seven exists. It includes President Poroshenko, his Chief of Staff Borys Lozhkin, Prime Minister Volodymyr Hroisman, National Security and Defence Council Secretary Oleksandr Turchynov, Prosecutor General – until recently head of the Petro Poroshenko Bloc in parliament – Yuriy Lutsenko, Interior Minister Arsen Avakov and ex-PM Arseniy Yatseniuk. The latter has managed to preserve his influence and weight in Ukrainian politics, thanks to his "golden share" (no coalitions are possible in parliament without his party). Now it is said that the Seven is becoming an Eight with new Chairman of the Verkhovna Rada, Andriy Parubiy.

Nevertheless, a considerable pause in meetings of the Seven/Eight started immediately after Yatseniuk's resignation and the appointment of Hroisman as Prime Minister. *The Ukrainian Week's* sources on Bankova Street report that Yatseniuk has not visited the Presidential Administration for at least the last three weeks. Indeed, following the latest redistribution of positions and financial flows there do not seem to be any critically important problems that would require the former prime minister's personal involvement. And Yatseniuk has no desire to have a reunion with the president with whom he has, to put it mildly, an uneasy relationship. However, we can be certain that the Seven will start work again soon: the issue of elections in the Donbas is on the agenda.

In addition to the Seven, there are other conglomerates of confidants close to the president. But before we consider them, another important thing should be emphasised. Although de jure the Chief of Staff is Borys Lozhkin, de facto Petro Poroshenko takes a hands-on approach to managing all the processes in his team and PA himself. All Bankova employees we were able to talk to confirmed this. It is a big mistake

when people sometimes try to compare him to Viktor Yushchenko. In contrast to the third president, who preferred to deal only with the issues that interested him – culture and history, the current, fifth head of state seeks to control everything himself, have a good understanding of all the issues and make decisions entirely on his own. He can listen to advice, but does everything his own way. Recommendations regarding appointments to certain posts do not go down well with Mr. Poroshenko either. On the contrary, they are more likely to cause suspicion.

He is more reminiscent of Leonid Kuchma, during whose presidency our current leader entered the political scene. Although, of course, both the psychological makeup and management style of these two men are completely different: while Kuchma was a classic Soviet factory director who in an almost fatherly way was always eager to know about everything in his company, Poroshenko is more of a tradesman who seeks to manage his warehouses and shops with a firm hand. He does not tolerate internal competition, demands absolute loyalty and really does not like to work with the people who knew him during his ascent to the Olympus of power. It is an interesting detail that almost all of Poroshenko's entourage from his Vinnytsia period are now out of the picture.



PETRO POROSHENKO IS UNLIKELY TO HAVE A FULLY-FLEDGED "PRESIDENTIAL TEAM": IT IS MORE A NUMBER OF SITUATIONAL ALLIANCES THAT ARE CREATED FOR SPECIFIC TASKS

So, let's start with the "situation room" – a team of analysts who officially work for Poroshenko as part of the Presidential Administration, led by Rostyslav Pavlenko and in actual fact by Chief of Staff Borys Lozhkina. Mr. Pavlenko used to lead the analytical department of the UDAR party. Situationally, deputy Chief of Staff Vitaliy Kovalchuk, who brought his former UDAR team with him when he was forced out of Klitschko's party in June 2014, is also part of this group.

This team's official remit is to work on developing strategy and analytical calculations for the president. Its composition is not clearly formalised and varies depending on the subject matter being discussed. These "situationals" try to involve experts on the problems that the president needs advice about. The main issues that this group of analysts deals with are public administration, current events, international relations, political strategy and so on.



Colleagues. Borys Lozhkin and Viktor Medvedchuk, Chief of Staff under Leonid Kuchma, have some memories to share with a smile

Apart from Pavlenko, well-known political strategist Oleh Medvedev is a constant member, often joined by Ihor Hryniv, who has just become leader of the Petro Poroshenko Bloc faction in parliament, replacing Yuriy Lutsenko, who left for the Prosecutor General's Office. This same "room", according to our sources, includes political consultant Taras Berezovets.

This is quite a strong team. Recently, however, it has not exactly fallen out of favour, but rather just stopped tangibly shaping the president's most important decisions. That is to say, they continue to do their job, but Poroshenko is less and less inclined to listen to his analysts. This is due to a certain cooling down in relations between Lozhkin, Kovalchuk and the president. Rumours have long been circulating about the willingness of the former media mogul, Lozhkin, to leave the civil service, first and foremost because the formal Chief of Staff does not actually have the authority to take any major steps without the approval of his boss.

But Vitaliy Kovalchuk has an even greater score to settle with the head of state. It is likely that no one has yet forgotten the scandal that almost put paid to the entire process of Volodymyr Hroisman's appointment as prime minister. To recap: Poroshenko originally wanted to send Kovalchuk to the Cabinet to take the position of first deputy prime minister. But Hroisman himself came out against this in harsh terms, which is very interesting in itself. As if to say, I do not need the "czar's supervision". The president sided with Hroisman, leaving Kovalchuk in the Presidential Administration, although it is said that he has been actively dreaming of a promotion for a long time. Either to the executive branch or as head of the administration. However, this situation clearly showed that his hopes are in vain, at least for now.

The main reason for the weakening influence of the "situation room" is the rise of another "room", which we can deem the "party and business" one. It is curated by Serhiy Berezenko, known for in-

volvement dirty elections and shady party construction, ex-head of the State Affairs Department and former member of ex-Kyiv mayor Leonid Chernovetskyi's team. He managed to occupy a prominent place in the current president's team following a recommendation from his uncle Anatoliy Matviyenko. This "room", above all, solves financial problems. According to our sources, these are the people that Poroshenko is most inclined to listen to now. There are no really big names among them, besides, Berezenko himself & Co. do not exactly seek out publicity. They include smear campaign managers, businessmen and so on. As a matter of fact, Berezenko's grubbiness was plain to see during elections in Chernihiv, when he hired the team of odious analyst Volodymyr Petrov, well-known for his provocative acts.

Allegedly, Berezenko's group has several of Bankova's recent operations, which sparked a backlash from society and the political scene, under its belt. In particular, the lightning-fast removal of MPs Yehor Firsov and Mykola Tomenko from their seats. And this "room" will be tasked with supporting pro-government candidates at the July elections in four majority districts. As Chernihiv showed last year, Mr. Berezenko is quite capable of coping with such tasks, despite the costs in public image.

Speaking of centres of influence, how could we ignore the grey cardinal of Poroshenko's team – odious MP Ihor Kononenko? An army friend and a man who has always been close to the president since his first steps in business, responsible for personnel matters and sorting out sensitive issues, a People's Deputy with huge offshore accounts and considerable financial opportunities. A man who knows everything about Poroshenko and clearly understands that his fate is firmly linked to that of the current president. **The Ukrainian Week's** sources on Bankova Street say that Kononenko's influence is increasing exponentially, parallel to the decline of the "situation room" and Lozhkin.

He operates in conjunction with another odious businessman/MP and corporate raiding specialist Oleksandr Hranovskyi, who was also involved in the Panama offshore scandal. Allegedly, Kononenko is gradually eliminating all of his competitors from the presidential team: it is said that Yuriy Kosiuk, agricultural magnate and owner of one of Ukraine's biggest chicken producers, left the PA because of a conflict with him. His relationship with Lozhkin is rather strained too. We could also mention Oleh Svynarchuk-Hladkovskyi, a business partner of Kononenko and Poroshenko.

As you can see, the president's team is a rather motley mix of friends from his time in business, armchair analysts and shady "fixers". They are divided into several groups, which are conflicting with each other more and more as time goes on. And this undoubtedly has an immediate effect on the quality of management and personnel decisions made by Bankova. It seems that Petro Poroshenko has not yet managed to solve his biggest problem, which experts started talking about even before he was elected: he never had a real, united and strong team of associates, and he still does not now. ■

PHOTO: OLEKSANDR RATUSHNIAK

Andriy Levus:

"Ukraine should expect another radical change"

The *Ukrainian Week* spoke to Andriy Levus, MP with Narodny Front and Head of the Public Safety Subcommittee of the Parliament Committee on National Security and Defence, about revolution in government offices and the new political class.

Ukraine went through three revolutions and much has changed over the course of history. We have independence now. But the imperial-based mindset constantly restores itself and reincarnates. Many in society feel that it is impossible to defeat. What's wrong?

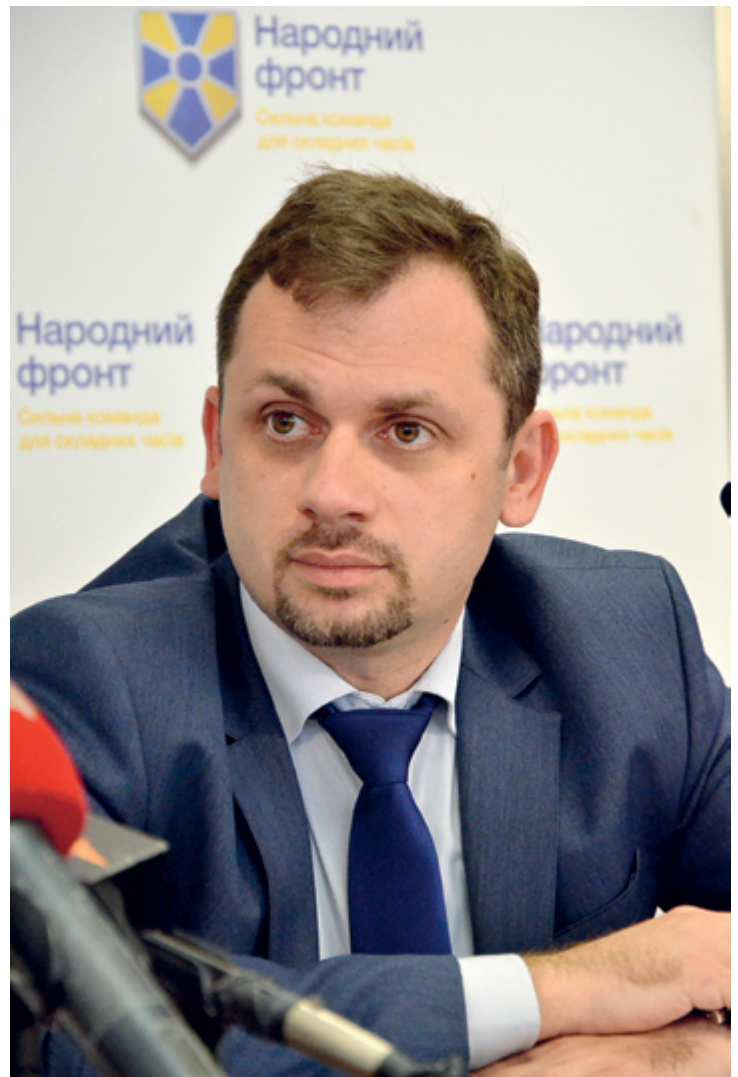
In fact, all the recipes were written long ago. Dmytro Dontsov formulated them well in the 20th century. If there are no normal authorities, no leading social group and no political class to take responsibility for everyone, then reforms, the trappings of power and political activity will be reduced to folklore. What does that mean? There are lessons that we haven't learnt, including the main one – don't forgive the enemy. And we always forgive the one that's really destroying the nation. After the revolution in 1990, decommunisation and the destruction of the Soviet system were not completed: from mind-sets to the administration of the country, law enforcement and justice. Before the Orange Revolution, there was a modified version of the Ukrainian Soviet Republic with some elements of Ukraine, but the whole system was preserved and the political class was not changed. Red Directors (Soviet-era company managers – **Ed.**) and people from local Communist committees continued to rule the country, hidden behind national symbols. The Orange Revolution was the same – an untapped opportunity. Everyone knows the series House of Cards.

Unfortunately, the situation in Ukraine and the political process are just like in this series for most of our political scene. It is possible to change the rules of the game, the game itself, the actors and the virtual reality. There are few people for whom the political process is equal to working and struggling. For most, it's imitation. First, they argue like irreconcilable enemies in front of TV cameras, then sit together in restaurants or return home to Monaco (their real homes are already there), have family barbecues together and laugh at Ukrainians. After the Orange Revolution, this sort of show replaced real processes and yet again the political class was not fully cleaned up. Indeed, they even started to quietly take their revenge: there were memoranda with the enemy, "We have to work together" and no members of the Party of Regions behind bars, which logically brought Yanukovich to power. Now the situation is repeating itself. If it was just about possible to accept these card houses in 2005, though it was a crime then too, now that blood was shed on the Maidan and is being shed in the East, it's awful that people go on talk shows, swear allegiance

Interviewed by
Roman Malko

to Ukraine and hug soldiers from the ATO, but actually continue this imitation game. However sad it may be, it's obvious that Ukraine should expect another radical change. I don't think it will take the form of a Maidan or revolution, perhaps it will be more evolutionary, but it will come. A change of the political class and elite...

Unfortunately, in the minds of the masses, "elite" means either oligarchs or some sort of slick, creative pseudo-intelligentsia. In reality, the elite is emerging right now, on the Maidan, on the barricades and in the trenches. Those who, despite the disappointment, struggle with officials at their local level every day. These people have not yet reached critical mass in society, but very soon a bifurcation point will emerge, when



Ukrainians realise that in addition to the virtual choices imposed on them by political talk shows and other media projects of the pseudo-elite, there is another one: when they see the actions of the new political class, change will come. If we do not oust this political class, we will be doomed to revolts and protests. And revolts are the path of slaves. We now need a revolution not in the streets, but in the offices. Not a pretty picture from the Maidan, but actual results, which will only come when we change the system, destroy the house of cards and turn off this virtual reality.

And one more thing. During a period of change in society, it is necessary to remember what is essential. It is essential to preserve the very structure and architecture of the state, its foundation. Because sometimes the desire for fast reforms and change for the sake of change can lead to ruin. People who are already unhappy with the authorities and political class are being fed the formulas of social aspirin – overly simple solutions. "Well, we'll just get rid of them all" and so on. This really whips up the masses and is supported by the public, but that's exactly what caused The Ruin during the Cossack period, when conservative hetmans gradually developed the state until chieftains came along who said "Let's take our swords and cut them all down".

Yet the system (oligarchs and Red Directors) is too strong to be easily destroyed. The forces of the new and old elite are too uneven...

The oligarchic system is indeed a direct continuation of the Soviet Union. It was impossible for them to earn their first millions without stealing property in the 1990s (and all oligarchs started out then), without the approval of Red Directors and contacts with the security services, especially Russian. That's why there is an active Politburo of oligarchs who feud and compete among themselves. In fact, the fate of the country is often decided not on the Maidan or in Parliament, which would be logical, but at their get-togethers. Agreements are signed according to their own unwritten rules on who will be president, who will be prime minister and who will control which industry. They divide the electorate in the same way too: some finance the Left, others the Right. They divide us. And their will is realised by clowns under the guise of politicians, theatrical characters that have passed the oligarchs' casting.

Accordingly, in order to put an end to all this, the patriotic movement should turn its attention to economic problems as well. The state's energy security and the same old national issues, like the existence or nonexistence of the Moscow Patriarchate in Ukraine... Not because I'm a materialist, but because I know that property gives rise to power. For example, there is MP Vadym Novynskyi, who controls the energy market and could fund the Moscow Patriarchate, which thrusts the "Russian World" concept onto us. We often spend time fighting with clowns and information bubbles (sometimes artificially inflated) instead of confronting the source of this evil. We have to hit oligarchs in the pocket, through the economy. There are no Ukrainian oligarchs in Ukraine, and I want to emphasise the word "no".

Hit them how?

Number one is Russian business. In Ukraine, 70% of the real sector and industry are directly or indirectly

linked with Russia. So this is a means of applying pressure on our citizens through their wages, which affects social stability in the country. It's also funding for the "Russian World", separatism and more. Secondly, similar problem is the business dealings of current or former government officials. In fact, they control all the major revenue streams. And with two such large levers of influence on the current authorities (a direct one – social stability, payments to the budget – and corruption), they create a favourable climate for revenge. Because if a super-patriot takes money for economic services from someone like [ex-Minister of Revenue and Duties] Klymenko or his representatives twice, then the third time the request from the money-giver will not be economical but, say, political.

When I was working in the SBU, I found that the people recruited by the Russian FSB were often those involved in corruption. This applies to virtually all frontier regions. Customs officers, border guards, police, Security Service. Say, a person gives cover to a smuggling channel (in Russia, this is only a business for the authorities) for years, and at some stage is recruited. It's all documented and they say "Either you work for us, or become a state criminal". Especially since everyone knows: if they got to me, then my boss, who has a Maserati, not a Toyota Land Cruiser, must not just be on the FSB's hook, he must be their general! These people, middle-ranking representatives of the security forces, explained this to us. By the way, that's how they opened the gates for Crimea, the "DNR", "LNR" and Odesa. There were attempts in Kharkiv too. Precisely through these people. Therefore, it is clear that such

IF THE RUSSIANS AND YANUKOVYCHS DON'T HAVE FINANCES HERE, THE NEW POLITICAL CLASS THAT IS FORMING IN UKRAINE WILL HAVE THE CHANCE TO FIGHT FOR POWER ON AN EQUAL FOOTING OR AT LEAST IN BETTER CONDITIONS

corrupt funds and relationships finance the reactionary movement too. Not only through the Opposition Bloc or Ukrainian Choice, but through the funding to the Prosecutor General's Office, SBU, all the way up to the Presidential Administration. They have found a way in to these high-ranking offices, so people there start to go easy and not act so radically.

What are we doing and what do we propose to do? We have compiled a package of Ukrainian sanctions. We're a unique country, which effectively has not introduced economic sanctions against the aggressor. So our tearful appeals to the Western world that we periodically hear from diplomats are strange to say the least. We must explain this to society and increase pressure on parliament and the president in order to pass a legislative package for these sanctions. It envisages, for example, prohibiting representatives of the aggressor country from being beneficiaries in natural monopolies, which is a primary sector. If we clear them out of there, Ukraine will find it easier to breathe, even with one lung.

It is necessary to modify the draft law on special confiscation, which the human rights advocates didn't like. Maybe they have a point, but it's still necessary to

confiscate the property of Yanukovych and his henchmen. At least those who are on the wanted list. Such steps reduce the basis for corruption, especially its political version. I think it is realistic to achieve this. And this, incidentally, is also a giant step in changing the political class. If the Russians and Yanukovichs don't have finances here, they won't have a way to foster new stars for virtual talk shows, publicise or support their pseudo-projects – everything will be honest. If nothing else, the new political class that is forming in Ukraine will have the chance to fight for power on an equal footing or at least in better conditions. In addition, of course, we need to explain the threat of the occupant's business to the public and build up a boycott movement and direct action. From my experience with the company Megapolis: before activists blocked their warehouses, other MPs and myself wrote letters to the SBU, the Public Prosecutor and the Anti-Monopoly Committee for almost a year saying that an FSB firm is operating in our country. But as soon as the direct action took place, in a rather harsh form, dialogue with the authorities started, a sanction committee was convened and at least some sort of progress was noticeable. Unfortunately, we sometimes have to resort to revolutionary methods of influence, because they will definitely get the better of us in bureaucracy and paperwork.

Can society somehow help a government that is unsuccessfully fighting corruption to finally overcome it?

Yes. If it tries to focus on one particular problem, a specific person. I despise theoretical corruption fighters, who hold conferences, masterclasses and beautiful presentations, but with no tangible outcome. I understand that changes in the law are necessary, but I don't believe that this will bring quick results. All these corruption fighters are either populists, which is the impression I have of Mikheil Saakashvili (no proven facts, no strategy, nothing on paper, just words), or people involved with made-to-order investigations, when out of all the bribetakers in Ukraine for some reason they choose their political rivals or the economic competitors of their customers.

So you just need to select a specific point, one name, dig in your heels and get it done. I am sure it will succeed. To see it through to the end, you should ideally focus on a corrupt official who is associated with past or current authorities – there are a lot of them. Without a specific case when society gets to see a corrupt politician behind bars, there will be great despondency. For example, there's Yuriy Boiko. The scandal involving the drilling platforms (purchased at overpriced rates when he was Energy Minister under Yanukovych's presidency – **Ed.**) is several years old now. Everyone knows about it. So we have a scandal, we have the platforms, and Boiko still goes to work in parliament. This kills the faith of people who were behind the Revolution of Dignity and the soldiers that are fighting at the front. They can't comprehend it. How? Everyone knows he's a criminal! Moreover, some of the people who called him a criminal are Petro Poroshenko and the head of the president's faction, among others. When I ask why Boiko is not in prison, I hear the theory on national unity: "We can't, it would split society". I can't believe it! I don't know how putting Boiko away could divide society. It's non-

sense. I think both the occupied and unoccupied areas of Donetsk Oblast would say, "Well, thank God". Where would this split be? In the mind of Russian TV? I couldn't really care about what they say. There must be punishment and prison – then we can talk about results. If this does not happen soon, then society will fill the niches that the state hasn't. Mob law will take hold and people will establish justice themselves. The Public Prosecutor's inactivity and lack of political will in the government completely legitimises violence in the eyes of the population. And once it starts, it will be impossible to stop. That's why, in my opinion, the main provocateurs and Kremlin agents are not those who shout "Betrayal!" at every opportunity (although they put me on guard too), but officials at the highest level that trigger these thoughts. Because their criminal inaction leads to disappointment, and that in turn brings destabilisation and rebellion.

Is it realistic today to talk about a new social contract and a change in the relationship model between state and citizen?

More than that, during the first two or three months after the Revolution of Dignity, I felt that, even though no social contract was articulated then, the events of the Maidan, the desire for change and people's enthusiasm constructed a certain moral base for that short time. I won't say that everyone stopped stealing or that officials became perfect overnight, but there was at least some prudence and communities had a direct influence on decision-making. Maybe it wasn't always civilised, but it was there.

In a perfect world, of course, an official should be afraid of the people, their opinion, influence and the prospect that tomorrow he could lose his position. So, paradoxically, such trivial things as decentralisation or the civil service reform that is gradually being implemented are in some way close to that ideal. Communities will have real power and money: if we can reach people with our information so that they realise that their own community is the main manager and that the government is just a support structure that provides them with certain services for their own money, I think that will be the right path for us.

But taking into consideration the inherited Asian model of our state and its multitude of local "authority figures"... Will this not lead to fragmentation and could it not turn out that people will end up with nothing?

Yes, that threat exists. Because there's the decentralisation process, but there's also feudalisation, and they're both taking place in parallel here. Often, the subject of decentralisation is used by semi-separatist figures. We hear about Bessarabia, Transcarpathia, the free port in Odesa. People think that they can construct something of their own on the crest of this wave, but it's more likely to open the gates for invaders. And here we are faced with the problem of clarification and communication between the bureaucracy and government. Decentralisation does not include any functions that are not typical of local communities. We're talking about simple things: where the school will be, where rubbish will be taken and so on. Medvedchuk & Co. are actually making a fuss over the idea of federalisation under the pretence of decentralisation: they often create a parallel process that im-

plies the creation not of territorial communities of villages, towns and cities, but of some kind of micro regions. This process is continuing, and that's exactly why the idea of prefects is a good safety device for the anticipated amendments to the Constitution. These officials have to make sure that no one crosses the line, when instead of sewage or heating issues there is suddenly talk of languages or another type of association, and ensure compliance with the constitution and territorial integrity. So the model has been designed well. It's a big question to what extent it will be implemented and how effectively it will be used, which once again brings us back to the political class. If the prefect positions are filled by "enforcers", there will be a problem; if there is a change in the political class, it will work.

Change is really happening, but the processes are not that fast. There has never been so many members of the national movement, civil society activists, patriots and soldiers in parliament. In this respect, the current Verkhovna Rada is unique. The same goes for local councils. Maybe it's only 10%, maybe they argue over party affairs, but when it comes to decommunisation, these patriotic deputies unite and make the right

THERE HAS NEVER BEEN SO MANY MEMBERS OF THE NATIONAL MOVEMENT, CIVIL SOCIETY ACTIVISTS, PATRIOTS AND SOLDIERS IN PARLIAMENT. IN THIS RESPECT, THE CURRENT VERKHOVNA RADA IS UNIQUE

decisions. And these active people will eventually lead their communities. Moreover, if we clean out – and we should aspire to this – the economic basis of the system, oligarchic parties have less influence, so there will be more for other, independent political forces. They will have real power at the local level. Everything depends on what the president is going to do. But the system dryly described in the Constitution, at least as I see it, can give us some shoots of new life. These patriotic, active citizens should do their best to get involved in local community elections and take on a zone of responsibility. This is the thing that will distinguish them from the populists. Do something small and then there will be a big school. This evolutionary process can bring fruit in just a few years.

Will the system allow these changes? It won't swallow the idealists one by one?

The system is not something that is completely devoid of identity. It is always based on certain names – if you can kick them out (especially if they are symbolic and iconic), it can be destroyed. There are specific oligarchs, corrupt officials, Russian agents and concrete people that impede the reform process. We must document them, which we are doing, and start the destruction in a precise way. Politically, economically, through direct action.

But you have repeatedly spoken about the significant role of the president...

I think he's in the most difficult situation that anyone in this country could be in. The head of state is the most unfortunate man here. Why? Because I feel his

hesitation. So he has to be pushed in the right direction. Don't wait, motivate. The fact is that there are always mistakes in making simple solutions when subordinates come and say that we have to stabilise or maintain our rating, for example, in Sumy Oblast: Andriy Derkach is there, who has represented the oblast under every president – let's back him. That's what the Petro Poroshenko Bloc did at the last local elections. Obviously not openly, but... This gives quick results, but in fact the president is being misled and becomes dependent on them, this regional mafia, which, by the way, instead of decentralisation wants to organise feudal dominions for themselves.

Moreover, Poroshenko is under the illusion that they are his men, whereas these "comrades" have already changed their party membership ten times. In 2013, they were all against the Maidan, then in 2014 many of them supported the "Russian World" and saw themselves leading a microregion of "Novorossia". Therefore, the president must be informed of this; they should be made outcasts and politically undesirable. The Ukrainian leader cannot work with such scoundrels. We need to force them out, and I believe that this is possible.

These names should have such a bad reputation that when people want to advise the president that "there's an old scheme that might work", they hear the reply "Not him! I don't even want to hear it". This is painstaking work that doesn't attract a lot of likes on Facebook, does not give fast results and does not open, but rather shuts the door to TV shows, but it is extremely necessary. This is what we're doing at the moment. Specifically for Yuriy Ivaniushchenko and his clique. This is, of course, like carrying water in a sieve, but it's also a sort of education for people in the executive branch and presidential vertical. Countering these relationships and the oligarchs also means training and identifying new passionate people who are able to organise the process themselves. After all, it's the re-orientation of the national movement from embroidered shirts and songs towards issues of economic nationalism, de-occupation of the economic and information space. And if we end up with a social group that will be as effective in de-occupation and undermining of the oligarchic class as they were on the Maidan and are when fighting in the East for idealistic concepts – if they realise how everything can be controlled – that's when we'll get a new political class. We need patriots to not only quote poems, but also study international economic law, learn how to identify off-shores, have a better understanding of the country's economic map: what should be de-occupied and how. It's a question of world view – there's no other way. Only these processes can fortify a new political class. In 1917-1918, Ukraine was ruined chiefly by a similar problem: patriots were sincere, but didn't know how to govern. I don't believe that you can just put anyone in an office and teach them all this, nor that you can take people who do not have idealistic national feelings and make them Ukrainian. But it's quite realistic to teach nationalists how to be more pragmatic and efficient, as well as new management styles – how to organise themselves and act. Moreover, we showed a tremendous example of self-organisation on the Maidan, and if we redirect this towards de-occupying the country, it will bear fruit. ■

Through the looking glass: The crazy world of Minsk

Roman Malko

How Ukrainian politicians see the likelihood of elections in the occupied parts of Donbas

As Yehor Sobolev (Samopomich) puts it, “Elections in the occupied territories is the fulfillment of Putin’s plan to conquer Ukraine through politics. He was unable to do it militarily and, like 17th century Russian tsars, he has switched to conquest by political means.” Sobolev sees a pretty straightforward plan at work: by legitimizing its proxies in Ukraine, Russia’s fifth column reinforced. “It’s not even about simply a fifth column, but more likely about five columns of politicians and business that represent Russian interests,” Sobolev continues, and to set up that which was never going on in Ukraine but about which Putin has long dreamed—civil war within Ukraine.

“And this means that serious bloodshed will now be between Ukrainians, so that Putin can then tell Washington and Brussels, ‘I told you that Ukrainians can’t live in peace and that Ukraine is a failed state,’” Sobolev concludes. There is some truth to this, as the very fact that the situation around this election is being stirred up, along with the issue of approving the necessary bill, clearly shows—although amendments to the Constitution are so far not being mentioned.

“I know that this is under continuous discussion with Berlin and Paris, that it’s being raised in the legislature by people like Ihor Kononenko (a scandalous Poroshenko ally – **Ed.**),” says Sobolev, “but so far the actual text is not being presented. The bill, like all special ops, will be brought out at the point when the special operation begins. Right now, local councils dominated by the Opposition Bloc (the rump Party of the Regions in the current Rada – **Ed.**) are already taking in ‘requests’ to announce this election, which means the special operation is just about to start. Putin most certainly can find 226 votes in the Rada now, and through the oligarchs, he can probably find even more. That’s why we are now talking seriously with the public about possibly calling on them to come outside the legislature and not allow this vote to take place. It would be a deathblow to any chance of Ukraine becoming a normal state.”

It’s not hard to figure out whom Sobolev considers votes for Putin in the Rada. This includes the various parties set up by formerly PR oligarchs, such as the Opposition Bloc, Vidrozhennia, Volia Narodu, and some of the deputies who are currently free-floating. Those who will clearly not vote in favor include Samopomich, Batkivshchyna and Liashko’s Radical Party. Based on discussions with members of Narodny Front, this party is also unlikely to support to such a move.

“As far as I’m concerned,” says Mykola Kniazhytskiy (NF), “an election can only take place after we have complete control of the border, although the Minsk accords say something rather different. And that’s why we’ve been talking about a policing mission from the OSCE to ensure that any election is fair. If there is the least suspicion that holding such an election is impossible, Narodny Front will definitely not vote in favor. No matter what kind of international pressure is put on us, we can’t possibly legitimize terrorists.”

Oleksandr Chernenko (Petro Poroshenko Bloc) disagrees: “Passing a bill and holding elections are two different things. There’s no reason to worry about adopting the law. If all the main rules that matter to Ukraine are in place, I don’t see anything wrong with this. The question is for this to really be a decision by the Rada and that it come after serious debate. I understand that this will upset many and that it will be yet another irritant, but we can certainly begin to debate it. Of course, an election can only be held after that becomes possible. I don’t see any way that proper democratic elections can be held there today or for the foreseeable future.”



NEARLY ALL FACTIONS IN THE VERKHOVNA RADA ARE AGAINST HOLDING ELECTIONS UNDER THE CURRENT CIRCUMSTANCES AND HAVE ALMOST IDENTICAL OPINIONS ON WHAT THE CONDITIONS SHOULD BE

CONVERGING OR DIVERTING?

What’s interesting nearly all factions in the Verkhovna Rada are against holding elections under the current circumstances and have almost identical opinions on what the conditions should be—both the patriotically inclined and those who aren’t much so. Of course, everything could change in a flash, but right now, even the former PR MPs represented by Yuriy Pavlenko (OB) are confident that voters will only be able to make a proper decision after “a series of mandatory conditions are provided: re-establishing control over the border, meaning that Ukraine’s border service patrols the entire international border in Luhansk and Donetsk Oblasts and border checkpoints operate normally; that all illegal armed groups are disarmed; that international observers are present, whether as a humanitarian or police mission;

that all Ukrainian parties, without exception, participate; and that the election is held in line with Ukrainian electoral law with specific rules for this territory that need to be regulated in a special law, because the specifics will be exceptional, regardless of the circumstances.”

On the other hand, the Opposition Bloc never tires of repeating that “the only path to peace is for all participants in the process to carry out the Minsk Accords” and that “Ukraine has the most at stake in this and should therefore demonstrate the utmost dynamism in this regard to its partners in the US and EU, its opponents in the RF, and other unidentified signatories to the accords, and should lead the process rather than being a passive observer who does nothing and blames others.”

So far, nobody in the Rada knows much about the bill regulating potential election. No one has seen or read it. Supposedly Ruslan Kniazevych (BPP) is busy drafting it, but everything is being kept carefully under wraps. Whether this bill will be a panacea, whether it comes into force, whether it is even passed, what its ultimate purpose is, and whether it’s even worth taking all these games seriously is a question nobody can answer at this point—not even those who are drafting, instigating or lobbying it. Kniazytskyi thinks that, whatever the bill, “Russia itself will never allow free and fair elections in ORDİLO to take place according to Ukrainian law.”

Commenting on the likeliness that an ORDİLO election bill will be passed, let alone elections held, one-time Governor of Donetsk and now MP Serhiy Taruta notes that none of this will be possible unless two conditions are met. First, the format of four has to be confirmed: France, Germany, Russia and Ukraine. “Once that is established, the militants will do as they are told,” says Taruta. Secondly, once everything is agreed, “the president will have to come to the Rada and explain what commitments he has taken on, what their purpose is, whether to peace or confrontation, and whether we will regain control of this territory or not. Ukraine’s legislature is being kept in the dark. It doesn’t know about all the Minsk agreements, about current relations, what people are talking about there, or what is being explained.”

Taruta is convinced that compromises will have to be sought if anything is to change. Leaving this issue unresolved will not only destroy Ukraine, but will threaten the stability of all of Europe. Only the bill should not be the starting point; the border should be. “For me, knowing all the nuances from every angle quite well, the main point is to control the border,” says Taruta. “If we regain control over it, everything else will fall into place very quickly, believe me. And if we have guarantees that the border remains ours, I’m ready to vote for any option. Any formulation, any elections, any kind of elections is not important to me. What’s important is controlling the border.”

PROMISES THAT COME BACK TO HAUNT

It’s unlikely that the Administration on Bankova does not understand how complicated the situation is and is not aware of the entire array of information. Having been burned on constitutional amendments and having National Guard members killed outside the Rada in August 2015, Mr. Poroshenko is likely to think three times before making any risky moves, such as submitting a bill on elections in ORDİLO.

“As long as there aren’t enough voices, he won’t take that chance,” says Aliona Shkrum (Batkivshchyna). “And even if he were to take a chance, then it will have to be a serious, properly considered decision and we need to have guarantees from our partners, even if only verbal ones, that they will keep the pressure on Russia, maintain sanctions and be ready to increase them—even to the point of closing Russia out of international financial systems, including SWIFT.”

All of this is a little too much like a trap that keeps getting harder and harder to get out of. But it’s not impossible, and Poroshenko, as the main figure on the Ukrainian side, is managing to maintain some kind of balance and wiggle out of it. Still, this cannot go on forever. Constant external pressure and rumors that sanctions against Russia will either be reduced or withdrawn altogether make that amply clear. The impression is that Ukraine’s allies have grown indifferent about how Ukraine’s situation will be resolved and just want it to stop bothering them. They understand perfectly well that it really is impossible to hold an election in the occupied territories right now, “but if you promised this, Pete, then be a nice boy and do it.” ■



Beneficiaries of peace initiatives

Denys Kazanskyi

Elections in the occupied parts of Donbas will boost the strength of the Opposition Bloc in Ukrainian politics. Its strategic goal is to return Ukraine into Russia's orbit

Elections in ORDİLO, the occupied parts of Donetsk and Luhansk oblasts, are among the subjects most hotly debated in Ukraine. Both sides in the conflict frequently claim that they are ready to hold the vote in ORDİLO, but only under certain conditions. In practice, the conditions set by both sides are mutually exclusive. Neither the Russia-backed militants nor Ukraine are prepared to make concessions.

However, there is little sense in discussing the demands of the puppet quasi-states seriously. It is obvious that decisions on the future of Luhansk and Donetsk are not made in those cities, so the analysis of statements by their current leaders,

Igor Plotnytsky and Oleksandr Zakharchenko, is a waste of time. The headquarters where their statements are created is located in Moscow. What it wants has been obvious for far too long. Russia's goal is to force Ukraine to reintegrate the occupied parts of the Ukrainian territory back into Ukraine under special conditions, and amend the Constitution so that its Trojan horse helps it limit Ukraine's sovereignty. The question here is: who can benefit from this in Ukraine?

Logic leads to one answer to this question: the only beneficiaries from such developments in Ukraine are members of the former Party of Regions who united in the Opposition Bloc, represent



Homeboys. The allies of Oleksandr Yefremov, such as the current "mayor" of Luhansk Manolis Pilavov (pictured right) in the LNR, and Akhmetov's people in the DNR, have retained their influence and positions. After the elections, they may well become the leaders of the "republics"

the Kremlin's interests in Ukraine, and have its consistent support. For all others, the deal with Moscow on its terms bodes ill.

To the citizens of Ukraine, a U-turn from European integration towards the Kremlin's influence will mean a collapse of every hope for a better future. Without the EU's help, we will likely never manage to overcome corruption and enact necessary economic reforms. A rollback means the return of corrupt gas scams and the conservation of post-Soviet practices in politics, something Ukrainian society is desperately battling against these days. Legalization of the militants and concessions to the Kremlin will most likely lead to a divide in Ukrainian society, a deep political crisis, and even clashes on Kyiv streets. This is obviously a scenario where Ukraine will find itself one step removed from being an actual "failed state," while its best people will simply migrate as they face the prospect of going back to Soviet times.

Nor will possible elections bring anything good to those living in ORDİLO. Millions in those territories have essentially been turned into an instrument of Russia's politics. At the same time, nobody in Russia really cares about what they want. The Kremlin is simply using these people as tools. Yet, the mines and shells falling on these people's heads are very real. Hardly anyone in the Donbas, other than the representatives of the Russian occupation administrations, can explain what all this is for.

Those in the Donbas who are anti-Ukrainian stood against Kyiv with only one purpose: to separate from Ukraine and see their region become integrated into Russia. The participants of the separatist protests in 2014 believed that the Donbas would join Russia after the referendum, just like Crimea did. Russia was fueling and encouraging those sentiments with all the means at their disposal. Now, it turns out that the Kremlin has no intention to annex the puppet quasi-republics, but insists that they should remain in Ukraine.

Will elections in ORDİLO, held under Ukrainian laws, help these people? No. It is already obvious that there can be no realistic or meaningful vote on these territories captured by armed militants. Therefore, the elections there will merely be a formality to help legalize separatists in Ukraine's jurisdiction and bring representatives of Donetsk and Luhansk oligarch clans into local administrations in ORDİLO. How will an average miner or pensioner benefit from this? How will this affect his or her personal well-being? The answer is obvious. Donbas citizens have no say about anything already. And, as long as Russian and Russia-backed armed militants are in the Donbas, they can only be bystanders in the contest for their land and their lives.

By contrast, those united today as the Opposition Bloc have every reason to demand elections in ORDİLO. The vote is a key to returning their influence in the Donbas, their one-time financial might, and a revanche in all of Ukraine. The Opposition Bloc's big goal goes beyond the elections in Luhansk and Donetsk. The long-time oligarch clans that are part of it dream of bringing back the electorate from ORDİLO and getting its votes in nationwide elections. If implemented, this plan

will put the Opposition Bloc among the leaders of parliamentary elections and allows its members to compete for the top positions in Ukraine.

Former Party of Regions people essentially run the militant-controlled territories already. For example, most heads of city and town administrations appointed by the "LNR" (Luhansk People's Republic) Igor Plotnysky are old functionaries that had been in key positions there before the war. The current "mayors" of Luhansk, Donetsk, Makiyivka, Alchevsk, Stakhanov, Brianka, and other big cities are seasoned regionals who have been in key positions in these cities for a very long

THOSE UNITED TODAY AS THE OPPOSITION BLOC HAVE EVERY REASON TO DEMAND ELECTIONS IN ORDİLO. THE VOTE IS A KEY TO RETURNING THEIR INFLUENCE IN THE DONBAS, THEIR ONE-TIME FINANCIAL MIGHT, AND A REVANCHE IN ALL OF UKRAINE

time. Manolis Pavlov, Maryna Filipova, Rodion Miroshnyk, Serhiy Zhevlakov, who are now in top positions in the "LNR," are the reliable underlings of Oleksandr Yefremov, head of Luhansk Oblast State Administration from 1998-2005 and former head of the Party of Regions in parliament (in April 2014, ex-Party of Regions MP from Luhansk Volodymyr Landik claimed that separatist movements in Luhansk were financed by the family of Viktor Yanukovich from Moscow, while Yefremov was behind the takeover of the Luhansk Security Service Bureau building, one of the first events of the military conflict in the oblast. Landik is now testifying against Yefremov and other Party of Regions' members at the Prosecutor General's Office – Ed.). The Administration of Oleksandr Zakharchenko in Donetsk is headed by people close to Rinat Akhmetov. They will likely be the ones to replace the current notorious "field commanders" after the possible elections and take leading positions in ORDİLO legitimately in the future. After that, the situation in the Donbas will hardly be any different from what it had been before the war.

Elections under Ukrainian laws and the ultimate return of ORDİLO under control of the long-standing clans of Akhmetov, Yefremov, Ivaniushchenko, and Boyko will cement their positions in the Donbas and give oligarch groups absolute power in the region. Once in that trap, the Donbas will never get out of it again. This may be a triumph for the Regionals, but for the average citizens of the Donbas there will be no benefits. Just like before, they will live in desperate decline in depressed towns and villages amidst a degrading economy, without any chance to elect different authorities or to change anything.

As to the whole of Ukraine, the scale of the disaster it will face if the Regionals succeed in their comeback is hard to overstate. Such a scenario could be the beginning of the end of the country. Preventing it is one of the vital tasks for the civil society and those politicians who care about the future of Ukraine. ■

To read about the surrender of the Luhansk SBU (Security Service of Ukraine) and what it meant for the oblast and the subsequent hostilities, go to ukrainianweek.com





An unassuming octopus

Oleksandr Kramar

How Russian business in Ukraine affects the country's business environment and economy

Alongside liberation from Russian media and ideological influence, overcoming economic dependence on Russia is a prerequisite for Ukraine to rid itself of postcolonial inertia and gain real independence. However, as with the first thing mentioned, economic emancipation has so far been mostly superficial, barely touching the foundations of Kremlin influence – the dominance of a monstrous "octopus" of Russian state and oligarchic capital, as well as the formally "Ukrainian" comprador business closely linked to it and corrupt officials.

This "octopus" remains the main anchor that preserves the corrupt Russian oligarchic model in Ukraine, blocking the development of normal domestic competition and the import of civilized business culture from the West. It also blocks political changes in the country, playing an active part in influencing the government with a variety of parties and fuelling political corruption. Like in its home country, Russian state and oligarchic business abroad does not have the advantages that private enterprise should have over government companies under normal circumstances. In fact, it is the worst possible, parasitic modification of state-run business: without creating any new economic potential, it sucks available resources out of the country it is based in. And all this is accompanied by total dependence on the Kremlin and the obligation to support its political expansion.

INSUFFICIENT STEPS

If a few years ago the domination of Russian and its associated local comprador business in Ukraine could be explained by the high dependence of our country on the Russian sales market or supplies of strategic raw materials from there, then recently this factor has lost its relevance.

Three years after the start of the Kremlin's hybrid war against Ukraine (first the trade blockade in 2013, then the military aggression and its resulting reciprocal restrictions on trade of a number of goods types), the volume of bilateral trade has dropped at least fivefold. For example, in the first five months of this year only \$1.2 billion (less than 9% of total exports) of Ukrainian goods were exported to Russia, while this figure was \$6.4 billion for the same period in 2013. Imports of goods made there accounted for \$1.7 billion, compared to \$8.4 billion previously.

Ukraine has shaken off its once critical energy dependence: purchases of natural gas from Gazprom were suspended last autumn and there is no longer an acute need for them (it would be appropriate only if a lower price was offered in competition with other suppliers); indeed, electricity is not imported either.

At first glance, the volume of official Russian investments in Ukraine has decreased, although not so significantly: from \$4.3 billion in late 2013 to \$3.3 billion at the

beginning of April 2016. Formally, this is less than 8% of all foreign investment in Ukraine.

The participation of Russian business in the privatisation of new Ukrainian state assets is prohibited by law. This document was passed by parliament in February this year and President Poroshenko signed it in March. Chairman of the State Property Fund Ihor Bilous at a recent government meeting pledged that not only Russian companies, but also those that do not provide documents confirming the identity of their ultimate owners will not be able to take part in the privatisation of state-owned facilities, in particular the Odesa Port Plant.

Perhaps such steps really will hamper Russian companies' further acquisition of strategic state assets. Nevertheless, they are not enough to reduce the currently very high dependence of the Ukrainian economy on Russian capital, or at least prevent further expansion of its positions through assets that are already privately owned.

The problem seems particularly acute against the backdrop of the obvious lack of Ukrainian businesses' alternative integration with Western companies, particularly powerful financial and industrial groups that are capable of truly opposing the dominance of Russian capital in Ukraine. Quite the opposite – Western investors are looking to sell their Ukrainian assets to Russian structures.

The Kremlin intends to preserve and expand the presence of Russian business in Ukraine, hoping to regain control of the country in the near future. Indeed, following a March 2016 discussion on the prospects and feasibility of maintaining the presence of Russian business in Ukraine, president of the Russian Union of Industrialists and Entrepreneurs Alexander Shokhin declared that, in Putin's opinion, "We still need to have a little patience. There is at least a chance." And Andrei Kostin, head of Russian state bank VTB, whose subsidiary is one of the largest financial institutions in Ukraine, called the Kremlin chief's assessment of geopolitical perspectives "realistic" when commenting on a conversation with the Russian President regarding the impact of the geopolitical situation on business.

STRUCTURE

The scale of Russian capital's presence in Ukraine is obscured by several factors. Firstly, by the fact that it often operates through a number of companies registered in third countries – offshore territories and EU members, among others. Secondly, because a significant part of technically Ukrainian business is actually integrated with Russian state-owned or formally private financial and industrial groups: due to financial dependence, their companies' history, the status of junior business partners and the performance of supporting functions to promote other businesses.

The Kremlin-dependence of Russian state-owned financial institutions that are one way or another present in Ukraine is the most obvious. Primarily, this is in reference to Sberbank of Russia, VTB and VEB (owner of Prominvestbank), whose subsidiaries are among the largest in Ukraine in terms of assets (about 10% of all solvent banks' assets in the country). Their importance to the banking system is cited as the main reason why they cannot be nationalised. At the same time, VEB can be considered the owner of the Industrial Union of Donbass steel corporation – its loan funded the purchase of the controlling interest in 2009. Many Ukrainian enterprises (including Dmytro Firtash's chemical companies) are heavily in debt to another Russian financial institution, Gazprombank.

In general, since Ukraine overcame its total gas dependence on Russia, the debt of Ukrainian companies to Russian state banks is almost the most powerful tool the Kremlin has to influence our economy and some of its entities. In late 2013, Putin mentioned the figure \$28 billion. It has not decreased much since then.

In addition to Russian government banks, two Russian state-owned power companies have assets in Ukraine: Rosneft and Rosatom. The former owns the Lysychansk Refinery in the Luhansk Region and a chain of filling stations (which have allegedly been sold to Swiss firm GluscoEnergy SA in order to avoid the risk of confiscation and a decline in sales due to a consumer boycott). The latter controls Energomashspetsstal in Kramatorsk, which produces essential equipment for the nuclear power industry, as well as microscope manufacturer SELMI in Sumy. Finally, Rosatom in practice has a monopoly on supplying fuel assemblies (and, no less importantly, removing and storing spent fuel) for Ukrainian nuclear energy generating company Energoatom.

The second group consists of Russian oligarchs who accepted the model of relations with the Kremlin that Putin imposed after his ascent to power – this entails toeing the Kremlin line in exchange for loyalty and even state support for the realisation of their business interests. Those who refused were simply crushed over the past 15 years, like the once-influential Berezovsky, Gusinsky and Khodorkovsky.

The influence of Alfa-Group has been growing especially dynamically lately. The Ukrainian subsidiary of Alfa-Bank has long been among the market leaders, and this financial and industrial group will soon take control of another of the largest Ukrainian financial institutions, Ukrsootsbank, as a result of an asset exchange agreement with the Italian Unicredit Group (in return, the Italians are supposed to get a 9.9% stake in the Alfa-Bank parent company). Combining these two financial institutions under Alfa-Bank control will make them very nearly the most powerful player in the Ukrainian banking market according to total assets (about 100 billion hryvnias), inferior to only PrivatBank, as well as the state-owned Oshchadbank and Ukreximbank.

Alfa-Group also has a strong influence in the telecommunications sector. Mobile operator Kyivstar is owned by VimpelCom Ltd, whose largest stake (47%) is held by Altimio, a company under the control of Alfa-Group. Alfa also has an interest in Turkish Turkcell, which owns Ukrainian mobile operator life:). Specifically, it owns 49% of the shares in Çukurova Telecom, which holds a controlling stake in the Turkish operator.

The third-largest mobile operator Vodafone Ukraine belongs to Russian MTS, which is controlled by Vladimir



Yevtushenkov's Sistema – he is a Russian oligarch and friend of Yanukovych. At one time, former head of the National Commission for the State Regulation of Communications and Informatisation Petro Yatsuk directly accused the company then known as MTS Ukraine of using transit servers in Russia, which made it possible for third parties to access information on Ukrainian customers and their location. Russian capital in Ukraine is also concentrated in ferrous and nonferrous metallurgy, electricity and gas distribution networks, chemical and machine-building enterprises, the property market, hotel and restaurant business, retail, internet services (according to expert estimates, the Russians control more than 60% of traffic) and the food industry.

VS Energy, which owns stakes in a number of regional power companies and hotels, is linked to former Russian Vice-Speaker Alexander Babakov and his partners. Viktor Vekselberg controls a number of gas distribution companies in the eastern regions. Vagit Alekperov (Lukoil-Ukraine) owns Karpatnaftokhim in Kalush and a chain of filling stations (which was recently officially "sold" to Austrian company AMIC in order to avoid problems with activists and a boycott from drivers). Dmytro Firtash's partner and one of the Russian oligarchs closest to Putin, Arkady Rotenberg, who was hit by Western sanctions, owns the Ocean Plaza shopping centre in Kyiv.

The Mykolaiv Alumina Refinery (the largest manufacturer of semi-fabricated products for the aluminium industry in the former Soviet Union) and the Kharkiv Tractor Plant (formally only until recently – see below) belong to Oleg Deripaska, the owner of RUSAL and Russian Machines. Roman Abramovich and Alexander Abramov's EVRAZ Group owns companies involved in mining iron ore (Sukha Balka), smelting metal (Dnipropetrovsk Metallurgical Plant) and producing coke.

Their former partner in this holding Alexander Kuntin, financed by Russian state bank VEB, in 2009 purchased the controlling stake in the Industrial Union of Donbas (ISD) corporation, which, in addition to assets in Alchevsk in the occupied Luhansk Region, also owns the massive Dnieper Metallurgical Plant in Kamyanske. The company Dneprometiz, which controls about one third of the Ukrainian metal products market, until recently belonged to the owner of Severstal, Alexei Mordashov (it was "sold" to an offshore company based in the British Virgin Islands a short while ago). The Pobuzkyi Ferionickel Plant in the Kirovohrad Region is controlled by the Bronstein brothers' Solway. And the list goes on.

A characteristic of just about the majority of Russian oligarchs who have substantial assets in Ukraine is the fact

that their biographies are often linked in some way to our country. For example, the co-owners of Alliance Group, Mikhail Fridman and German Khan, were born and grew up in Lviv and Kyiv respectively, Viktor Vekselberg hails from Drohobych and Alexander Babakov started his business in Ukraine, while his VS Energy partner Yevgeni Giner is from Kharkiv. Konstantin Grigorishyn comes from Zaporizhia (however, taking into consideration the information that he has recently obtained Ukrainian citizenship and the fact that lately he has been reorienting his business towards our country, we will take a closer look at him alongside the other compradors).

COMPRADORS

Yet more assets in Ukraine formally belong to Ukrainian compradors who are closely associated with Russian organisations and business circles and/or actively promote and serve the Kremlin's economic and, simultaneously, political interests in Ukraine.

The most classical agents of Russian business in Ukraine can be considered Dmytro Firtash, Vadym Novynskyi, Oleksandr Yaroslavskyi, Konstantin Grigorishyn (who is rumoured to have recently got a Ukrainian passport), the Russians' partners in ISD (Oleh Mkrtchian and Serhiy Taruta), Vasyl Khmelnytskyi, Borys Kolesnikov, Yuriy Ivanyushchenko, Oleksandr Yefremov, Oleksandr Yanukovych, Serhiy Kurchenko and a number of other, technically "Ukrainian" businessmen who are not as familiar to the general public. Notably, Odesa Mayor Henadiy Trukhanov was recently exposed as part of their circle.

A special place in this group is occupied by Rinat Akhmetov, who, at first glance, lobbies Russian interests even contrary to his own economic ones. The secret is likely to be found in the history of the Donetsk oligarch's business and the saturation of his structures with Russian managers whose biographies are, above all, associated with the KGB/FSB. For example, the financial director of Metinvest, Oleksiy Kutieпов, is a graduate of the Russian FSB Academy and previously worked at Russian corporation Sibur. (It is telling that information about him disappeared from the company's official website when journalists took an interest in his background.) Publicly available sources give valid theories for the close relationship of Rinat Akhmetov's business with the Russian secret services, and therefore his dependence on them.

These people are united by the multitude of strings that attach them to the Russian business environment and its specific culture. Many of them established themselves as businessmen in Russia, working for local structures and having connections and patronage among the Russian authorities, security services or business elites. They often developed their businesses relying on Russian loans, or are largely (sometimes critically) dependent on them even today. In addition, their very "business" itself is centred on promoting, serving or supporting their Russian partners in Ukraine in exchange for some sort of compensation. For their "efforts" and proper performance of their duties, they received and continue to receive preferences from the Russian government and commission from their "partners" – usually richer and more powerful Russian oligarchs.

Since the Revolution of Dignity and the beginning of Russian aggression, the media has been actively spreading information about a real "mass exodus" of Russian business from Ukraine because of "intimidation", the threat of sanctions and asset confiscation. However, un-

fortunately, there are reasons to believe that, in fact, this beneficial in the long term (despite some short-term negatives) mass exodus is not really taking place.

Instead, concealment mechanisms are being perfected in hope of "better times". For instance, in addition to the traditional reregistering of the same Russian owners under new offshore companies, "sales" to foreign companies (mainly from the EU), whose relationship with the former Russian owners is difficult to prove, are becoming increasingly common. Lukoil allegedly sold its filling stations to the Austrian AmicEnergy, Rosneft to Swiss Glusco Energy, and VTB sold its company VTB Leasing Ukraine to the Cypriot Laflux Trading. In May 2016, Russian newspaper Kommersant reported that VEB is seeking a buyer for the Industrial Union of Donbas and lottery company Patriot, which is associated with Russian billionaire Oleg Boyko's investment holding Finstar, allegedly changing their owners to EU citizens. Severstal owner Mordashov's Dneprometizhas been sold to offshore company Dealzone Holding. The list goes on.

Nevertheless, the Kharkiv Tractor Plant scandal recently showed that schemes that see Russian oligarchs use Ukrainian compradors with whom they have long relationships have actively come into play.

In late April 2016, Oleksandr Yaroslavskyi's press service announced the completion of the acquisition from Russian Oleg Deripaska's structures of a controlling interest (62.44%) in the Tractor Plant, which Yaroslavskyi once bought for him from Viktor Pinchuk. The facility's managing director was changed back in March. Once again, this position was filled by Andriy Koval, who was in charge of the plant before Deripaska took control in 2007.

LIKE IN ITS HOME COUNTRY, RUSSIAN STATE AND OLIGARCHIC BUSINESS ABROAD DOES NOT HAVE THE ADVANTAGES THAT PRIVATE ENTERPRISE SHOULD HAVE OVER GOVERNMENT COMPANIES UNDER NORMAL CIRCUMSTANCES

In May, the Ukrainian Security Service accused the new management of attempting to transport the company's equipment, as well as technical and design documentation for its products, to the Russian Federation by order of the Russian owners. This seems quite plausible: the plant had problems with selling its products due to the trade war between the two countries (the company ended 2015 in the red, while in 2014 it made a profit of nearly 0.5 billion hryvnias [\$20m]), as well as significant tax arrears to the state. In addition, it was occasionally picketed by activists who were demanding nationalisation and the Ministry of Defence was preparing to make a defence order with the plant, which could not have pleased the Russians.

Under such circumstances, Deripaska's "sale" of the Kharkiv Tractor Plant to Oleksandr Yaroslavskyi may well be seen as a way to survive these "hard times". After all, the media say that they are godfathers to each other's children and have been partners since Yaroslavskyi lived in Russia in the 90s. In addition, at one time Deripaska's Ukrainian "godfather" bought up other modern assets in Ukraine for him too – they were rather interesting, but complicated from a privatisation point of view, such as the Mykolaiv Alumina Refinery. ■

A TANGIBLE PRESENCE

Even after two years of war in the Donbas and the occupation of Crimea, the dominance of Russian capital in the Ukrainian economy remains a very topical issue.

Given that Russian capital, controlled by Russian state companies and oligarchs close to Putin have practically occupied both the real and financial sectors of the Ukrainian economy and that almost every eighth Ukrainian company out of the 200 largest is fully or partially owned by the Russians, the extent of the threat to Ukrainian statehood is truly enormous.

Parliament has already registered many draft laws that would inflict a serious blow on the occupants and make it possible to create robust protection systems against their activities in Ukraine, but so far the passing of these documents has been seriously hampered. First and foremost, this is in reference to the denunciation of the agreement between the governments of Ukraine and the Russian Federation on the suspension of visa-free transit and cooperation in the Azov Sea and Kerch Bay (№ 4030, 0096, 0051); restrictions on the use of media products from the aggressor state; quotas for Ukrainian music; removal of Ukrainian state awards from people involved in the aggression and the special status of religious organisations whose centres are located in the aggressor country (№ 4303, 3822, 2858, 4511); creating an inventory of property belonging to the Russian Federation and its residents in Ukraine; changing the rules for the participation of foreigners in natural monopolies and the strengthening of sanctions (№ 2509, 2624, 2607, 3779).

Banks

Russian owned:

- Prominvestbank
- Sberbank of Russia
- VTB Bank Ukraine

Alfa-Group

- Alfa-Bank Ukraine

Russian capital

15%

Insurance companies

- Alfa-Insurance Ukraine (Alfa-Group, Mikhail Fridman)
- INGO Ukraine (Ingosstrakh, Oleg Deripaska)
- Providna (Rosgosstrakh, Danil Khachaturov)

Machine manufacturing

Energostandart (Konstantin Grigorishin):

- ZaporizhTransformer
- Sumy Machine-Building Science and Production Association (equipment for the oil, gas, nuclear and chemical industries, production of NGV filling stations and equipment for the transportation of gas)

Transmashholding (Iskander Makhmudov, 21st place in 2016 Forbes Russian rich list, co-owner of arms manufacturer Kalashnikov Concern)

- LuhanskTeplovoz

Stanislav Gamzalov (Chairman of the Supervisory Board at the Russian Zavod Metallokonstruktsiy)

- Kryukov Wagon Building Plant (25%)

Oleg Deripaska (president and co-owner of Rusal, co-owner of Basic Element: Russian Machines, GAZ Group)

- Kharkiv Tractor Plant

Fuel and energy sector

TNK:

- Voštok – 141 filling stations: TNK, Smile, Formula
- TNK-BP Commerce
- TNK Industries

Gazprom:

- Gazprom Sales Ukraine
- YUZHNIIGiprogaz (40%)
- Gaztransit (40%)

Lukoil:

- 230 AMIC filling stations
- Karpatnaftokhim

IPC (owned by Eduard Khudainatov, ex-chairman of Rosneft)

- Alliance Oil Ukraine

Energy networks

Energostandart (12 Ukrainian oblast power companies, Konstantin Grigorishyn)

VS Energy International (8 Ukrainian oblast power companies, Aleksander Babakov)

Non-ferrous metals

Oleg Deripaska (president and co-owner of Rusal, co-owner of Basic Element: Russian Machines, GAZ Group)

- Zaporizhia Aluminium Complex
- Mykolaiv Alumina Refinery

Solvay Investment Group (associated with Alexander Bronstein)

- Pobuzkyi Ferronickel Plant

Mining and metallurgy

Rosatom

- Energomashspetsstal (Kramatorsk)

VS Energy International

- DneproSpetsStal

SeverStal (Alexei Mordashov, 6th richest man in Russia according to Forbes in 2016; among other things owns a 15% stake in TUI – one of the biggest travel companies in Europe, which also operates in Ukraine)

- DneproMetiz

EVRAZ EVRAZ (Roman Abramovich, also one of the co-owners of Channel One Russia (24%))

- Petrovsky Dnipropetrovsk EVRAZ
- BahliyKoks (Kamyanske (formerly Dniprodzerzhynsk))
- EVRAZ Sukha Balka (Kryvyi Rih)

ISD (Alexander Katunin)

- Alchevsk Iron & Steel Works
- Alchevsk Coking Plant
- Dzerzhinsky Dnieper Metallurgical Plant
- ZaporizhStal (50%)

Hotel chains

VS Energy International (Alexander Babakov)

- Premier International (17 hotels in 13 Ukrainian cities)

Mobile communications

Mobile TeleSystems (part of Vladimir Yevtushenkov's Sistema)

- MTS-Ukraine (38% of the Ukrainian market, 23.07 million subscribers)

Vimpelcom (owned by Mikhail Fridman's Alfa-Group)

- 56.2% stake in Kyivstar (42% of the Ukrainian telecom market, 25.3 million subscribers)

THE KREMLIN'S WELL-HEELED AGENTS



Alexander Babakov

Company

VS Energy International, Premier International

Assets

VS Energy International owns: Kyiv, Rivne, Zhytomyr, Kirovohrad, Odesa, Sevastopol, Kherson and Chernivtsi Oblast Power Companies

Premier International (17 hotels)

Voted for the annexation of Crimea and the use of Russian troops on the territory of sovereign Ukraine, finances terrorism, raided Ukrainian companies. During the Revolution of Dignity, FSB officers and titushky, hired pro-government thugs stayed in hotels owned by Babakov



Alexander Katunin

Company

ISD (50%), Zaporizhstal (50%)

Assets

The corporation includes: the Alchevsk Iron & Steel Works, Alchevsk Coking Plant, Dzerzhinsky Dnieper Metallurgical Plant. ISD also owns Media Invest Group

Involved in financing separatism in the Luhansk Oblast, is linked to former head of Luhansk Oblast Administration under Yanukovych, Oleksandr Yefremov.

His companies are involved in corrupt schemes. The Alchevsk Iron & Steel Works, controlled by the militants, received almost UAH 500mn (\$20mn) in VAT reimbursement from the state, while a number of Ukrainian companies that pay into the state budget do not get VAT refunds



Arkady Rotenberg

Company

Ocean Plaza

Assets

Shopping and entertainment complex, the largest in Kyiv

Giprotransmošt, which Rotenberg owns shares in, was given the right to carry out a feasibility study for the construction of a bridge from Russia to annexed Crimea, which undermines the territorial integrity of Ukraine



Konstantin Malofeev

Company

Nutritek (75% of shares) Envision Group (25%)

Assets

Malofeev is the founder of Russian investment fund Marshall Capital, which controls Nutritek. It is the largest producer of baby food and one of the leading manufacturers of dairy products in Russia. In Ukraine, it has the Khorol Dairy Plant, which produces baby food under the brands Maliuk, Maliatko and Maliutka. In Ukraine, Envision Group has a subsidiary – Envision Holding, better known under its old name Sitronics.

One of the biggest sponsors of the Russian Orthodox Church. In Putin's inner circle, closely linked to Patriarch Kirill. Brought The Gift of the Magi to Ukraine. The gifts were accompanied by Igor Girkin aka Strelkov, then head of Malofeev's security service. Alexander Borodai, Russian national and one of the Donetsk People's Republic leaders, also worked in one of Malofeev's structures, responsible for PR campaigns. The trip including Girkin was used to collect intelligence in Ukraine. Malofeev funded the annexation of Crimea and provided military support to separatists in the East



Konstantin Grigorishin

Company

Energostandart (75%) ZaporizhTransformator KrymTETS UKRRICHFLOT

His name is also associated with the Medintrade pharmacy chain in Zaporizhia, Kozatska Chaika, construction company ESK, the KyivMiskBud Design and Technology Institute and Yasnohorodka Ostrich Farm

Assets

Field of interest – energy

Assets:

Luhansk Energy Association, Vinnytsia, Ternopil, Zaporizhia, Volyn, Poltava, Kharkiv, Cherkasy, Chernihiv, Sumy, Dnipro and Crimea Oblast Power Companies

Large owner of river craft: Dnipropetrovsk, Zaporizhia, Mykolaiv, Kherson and Chernihiv River Ports

Funded the Ukrainian Communist Party for many years



Oleg Deripaska

Company

Mykolaiv Alumina Refinery Zaporizhia Aluminium Complex

Assets

The Russian billionaire owns a 48.1% stake in Rusal, which owns the Mykolaiv Alumina Refinery and Zaporizhia Aluminium Complex in Ukraine. The plant in Mykolaiv is one of the least energy-efficient alumina facilities in the world

The Mykolaiv Alumina Refinery, controlled by Russian billionaire Oleg Deripaska, has secured an extension for its lease of the Dnieper-Bug port, critically important for the Russian's global business, from the state. The rent is inexpensive – about UAH 1mn (\$40,000) per month



Viktor Nusenkis

Company

DonetskStal (formerly Energo)

Assets

DonetskStal is a manufacturer and exporter of commercial coke and iron to the CIS and Eastern Europe.

The company's structure includes the Yasinivskiy Coking Plant, Makiyivka Coking Plant, Donetsk Metallurgical Plant and TSA-Steel Group

Coal sector: Pokrovske Coal Company, Chumakovska Central Enriching Factory.

The agricultural holding includes the firms Agrotis, Druzhba, Laktis and Winter, the Nikolske Processing Complex, Maryinka Feed Mill, Malynivka Stud Farm. Machine building: Donetsk Electrotechnical Factory.

Finance: Kreditprombank and Garant Polis insurance company

A key sponsor of the Moscow Patriarchate of the Ukrainian Orthodox Church (MP-UOC), particularly its branches that opposed greater autonomy for the UOC from the Moscow centre. Manipulated Moscow Patriarchate priests to win elections. MP-UOC provided Russian militants with rooms at the Svyatohirsk Lavra, assisted terrorists, printed anti-state books and leaflets, made flags of the aggressor country and sponsored separatists. Conducts anti-Ukrainian propaganda among its parishioners



Oleh Boyko

Company

Patriot Lottery

Assets

Patriot, through Cyprus company Cehriba Investments Limited, is part of investment holding FinStar. Has 21,000 sales points. Revenue – \$210mn, net profit – \$12.2mn

In Russia, Boyko owned the Pobeda lottery until February 2016. Its profits were sent to support the Russian army



Igor Kesaev

Company

Megapolis-Ukraine

Assets

Distributor of tobacco products in Ukraine

Owner of the Russian Degtyarev Plant, which manufactures civil and military equipment from anti-aircraft systems and machine guns to mopeds

When business is state business

Ihor Losev

What's the fundamental difference between Russian business and any other kind of business?

When he became president in 2005, Viktor Yushchenko tried to demonstrate that he wasn't such a terrible "benderovets" as Kremlin propaganda liked to paint him, so he turned to Russian business and invited it to come to Ukraine and work. Russian business listened to him and came—although, in fact, it had been coming to Ukraine all along, and kept doing so long after he was gone. Today, Russian banks are in a position to have a significant impact on the economic situation in Ukraine. Other businesses from Russia also have strong positions in Ukraine.

Born not under natural conditions but in a state incubator, from the very start, Russian business was controlled and protected by those in power. This fairly artificial and manipulated phenomenon is the result of administrative rather than individual efforts. "Business" translates as "affair" or "act," but in Russia this is often not someone's but the state's affair—even when profits are distributed among private individuals. If we take the British East India Company, it was a private initiative. True, the England fostered the enterprise, helped it, protected its interests in the colonies, but the primary initiative came from below.

In Russia, the *causa prima* was the will of the Head of State as the highest personification of power. The Tsar would finance the project, dedicate a massive serf workforce to build the factory—the latter being nominally free men who were indentured to the state. That was more-or-less what Peter I did when he ordered the Demidov brothers to build factories in the Urals and the Stroganovs to launch commercial colonization of Siberia. What's more, these projects were the result of geopolitical ambitions that were intended to strengthen military preparedness by developing the necessary arms industry. This was all supported by state procurements and payments from the imperial budget, as there was no market environment to speak of at the time. Nothing much changed in this sphere throughout the 19th century in Russia. All business projects of any significance were dominated by the state, which acted as the main initiator, organizer and promoter. In this aspect, the US and Russia were polar opposites: almost entirely free enterprise versus almost entirely state-controlled commerce.

THE LONG REACH OF THE LUBIANKA EMPIRE

Certain barely noticeable changes began to emerge in the imperial Russian commercial environment only at the start of the 20th century. Even so, these changes were driven by the state and geopolitical considerations continued to dominate economic



Uncompetitive deals. After Russia's finances dwindle, Putin transfers control over major Chechen oil and gas company to Kadyrov's authorities. They have been requesting this for years, unsuccessfully until recently

ones. For instance, in 1904-05, imperial Russia intended to annex Korea and Manchuria, for whom it already had a "Yellow Russia" plan, similar to its "Little Russia" set-up in Ukraine, to which it would later send Russian entrepreneurs to "take possession of the land." However, the Russo-Japanese War did not go as planned.

In the Russian Federation today, state domination over business has reached a new peak, which is particularly striking, compared to the Yelstin era, the "evil nineties" according to contemporary Kremlin propaganda, when business was relatively free. The real implications of a dictatorship based on the principles of the Cheka, when enforcers from its current iteration, the FSB, have penetrated the entire social fabric of Russian society, have become obvious—which they hadn't been earlier—: oligarchs and businessmen are only nominal owners of their capital and assets. At any time, those upstairs can make a decision to transfer securities to individuals who

are “more deserving” in their opinion. Resistance is pointless because it is likely to lead to a car crash, at best, and, at worst, to tea laced with polonium or some other substance developed in secret service labs.

Of course, this is the extreme case. There’s always Russia’s marvelous justice system that has demonstrated its exemplary functioning in the case of Mikhail Khodorkovsky and many other, less well known Russians. And there’s always the option of fleeing abroad, which was the option chosen by Abramovich, Berezovsky, Chichvarkin, Gusinsky, Pugachov, and others. Or the option of a “preventive” trip abroad. True, these are also not a panacea because the Lubyanka Empire operates worldwide and acknowledges no borders or jurisdictions other than its own. Take the mysterious 2015 death of public-private Russian media magnate Mikhail Lesin, a 57 year-old who had no known health problems...other than with the top officials of his homeland. At least, that’s what they say in opposition circles in Russia.

Russia does not recognize the notion of private property in the western meaning of this concept because it recognizes neither universal rights nor the independence of a judiciary. So it’s hardly surprising that its super-wealthy class prefer to resolve their financial disputes in the courts of London and not in the infamous and hilarious—though not in the view of those who had the misfortune of standing before them—Basman and Khamovniki District Courts in Moscow.

A PUBLIC-PRIVATE MAFIA

But the main role in the current state control of Russian business is the Chekist corporation. In fact, this is an entire complex of enforcement agencies with their varied spheres of interest, with the FSB taking the lead. Depending on the will of its “Supreme Master,” V.V. Putin, this corporation can redistribute assets, both government ones and nominally private ones. For instance, not long ago, a major oil company was handed over to the Chechen dictator and personal vassal of the president, Ramzan Kadyrov, to manage.

Many highly-placed Chekists are official or unofficial managers of state, public-private and private entities. Some of them are classic minders in the sense used among the mafia—and this is no coincidence. After all, since the 1920s and 1930s, when the traditional alphabetized terror squads were first formed by the soviet leadership, the Cheka, OGPU, NKVD, MGB, KGB, and now FSB all had a “special” relationship with criminals and the underworld.

This crowd was officially called “socially close” and had considerable privileges where it was incarcerated, compared to political prisoners and other ‘enemies of the soviet people.’ The helmsmen and their secret service teams borrowed plenty from the arsenal of methods and habits of this particular layer of society, and so the spirit of criminal world permeated their ranks. The democratic West has no idea that the large-scale infiltration of the free world by Russian business means the export not only of corruption but also of basic criminality in its most brutal, thieving manifestation. Like the better-known Italian mafia, Chekist business never

worried about being on the wrong side of the law to succeed or eliminating—in the most literal sense—anyone who got in its way.

Chekists have never been shy about murdering political opponents of the Kremlin in western countries, so there is little reason to believe that they would preserve legal niceties in business, either. The corruption of western politicians, officials and business owners is a completely normal aspect of their business. All Russian businessmen who underwent “dressage” under the rigid state Chekist system over the last 15 years have understood perfectly that they need to always keep the priorities of their government in mind. There is no mistaking things here: a step to the right or the left is seen as an attempt to escape. And if orders should come from upstairs, any Russian firm in Ukraine, Germany, Paraguay or Australia will carry them out, no matter what it takes.

So those Ukrainian activists who keep bleating about business being “beyond politics” are simply making the task of Russian business and state patriots carrying their non-traditional functions out that much easier... A similar process went on under the Third Reich with business: it wasn’t destroyed or nationalized as in soviet Russia, but it was strictly subordinated to the needs of the nazi state. Today, in Putin’s Russia, it’s subordinated to the interests of the Chekist state.

RUSSIA DOES NOT RECOGNIZE THE NOTION OF PRIVATE PROPERTY IN THE WESTERN MEANING OF THIS CONCEPT BECAUSE IT RECOGNIZES NEITHER UNIVERSAL RIGHTS NOR THE INDEPENDENCE OF A JUDICIARY

Russian business “factories” abroad are real gold mines for the RF’s secret service, which phenomenally eases gaining residency, recruiting agents, and expanding the Kremlin’s political and conspiratorial influence. These provide the ideal conditions for a hybrid war. Russian companies outside the RF are bases for geopolitical attacks and the control of new foreign territories adapted by Moscow. Of course, they are also interested in making money, as the one does not exclude the other.

Still, when the clock strikes X, this entire network will work as planned by the Center. Random financial “crises” will erupt in Russia’s “near abroad,” starting with those places where Russia’s banking sector has made inroads, a sudden shortage of certain goods and services, disruptions in supplies, problems with communication and transportation links, and so on. During soviet times, the caliber of pasta and cigarettes was exactly the same as that of bullets for rifles, so that, in case of war, it would be easy to switch the various factories to produce ammunition. Do we really believe that this has been forgotten in the Russian Federation today? And no one who is not privy to this will be running the show: all of Russian business is subordinated to the state and must act first in the interests of the Kremlin and its geopolitical aims. ■

A 3-year clean-up plan

Lyubomyr Shavalyuk

Credit restrictions on related parties will lead to tectonic changes in Ukraine's banking sector

Right now, it's trendy to criticize Valeria Hontareva. The Governor of the National Bank of Ukraine leads the ranks of the least popular officials in Ukraine: a few months ago, one opinion poll showed her lacking in trust from 80% of Ukrainians. Indeed, this attitude towards the head of the central bank is not entirely without justification, because the work of the NBU was anything but stellar in a number of instances over the last 18 months, and Hontareva herself made more than one mistake. But it's clear that the critics are exaggerating and one-sided and the achievements of the bank regulator are rarely mentioned. Why?

Firstly, the NBU has become that government entity that has taken on the most substantial reforms under Hontareva—nor has it wavered from its course. When you cut trees, the chips will fly. Against the number of those who are unhappy with the changes and the many critiques, positive expert assessments of the Bank's activities have been lost.

Secondly, with the NBU having shifted to a freely floating hryvnia exchange rate under Hontareva, the currency market and, as a consequence, the exchange rate of the national currency has become the catch basin into which all the mistakes, both past and present, in all the branches of the domestic economy, all government agencies and all social spheres have drained. Ordinary Ukrainians only see that the hryvnia has devalued to a third of its worth, but they aren't sure which part of this they can thank Viktor Yanukovich for, which is to blame on ex-PM Arseniy Yatseniuk or the Verkhovna Rada. In contrast to many other negative processes taking place in the country, devaluation directly affects everybody's wallets. Not understanding all the components of this process, Ukrainians tend to lay the all the blame at the feet of the NBU Governor, although her fault is significantly smaller than what they think.

Thirdly, with Hontareva at the helm, the National Bank has put together a qualified team of reformers. Thanks to their actions, Ukraine's banking sector is in the process of removing ballast and turning into a properly market-oriented, efficient system.

One of these measures initiated by the NBU reform team was placing regulatory restrictions on the share of loans in commercial bank portfolios that have been issued to related parties. This will completely change the way the Ukrainian banking system functions and significantly redraw the market landscape. The transformation will be epochal and will unambiguously be to the benefit of both the banks themselves and of depositors and borrowers alike. Needless to say, this will not happen without some fallout.

HOW THE BANKING SYSTEM WAS BORN

To understand the point of these reforms, let's look at the history of how Ukraine's banking system developed. It was set up at the beginning of the 1990s, less than a quarter-century ago, in very difficult economic circumstances. On one hand, Ukrainians were reeling with shock from having lost all their savings in Sberbank, the soviet state savings bank, and were hit with hyperinflation by the third year of independence that reached an astronomical 10,000% at its peak. Coupled with wages that floated around the equivalent of \$7-10 a month, they simply weren't prepared to take what little they had and entrust it to a bank.

The result was that the functions of accumulating savings and turning them into investments, roughly speaking, did not exist and so depositary corpora-



UNTIL 2015, UKRAINIAN LAW DID NOT EVEN INCLUDE A CONCEPT SUCH AS "RELATED PARTIES," NEVER MIND INSTRUMENTS FOR REGULATING THE ISSUING OF LOANS TO SUCH PARTIES. THIS MEANT THAT A SYSTEM FOR RESOLVING THIS ISSUE HAD TO BE BUILT FROM NOTHING

tions were not needed to carry them out. On the other hand, as the quality of state institutions sharply degenerated, an underground economy arose and a phase of not-always-legal primary capital accumulation began. All this meant that the need for a banking system as an instrument for payments and settlements was fairly limited. Simply put, for most transactions in the country, money was carried in suitcases. And if suitcases were too small, the trunk of a car did the trick.

Commercial banks began to appear in Ukraine when the value of contracts became too big to be paid in cash. And the businessmen who were to become the country's tycoons, understood that it was more convenient to set up a bank than to continue to carry the risks and losses associated with cash transactions. Needless to say, the capital that went into statutory funds was often of dubious provenance and those who then ran the banks had murky pasts, all of which affected the nature of Ukraine's banking sector for many years to come. Many of these financial institutions were little more than wallets for financial-industrial groups (FIGs). In the worst cases, depositary corporations operated outside the law altogether. Banks were used for running shadowy schemes, money-laundering, offshoring profits, and building institutions based on financial pyra-

mids in which money was collected from depositors and handed out as cheap loans to insiders.

The peak of this phenomenon came during a time when the country's economy was growing strongly in 2006-2008. Demand for Ukrainian banks among foreign investors rose steeply and they were paying unbelievable prices for financial institutions: 5-7 times capitalization. Today, by contrast, many aren't even willing to pay 0.5 times. In fact, they were buying a pig in a poke. The former owners, meanwhile, were rubbing their hands with glee, because they knew that a big part of the credit portfolio—sometimes more than 50%—had been issued to their own businesses, known today as related parties, and they had no intention of paying anything back.

The result was that the non-residents were forced to write down unpaid loans for years, which meant operating at a loss. In some instances, such as with Forum Bank, the new owners were never able to clean up their balance sheets. This problem was so widespread that it became one of the main reasons for the sector's protracted ordeals after the 2008-2009 financial crisis.

THE RULES CHANGED, THE BANKERS DIDN'T

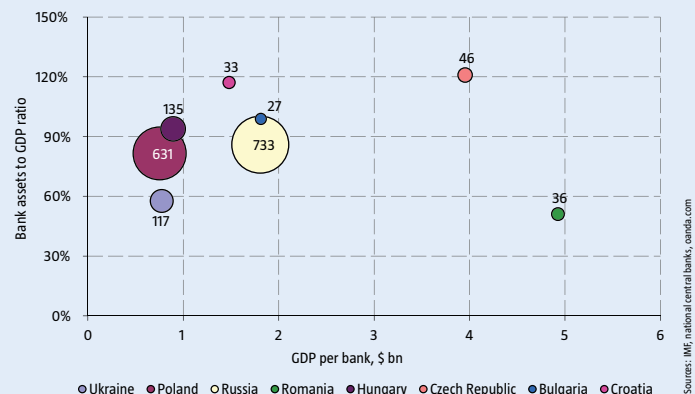
When the Euromaidan revolution began, two key trends could be seen in the banking sector. First, a significant number of banks had based their business model on illegal operations. This, of course, implied a certain quality of owners and managers in these institutions. The reason for this was that the NBU was not carrying out its main function of oversight and any time problems did arise, it was easy enough to "come to an agreement" with its officials. How to resolve this problem is also pretty straightforward: the regulator begins to conscientiously carry out its designated functions and establishes the rules of play as written on paper, where, earlier, reality was in considerable contrast with legislated rules. Ideally, everybody should now start playing according to rule and no problems should arise.

However, like any business, banks are based on people. The rules were changed but the owners and managers were not. They were not prepared to operate transparently, to compete for clients, and to engage in civilized banking. And so the post-revolutionary collapse of banks happened because in cleaning up the sector, the NBU was unable to break the backs of the owners and managers—an impossible task, ultimately—, most of whom were still in 1990s mode. Instead, these folks began to flee with their money, leaving nothing but a ruin behind them. These changes are obvious, but they weren't the only ones.

Secondly, the main function of many financial entities was to carry out settlements among the enterprises of a specific FIG while attracting deposits from local individuals to finance these operations. In effect, these "pocket banks" functioned as wallets for the oligarchs and as instruments for attracting capital. Where the first problem mentioned was easy enough to resolve simply by enforcing legislation, especially on the part of the NBU, here the situation was not so obvious. This kind of business model is nominally legal. But the strategic implications of its widespread application are hard to exaggerate. The impact on foreign buyers of such banks was already described. In addition, by lending to its own enterprises, such finan-

Too many or too few?

A widespread opinion holds it that Ukraine has too many banks. It is confirmed in comparison to the banking systems in some of its neighbors, and refuted in comparison with others



cial institutions paid no attention to the risks involved, which often led to inappropriate diversification of credit portfolios by concentrating on a single sector in which the oligarch owner was active, unproductive lending to industries whose material assets were completely depreciated and hence unable to generate the necessary levels of returns, and offshoring any profits that the bank generated.

This meant that every crisis led to enormous risks of bankruptcy for the particular bank. These risks regularly made themselves felt with consequences for the entire banking system in Ukraine, such as loss of depositor confidence, economic slowdowns, and so on, not to mention lost opportunities. When a bank lent its money to unproductive enterprises belonging to an oligarch, that owner was effectively taking capital from more innovative businesses whose development would ensure the country both economic growth and healthy incomes. All these consequences of large-scale lending of related parties, one of the main features of the domestic banking sector prior to the Euromaidan, finally caught the attention of the regulator, who began to think how to resolve deeply-rooted problems, and the International Monetary Fund, which made cleaning up the sector one of the key conditions for a credit agreement with Ukraine.

NEW CONCEPTS FOR A PROFOUND IMPACT

Until 2015, Ukrainian law did not even include a concept such as "related parties," never mind instruments for regulating the issuing of loans to such parties. This meant that a system for resolving this issue had to be built from nothing.

In March 2015, amendments to the Law "On banks and banking activity" were passed, defining the concept of "related parties" and forbidding financial institutions to enter agreements with such counterparties involving conditions that were not market-based: higher interest rates on deposits, lower interest rates on loans, buying bank assets at below-market prices, and so on. In time, the National Bank set up a department to monitor entities related to banks. The NBU also issued Resolutions #314 and #315 containing detailed instructions as to how to identify related parties and how to analyze bank operations involving them. »

Next comes the task of implementing this legislation. First, the regulator has to examine operations involving related parties at all banks. From the start, plans were to finish this phase by July 2016, but NBU sources say that most likely this deadline will be extended to the end of the year. The result of this 'diagnosis' will be a specific list of related parties for every financial institution in Ukraine and all the assets and liabilities connected to such counterparties. If the amount involved ends up being more than 25% of the regulatory capital of the bank, the maximum permissible level set in Norm H9—and this amounts to 2.5% of all the assets in the system according to the latest indicators—, deposit corporations will have to bring their assets in line with this standard.

In the next phase, financial institutions will have to draw up a recovery plan for bringing their assets and liabilities in line with current laws. The maximum legislated term for this plan is three years, that is, the next phase of cleaning up the banking system will last through 2019. But this time, the system will not be purged of bad banks



AT THIS POINT, THE FIRST 10 BANKS HAVE BEEN REVIEWED, PLANS HAVE BEEN MADE TO BRING THEM IN LINE WITH NORMS FOR OPERATIONS WITH RELATED PARTIES, AND THESE PLANS HAVE BEEN INTEGRATED INTO THE FINANCIAL RECOVERY PLANS OF THE BIGGEST BANKS

but banks themselves will purge bad assets and liabilities from their balance sheets—provided that Ukraine's bankers agree to play by the new rules.

The NBU will check whether plans are being carried out, on a quarterly basis. As long as depository corporations keep working as planned, everything should go smoothly. Unfortunately, the quality of many bankers makes this doubtful. Oleksandr Zavadetskiy, director of the Bank's Registration and Licensing Department and previously head of the then new Administration for Monitoring Parties Related to Banks, says the National Bank is very determined.

WIDESPREAD PROBLEMS

At this point, the first 10 banks have been reviewed, plans have made to bring them in line with norms for operations with related parties, and these plans have been integrated into the financial recovery plans of the biggest banks. This has given a clear signal to the market about what and how the NBU plans to do—and whom and how this threatens. The next 10 banks have also been checked and are in the process of forming their plans and agreeing them with the regulator.

As long as this process is not completed for the entire banking system, it's early to talk about an average indicator of credits issued. In the worst cases, loans issued to related parties are as much as 70-80% of the credit portfolio, that is, several times above the norm. For such institutions, complying with the norm is a daunting task. The question is only whether their owners and managers decide that it's worth the hassle.

Another important aspect of this problem is that more than half the credits to related parties were issued by non-residents, including offshore companies. Thus, to bring these banks within the established

standards, their owners will have to bring capital back from abroad and pay back the money that they effectively lent themselves. Some of these sums are huge.

TECTONIC SHIFTS

Ideally, this process should make the balance sheets of depository corporations clean and the entities themselves prepared to engage exclusively in banking activities in the standard, civilized sense of the word. The era of banks whose primary function was to be FIG treasuries or, more bluntly, wallets for oligarchs, should come to an end. According to Zavadetskiy, this is actually the strategic goal of the transformations initiated.

Until recently, depositors at many financial institutions de facto took on the risk of the main business of the bank owners and were shareholders, although they had no idea themselves and received only a small amount of interest, not a share of the profits. As soon as a risk materializes, those entities went bankrupt, their related parties had all the money in their hands, and the entire financial burden was placed with depositors, sometimes even with the state. This is precisely what the National Bank is fighting by placing restrictions on loans to related parties. The real progress of cleaning up the balance sheets of Ukrainian banks will probably be much more complicated than it seems and will be followed by many consequences—some of which will clearly be bad.

The main tactical impact for the banking system will be an extended period of uncertainty tied to the withdrawal of some banks from the market. The owners of pocket banks mostly do need a treasury, but not a bank operating on market principles, as this is an activity that requires special skills and knowledge that many of today's bankers will be unable to master. Clearly, if a tycoon owner sees that under the new rules he won't be able to use his bank as a treasury, then there will be little sense to fight for its survival. Moreover, to hang onto the financial institution and adapt it to the new rules, the owner will have to settle the debts of related parties and recapitalize the bank. This is likely to cost enormous amounts of capital into investments whose profitability is extremely doubtful and uncertain. All of this leads to the conclusion that pocket banks will simply be closed, the NBU will take them off the market, the decline in banks will continue, and depositors will continue to lose their savings if they have more on deposit than the established limit at the Physical Entity Deposit Guarantee Fund.

LONG-TERM CONSEQUENCES

The second key outcome will affect the prospects for economic growth. If banks stop lending irrationally to related persons, then financial resources that are no longer directed at often depreciated, outdated enterprises, but start to go to those who are prepared to pay more for them, that is who are generating greater added value and have a more efficient manufacturing facility. In the future, this should lead to the dying off of uncompetitive enterprises—or to accelerated modernization. Less capital will leave the country and the economic system will stop bleeding money and start accumulating it instead.

The third outcome will be structural: an overall reduction in credit portfolios in the banking system

and the emergence of surplus liquidity. The minute bank owners settle loans to related parties, they will be faced with the question of where to place the capital thus released. The best outcome would be to lend to very well-managed companies on market terms. Of course, there will not be a lot of this kind of demand today, given the economic situation in Ukraine. The more likely way out will be to reduce the deposit base, together with a noticeable reduction in interest rates, or the gradual repayment of external debts, the sum of which on the balance of depository corporations has remained significant since the 2008-2009 crisis. A third option would be for the state to accumulate surplus liquidity by issuing domestic bonds and using the funds to improve infrastructure. But for this to work, a number of conditions need to be in place, including the agreement of Ukraine's external creditors to a higher budget deficit and the availability of large-scale infrastructure projects that are already planned. So far, this option is merely hypothetical.

The fourth outcome is that a real picture of what is on the balance of Ukraine's financial institutions will finally emerge and the National Bank will be able to gradually adjust its weak points. The fact is that among the credits issued to related parties, very few are problematic. Sometimes banks deliberately issue such loans in order to improve their own statistics and to meet NBU norms. This means that the volume of

bad debt on paper—at the beginning of May the share of deadbeat loans was 23.5%—is significantly larger compared to real market loans and, in time, it will be possible to see just how much.

Finally, a consequence that also has meaning is that the practice of a surge of foreign investors wanting to buy a financial institution will stop, similar to what took place on a major scale around 10 years ago, will stop. Banks with prospects of clean balance sheets will be able to attract foreign investment, which will have a positive impact on access to financial resources in Ukraine and prospects for the domestic economy to grow.

Many negative events in Ukraine's banking sector are the direct result of widespread transformations started by the NBU. But the need for such transformations emerged purely as the result of an environment that had been neglected for many years after independence, indeed, since the very beginning when the commercial banking system was set up. And so the regulator is finally taking absolutely correct, albeit very painful, steps without which Ukraine would return to the same situation that it has suffered through more than once in the past: financial crisis, devaluation and depositor flight. Reforms will give Ukrainians a chance at a better life and at fixing the mistakes of the past. These reforms should be supported while taking measures to suffer as little as possible from side effects. ■



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Ivanna Klympush-Tsyntsadze:

“We do not accept arguments of countries that try to raise the issue of lifting sanctions against Russia”



PHOTO: ANDRIY LOMAKIN

In April, a new office of Vice Premier for European and Euro-Atlantic Integration was established within the newly-appointed Cabinet of Ministers. Previously Ukraine had no top official who would act as a centralized coordinator and supervisor of the processes linked to Ukraine's European integration and the implementation of the Association Agreement with the EU. Almost two months after her appointment, Ivanna Klympush-Tsyntsadze spoke to *The Ukrainian Week* about her priorities and tools, details of Ukraine's cooperation with NATO, and Ukraine's overall position on the international arena in a context where the EU and US are facing difficult challenges of their own.

How do you see your priorities as Vice Premier for European and Euro-Atlantic integration in the short- and mid-term prospect?

I would like to focus on what tasks I see as Vice Premier in charge of these aspects (the choice of tools to help me be effective in my office is limited but I hope that will change with time).

Let's start with Euro-Atlantic integration: in terms of short-term goals, it is important for us to prepare for the President's participation in the NATO Summit in Warsaw. We expect the Comprehensive Assistance Package for Ukraine to be adopted there. Currently, we are working on its content with our partners.

Interviewed
by **Anna Korbut**

I'm happy that the National Security and Defense Council approved Ukraine's Strategic Defense Bulletin (on May 20. The President signed and enforced it on June 6 – **Ed.**) prepared by the Ministry of Defense, Army Headquarters, as well as the NSDC, in cooperation with our NATO partners and advisors. By the way, we have an unprecedented mission from the Alliance here: more advisors than in any other partner-country. It is very important to make sure that this experience is used effectively. Our task today is to actively take further steps to implement the Bulletin in developing the Armed Forces of Ukraine and the military technology sector through 2020.

What are these steps specifically?

It's a huge amount of work on reforming the defense sector. However, our cooperation with NATO goes far beyond that, covering everything from humanitarian and R&D cooperation to responses in emergency situations and cybersecurity. In fact, this cooperation is about many things which nobody really thinks or knows about. I think we are not telling and explaining enough about what NATO really means. To us, it's a military alliance first and foremost. Yet, it is a military political one, and our annual cooperation program, which is reflected in Annual National Programs of

Ukraine-NATO cooperation, includes more than just elements of military interaction.

As to the principles of reforms envisaged by the Strategic Bulletin, these are crucial things that will help us accomplish the standards of military management, delegation of responsibility, powers and decision-making to the lower levels. These are the things that the Soviet army did not have, but that would make ours more effective now.

In addition to that, it's about civilian control over the security and defense sectors – something that's seen controversially by the military. One argument goes that introducing it during military action is an extremely difficult transformation. However, I believe that we will not move further to the standards by which NATO operates without democratic civilian control over the military aspect of the state, including through Parliament.

There are also technical aspects: distribution of functions at the Headquarters, formation of units. This is the aspect of reforms that every ministry in Ukraine possibly needs because it is about functions and powers. Similar changes are being considered for other ministries as the strategy of public administration reform is being prepared.

This is also in line with the goal we see for ourselves: to be compatible with our partners in NATO countries. This will make our participation in peacekeeping operations easier. Ukraine is among the most active partner countries in that regard. It's the people who had been in peacekeeping contingents that have proven to be among the most effective operators when Ukraine itself faced a real military threat.

Another task I see for myself in terms of Ukraine's Euro-Atlantic integration is engagement in coordination of effective use of Trust Funds (currently, seven, and two more, for demining and strategic communications, on the way). Hopefully, we will resume the work of the government commission for cooperation with NATO. There wasn't one under the previous two governments after the Maidan. Currently, we are working to agree who will be in the commission.

Overall, we would like to switch to a different mode of planning Annual National Programs: so that they are no longer merely a set of measures that's postponed from year to year, but a realistic reflection of our cooperation with NATO.

What about key tasks in European integration?

When the office was appointed on April 14, I saw the establishment of active work between all entities engaged in Ukraine-EU contacts as my key task. Assistance in coordination and shaping of Ukraine's position on one issue or another, preparation for meetings of all entities that keep us working in direct dialogue with EU partners.

Today, we have some additional serious tasks which we didn't really see coming. In April, it turned out that we were still waiting for the final ratification of the Association Agreement by the Netherlands. For us, it is extremely symbolic as both the initial reason and the outcome of what happened on the Maidan. Therefore, our efforts today (of partners, colleagues from all ministries engaged in dialogue in all fields), as well as my own, are aimed at getting the most positive possible decision from the Netherlands: to make sure that the Association Agreement is not revised and the ratification procedure is not re-launched. I think we have full understanding of the European Commission and all member-states in this aspect. We are waiting for the decision from the Netherlands, but

the process should also involve our active participation in the dialogue – something we didn't expect on this scale.

The short-term prospects also include ensuring a positive decision on the visa-free regime for Ukraine from the European Parliament and the Council of the EU. We are all working on this, from the President and the Ministry of Foreign Affairs to other ministries and government bodies, including anti-corruption entities established as part of the visa liberalization action plan implementation. These are the entities that are being established right now and are about to show results. It is extremely important for us to explain that we have fulfilled all conditions, and provide arguments to prove that to our colleagues at the European Parliament and (in various formats) to representatives of governments that will prepare decisions for the Council of the EU. And we really have fulfilled the conditions. The European Commission has no questions to us. In addition, we have to communicate to our partners that decisions in issues that are linked not to Ukraine but to the EU's own challenges (caused by the migrant crisis, terrorist threats), and possible implementation of a stricter mechanism to suspend visa-free regime with non-EU members, can be taken after visas are abolished for Ukraine.

All this has become a part of the portfolio which we thought we have fixed already and shouldn't be dedicating so much time to.

Next is the extremely important Free Trade Area agreement that came into effect on January 1, 2016. It is important for us to move to using the opportunities and instruments it provides, especially as Russia has been imposing additional restrictions on Ukrainian exports ever since. Meanwhile, we have to realize that the transformations we are undergoing as part of the FTA are in fact strongly affecting our relations with other countries and our potential to attract investment from them. Take Japan: it is monitoring closely our implementation of certain changes. Australia, Israel and others are probably watching our progress in a similar manner. Thus, by implementing FTA, we open options for cooperation with other countries.

In addition to that we have an underused resource of small and medium enterprises. Helping them use the prospects of new markets to the largest extent possible should be among our key goals.

Given the trade restrictions from Russia, we have requested the EU to consider autonomous trade privileges – from additional duty-free quotas to faster progress towards liberalization in trade in some goods and services – for Ukraine. Brussels is prepared to consider our proposals carefully and see where we can be mutually useful and interesting, despite all of the problems it is facing.

As to SMEs, we expect active involvement of expert and financial resources from the EU, EIB and EBRD. One option is that they could help us create cheap credit lines for SMEs, as well as assist in training staff for enterprises and developing business plans and models to bring our entities to new markets.

Overall, we have to do huge work this year. We've already adopted a strategy on phytosanitary and sanitary norms. This is a serious task for the State Food Consumption Service. We need to establish laboratories, ensure examination and certification of our produce which would then be traded in the world. For example, we have passed a decision allowing EU-certified medicines to be sold in Ukraine without any additional procedures of registration. This removes corruption schemes that existed at

Ivanna Klympush-Tsytsadze studied International Relations at the Kyiv Taras Shevchenko University and the University of Montana, as well Ukrainian history and literature at the Harvard Ukrainian Research Institute. Her career started in the NGO sector. In 1993, Ms. Klympush-Tsytsadze joined the Ukrainian Center for Independent Political Research as Project Manager; then moved to the Kyiv Center of the EastWest Institute. In 2002-2007, she was a correspondent for the Ukrainian service of the BBC in the US and the Caucasus (Tbilisi). Since October 2007 – Deputy Program Director, then Director of the Open Ukraine Foundation, in charge of strategic planning and implementation of the Foundation's programs aimed at international support for Ukraine, public diplomacy, promotion of Ukraine's positive image and international dialogue on security. From mid-2011 – Director of the Yalta European Strategy. In November 2014, she was elected to the Verkhovna Rada, then worked as First Deputy Head of the Parliamentary Committee for Foreign Affairs, head of the VR Permanent Delegation to NATO Parliamentary Assembly.

the Health Care Ministry before. That's how we will enter other markets with our produce too.

Obviously, my instruments are limited. I can help ministries of economy and trade, agricultural policy, infrastructure etc. I see my role as Vice Premier in coordinating and promoting our joint decisions, as well as in communicating and explaining them to help us understand the positive and negative aspects we have today. And monitoring, of course.

In terms of instruments: inspection entities have always been the most corrupt aspects of business in Ukraine. So, Ukraine's European integration greatly depends on reforms there, too...

Your next question will probably be: how do you make sure they get rid of corruption? I think we will be safe once the judiciary reform and implementation laws are voted in Parliament (on June 2 – Ed.), judges go through re-attestation and are paid different wages that will not encourage them to take bribes. When we understand that, whoever tries to construct a corruption scheme, will be held responsible. Without this we can hire more great people and pay them great wages, but the system will overcome them after some time.

So, this is a parallel process of reforming civil service, state administration, courts, close attention to anti-corruption authorities, declaration and monitoring of income statements from officials, as well as the establishment of certification entities. In addition, we need a balance between the current overregulation and little regulation that would be effective and adequate.

How strong is the will to implement all these parallel processes in the political circles of your level and above?

We have no choice. Formally, there aren't too many people on my level and above. In reality, I assume there are many more who are extremely powerful in this country. However, the premier in the country focuses on the result, reforms. His energy stimulates the rest of the Cabinet. The Cabinet also includes many people who really care.

We have done a lot until this moment. We have done extraordinary things that we could hardly imagine two years ago. But we don't value them too often. For instance, many say we are not fighting corruption. Yet, we are one of the few countries in Europe that opened all ownership registers. Colleagues from European countries are looking at us and taking over our experience. We have ProZorro –

now we must encourage all state and local authorities to do public procurements through this open e-trade system. It was recognized as the best product of the kind in the world last year. And it will save us a load of money which we can spend on other things.

If we begin to treat ourselves differently and appreciate what we've done, we will perceive things that are ahead differently as well.

As long as we have reformers in Parliament, Cabinet and Presidential Administration, civil society and our partners abroad who often help us with final decisions, this whole conglomerate of reform-oriented people has to work.

Many people in the current Government were previously deputy ministers and officials in ministries under the previous Cabinet – they remain in their positions, their previous accomplishments are being used and implemented. So, the focus on changes remains. Obviously, it's more difficult for us today compared to the initial positions of the Government in December 2014. Back then, the Government had the widest coalition possible, so it was far easier to get votes and pass even complex issues. Today, we are forced to pass difficult decisions – and that will be our challenge for a long time still.

Unfortunately, reforms are not about immediate improvements. These are complex matters that have to be explained. Here, we need help from both civil society and our experts who know all details and could explain them in villages and towns. I realize that people will hardly be totally happy about reforms. But this explanation will maybe help us understand why we are doing certain things, where we move and what it will bring us in the future.

Many in the EU are speaking about lifting sanctions from Russia and starting more active cooperation with it. How do you interpret this? How will this affect Ukraine's European integration both externally, in terms of how difficult it will be for it to move towards the EU and NATO, and internally – in terms of how Ukrainians perceive Europe?

It's another task that has come up as an urgent one for us. Obviously, we don't accept arguments of countries which try to raise the issue of lifting or decreasing sanctions against Russia. Such sentiments are often stirred by Russia itself: through influence on business, fueling sentiments about economic losses of Europeans after sanctions. It also supports far-right and left political parties in various countries, experts and media. Plus, the number of people who are losing from using their leverage and imposing sanctions, is growing. But I believe that solidarity and responsibility of the Europeans, their joint position in this issue, will determine not just the future of Ukraine and our relations with Russia, our territorial integrity and sovereignty, but the future of the European project. Unless Europe shows unity today, it will probably ruin the mere basics on which it is built. I believe that the wisdom and realization of how necessary it is to have a joint position will prevail after all. Because Russia is not even hinting today that it is willing to stick to the commitments under Minsk. It does not show that it is ready to return to respecting international law. We've already seen the position of G7. I am convinced that, despite all debates caused by various forces, including those inspired from Russia (with money, among other things), the EU will take a responsible decision on whether Russia has to remain under the pressure of sanctions when it doesn't stick with commitments. ■



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Misplaced charity

Aid is best spent in poor, well-governed countries. That isn't where it goes



Not long ago Malawi was a donor darling. Being dirt poor and ravaged by AIDS, it was needy; with just 17m inhabitants, a dollop of aid might visibly improve it. Better still, it was more-or-less democratic and its leader, Joyce Banda, was welcome at Westminster and the White House. In 2012 Western countries showered \$1.17 billion on it, and foreign aid accounted for 28% of gross national income.

The following year corrupt officials, businessmen and politicians pinched at least \$30m from the Malawian treasury. A bureaucrat investigating the thefts was shot three times (he survived, somehow). Germany said it would help pay for an investigation; later, burglars raided the home of a German official and stole documents relating to the scandal. Malawi is no longer a donor darling. It now resembles a clingy lover, which would be dumped were it not so needy. It still gets a lot of foreign aid (\$930m in 2014), but donors try to keep the cash out of the government's hands.

Foreign aid can work wonders. It set South Korea and Taiwan on the path to riches, helped extinguish smallpox in the 1970s and has almost eliminated polio. Unfortunately, as Malawi shows, it is liable to be snafled by crooks. Aid can also burden weak bureaucracies, distort markets, prop up dictators and help prolong civil wars. Taxpayers in rich countries dislike their cash being spent on Mercedes-Benzes. So donors strive to

send the right sort of aid to the places where it will do the most good. How are they doing?

A decade ago governments rich and poor set out to define good aid. They declared that aid should be for improving the lot of poor people—and not, implicitly, for propping up friendly dictators or winning business for exporters. It should be co-ordinated; otherwise, says William Easterly of New York University, “the poor health minister is dealing with dozens of different donors and dozens of different forms to fill out.” It should be transparent. Where possible, it should flow through governments.

These are high-minded ideals, reflecting the time they were laid down: the cold war was over and the West had plenty of money. They are nonetheless sound. Aid-watchers, who row bitterly over whether the world needs more foreign aid or less, mostly agree with them. They tend to add that aid should go to relatively free, well-governed countries.

By almost all of these measures, foreign aid is failing. It is as co-ordinated as a demolition derby. Much goes neither to poor people nor to well-run countries, and on some measures the targeting is getting worse. Donors try to reward decent regimes and punish bad ones, but their efforts are undermined by other countries and by their own impatience. It is extraordinary that so many clever, well-intentioned people have made such a mess.

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Official development aid, which includes grants, loans, technical advice and debt forgiveness, is worth about \$130 billion a year. The channels originating in Berlin, London, Paris, Tokyo and Washington are deep and fast-flowing; others are rivulets, though the Nordic countries are generous for their size. More than two-fifths flows through multilateral outfits such as the World Bank, the UN and the Global Fund. Last year 9% was spent on refugees in donor countries, reflecting the surge of migrants to Europe.

As the aid river twists and braids, it inundates some places and not others. India contains some 275m people living on less than \$1.90 a day. It got \$4.8 billion in “country programmable aid” (the most routine kind) in 2014, which is \$17 per poor person. Vietnam also got \$4.8 billion; but, because it is much smaller and rather better off, that works out to \$1,658 per poor person (see map). By this measure South-East Asia and South America fare especially well.

Western countries have mostly been shamed out of the cold war-era habit of funnelling aid to friendly regimes and former colonies. But aid is still used more-or-less explicitly as a tool of foreign policy—and increasingly so, says Owen Barder of the Centre for Global Development, a think-tank. Today’s enemy is not communism but radical Islam. Afghanistan, Egypt, Jordan, Syria and Turkey each got more net aid than Bangladesh in 2014, although none contains nearly as many poor people. This week the EU promised more aid to African and Middle Eastern countries that clamp down on migrants.

REWARDING FAILURE

A better reason not to give much aid to the poorest countries is that many are badly run. But that is not why they get so little. Claudia Williamson of Mississippi State University has created a yardstick that measures both poverty and the quality of government. On her measure, the targeting of aid worsened between 2004 and 2012. “Aid goes to middle-income countries that are also poorly governed,” she says.

Donors often reward democratic reforms; they also try to punish corruption and backsliding, as in Malawi. Between 2009 and 2014, 12 countries improved by at least two points on a 14-point scale produced by Freedom House, a think-tank, suggesting they became notably more democratic and liberal. Ten of them received more net aid in 2014 than five years earlier. Of the nine aid-receiving countries that worsened by two points or more on the same scale, six got less.

But such inducements tend to be subtle, whereas the surge of aid into strategically important states is often huge. Net foreign aid to Turkey, an increasingly autocratic country that is not poor, rose more than tenfold between 2004 and 2014, to \$3.4 billion. Besides, donors often have short attention spans. Two academics, Darren Hawkins and Jay Goodliffe, have shown that donors tend to reward countries that are becoming more like them. Once countries have joined the democratic club, aid drops. American aid to Peru followed that pattern. “You get penalised for achieving too high a level of democratic governance,” says Brad Parks of AidData, another think-tank.

Even if Western countries sent clear, consistent signals, they might struggle to be heard. Aid has become less important to many poor countries than foreign in-

vestment or remittances. And donors have become far more diverse. Several countries that used to receive aid now hand it out; a few, including India and Turkey, do both. China distributed roughly \$3.4 billion last year, according to the OECD. Although that is puny next to America or Britain, China is important because it can act as a shock absorber, moving into a country when others are pulling out. Last month it promised Malawi more food aid and 100 police cars.

For corrupt dictators, Chinese aid is even better than the Western kind. China tends not to fuss over democracy, and it seldom objects to loans being spent on pointless grand projects: after all, it builds a lot of those at home. The money is easier to snaffle. One study found that Chinese aid is highly likely to flow to the districts where African leaders were born.

In one big way, though, the proliferation of donors harms poor countries. Aid now comes from ever more directions, in ever smaller packages: according to AidData, the average project was worth \$1.9m in 2013, down from \$5.3m in 2000. Mozambique has 27 substantial donors in the field of health alone, not counting most non-Western or private givers. Belgium, France, Italy, Japan and Sweden each supplied less than \$1m. Such fragmentation strains poor countries, both because of the endless report-writing and because civil servants are hired away to manage donors’ projects.



DONORS WOULD PROBABLY DO MORE GOOD BY CONCENTRATING ON A FEW PROJECTS IN A FEW COUNTRIES. BUT THEY STRIVE TO ACHIEVE THE OPPOSITE

Donors would probably do more good by concentrating on a few projects in a few countries. But they strive to achieve the opposite. To them, and to the politicians who control the purse strings, plastering the world with flags is a sign of success. Erik Solheim, chairman of the OECD’s Development Assistance Committee, remembers trying to persuade his own country, Norway, to focus on what it really knows about (managing an oil boom) rather than on things like tropical agriculture. He did not succeed.

A decade ago the approved cure for fragmentation was for donors to pay aid directly to poor countries to use as they please. This has become deeply unfashionable. A donor who funds a government feels responsible for every dismal thing that government does, whether it is passing anti-gay laws or stealing the cash. Once lost, trust is hard to recover. Donors seem disinclined to resume direct budget support to Malawi: one describes it as “in the past”. Britain’s department for international development, which used to proselytise about the virtues of budget support, said last year that it would stop doing it. Increasingly, donors also earmark the funds they provide to multilateral outfits.

The situation is a mess in almost every way. Which is why it is good news that a great deal of progress has been made on one of the ideals agreed on in Paris a decade ago. Donors have become far more open about where their aid goes and how it is spent. It is because of the advances in transparency that we know just how badly things are going. But knowledge and the willingness to change are not the same. ■

French MPs and the sanctions: not that bad, yet a bitter experience

Philippe de Lara

This resolution displays the carelessness of French politicians and their vulnerability to Russians pressures, but it does not condemn the European policy of sanctions

The vote by the French Senate of a “resolution” on EU sanctions against Russia is both a motive of relief and anger. Relief: to secure the vote of a broad majority of senators, the resolution was designed by its sponsors NOT to call expressly for the lifting of sanctions. Lifting sanctions is only “wished” on the condition of “significant and targeted” changes in Russia’s behaviour in Ukraine. More, the assessment of these changes is not put in determined terms — likely to be too lenient for Russia and too binding for the European governments. Rather, it is left to the French government and its partners to evaluate Russian efforts if any, and to make the appropriate decisions. In the terms of the resolution, sanctions are to be “revaluated”, which might mean after all “strengthened”! Last but not least, we should not forget to assess also this document on what it DOES NOT say: although it relies primarily on Minsk agreements, supposed to be reciprocal, it mentions only Russia as responsible for the war in Crimea and in Donbas, and sets conditions to be met by Russia only, instead of the usual diplomatic doublespeak of Western governments, allegedly balanced, which charges both Ukraine and Russia for the failures in implementing the Minsk agreements. Although the word “Crimea” is absent from Minsk agreements, the resolution begins by “condemning the use of force by Russia on Ukrainian territory and the annexation of Crimea after a referendum regarded as invalid by the United Nations”.

Yet, there are indeed motives of anger. To begin with, the French Senate accepted to debate on the lifting of sanctions, as if these sanctions were something bad as such, as if Europeans defended Ukraine (and themselves) only with reluctance, preferring to avoid any conflict. This is close to a collaborationist mindset: as if surrendering to Putin’s hegemony was a less evil than facing Putin’s wrath and desire of revenge. One senator (M. Maurey, social-democrat) proposed to reject the resolution by a preliminary motion, claiming that nothing in the situation in Ukraine nor in the behaviour of Russia gave any ground for alleviating the sanctions. His motion was rejected. Furthermore, the resolution was submitted by M. Pozzo Di Borgo, who belongs to the disgraced team of French MPs who visited Crimea in 2015

and applauded the occupation. He is a cunning pro-Kremlin lobbyist, and one has to admit that (and the Russian propaganda does not deprive to advertise) “French senators are asking for the lift of sanctions against Russia at the initiative of pro Putin activists”, even with qualifications. To put it briefly, this resolution displays the carelessness of French politicians and their vulnerability to Russians pressures, but it does not condemn the European policy of sanctions, and restates key positions of the most clear-headed European leaders concerning Russian threat. Such an ambiguous result needs closer scrutiny.

Misdirection was a basic magic trick of Soviet lie, but this one is a masterpiece. First step: right MP Mariani, a well-known Putin’s friend, smuggles a vote (without any legal force) of National Assembly calling for the end of sanctions. He succeeded by an off-guard move: a quick vote of 55 against 45, choosing a moment when more than 400 MPs were absent. As such this vote has little political force. Never mind. Second step: Nouveau Centre party senator Pozzo di Borgo, M. Mariani’s sidekick, submits a resolution at the Senate and makes believe that it is like the first one a plea against sanctions. Third step: he designs carefully the resolution and the story-telling about it



THIS POSITIVE OR AT LEAST RELIEVING VOTE WAS NOT OBTAINED BY A LUCID DEBATE LEADING TO A CONSIDERED COMPROMISE, BUT THROUGH CONFUSION, ACCEPTED AMBIGUITY, AND CARELESSNESS

so as to muddle the water for the press and for his colleagues. Behind the scene during the discussion, he managed to discreetly have most of the amendments rejected, but let through a few ones, actually important but seemingly minor. A few senators saw the trick and tried to oppose, but the majority of the assembly and even the Government Spokesman choose to let go and to accept a twisted and ambiguous resolution. No matter, whatever the content of the resolution, nobody will recall it exactly, since everybody “knows” it is a plea against sanctions.



Reality and confusion. The French Senate accepted the debate on the lifting of sanctions, as if they were something bad as such, as if Europeans defended Ukraine (and themselves) only with reluctance, preferring to avoid any conflict

Here is the deception: to make people listen the melody, not the lyrics. Yet, to secure the trick, the twisted resolution goes pretty far in the direction of blaming Russia. So that the deception may turn against its authors. First, M. Di Borgo tried to cheat his colleagues by declaring that his proposition included a *condemnation* of Crimea's annexation, whereas it read "*regretting* the use of force by Russia on Ukrainian territory *then* the annexation of Crimea". But the Senate amended the sentence: "condemn" instead of "regret", "and" instead of "then". These are significant changes, but only for careful readers. Second, it cannot be overstated that, unlike the usual diplomatic line of Europeans, the resolution DOES NOT link the "solution of the crisis" and withdrawal of Russia to political concessions by Ukraine on regional autonomy of Donbas or whatever. Third, in the middle of a resolution which submits any withdrawal of sanctions to conditions, M. Di Borgo tried to smuggle the unconditional withdrawal of some sanctions, namely the personal sanctions targeting the Russian MPs. The initial text called for abolishing these sanctions "*sans délai*", without delay, which means without condition. But this provision was rejected by the Senate, on very clear grounds: no lifting of sanction may happen without condition, and personal political sanctions must be evaluated on a case by case basis and not for all Russian officials. The final text, cautious and double-headed, "calls the Government and its European partners to *work on the lifting* of individual sanctions against Russian MPs". Again, what looks at first sight like a minor technicality has in fact great bearings: it bans any unconditional withdrawal or reduction of whatever sanctions, and hints at the responsibility of the Douma in authorizing Putin to use the armed forces in Ukraine: the resolution "condemns the resort of force by Russia on Ukrainian soil".

Nevertheless, as a French citizen and as a European, I am ashamed and enraged by this episode. Beyond its ambiguity and the fact that the Putin lobby did not gain the support of French MPS for the lifting

of sanctions, it shows the disarray, the lack of courage and of vision of many politicians. This positive or at least relieving vote was not obtained by a lucid debate leading to a considered compromise, but through confusion, accepted ambiguity, and carelessness. It is as if politicians gave up to understand and to face the perils and complexity of the globalized world. They seem to reason along these lines: we are drowning in a running stream of information, bewildered by the intertwined scales of any problem, always local and global. So let us give up and just pretend to run affairs which are actually run by nobody, except by the chaotic "laws" of economy which do not predict anything.

In France, despite the old tradition and prestige of republican politics, this mood is shaping a new style of politicians, weaker than wise, twisted, more easily corruptible. Not because they are bad persons, but because they give in to the pressure of the situation. Literally, they do not want to know what is going on because they fear either to be embarrassed, or impotent, or deceived. So they become impervious to facts and evidences. To be "realist" means for them abandoning political action. The less you act, the smarter you look. On that principle, "Russia will always be there"; "Facing a global terrorist threat, we can't afford having any other enemy"; "Ukraine belongs to Russia or at least to the Russian sphere of influence. It may be sad for them but..."; and worst of all: "Western civilization is no longer the centre of the world, Europe is no more the leading continent but went back to a tiny remote province of Asia". To these tired democrats, freedom of belief and speech, free enterprise remain of course important matters, but too complicated to be within the reach of government. This is the sad and dreadful music one can hear from our frightened and unaccountable MPs. They are not only unaccountable in front of their constituents, they are unaccountable in front of reality. Ukrainian rebirth is plagued by this bad mood in old democracies, but Ukrainian rebirth is also the best shot for overcoming this bad mood. Revolution of dignity has to be also the revolution of political action. ■

The new left front

Bohdan Butkevych

How Russia is developing agents of influence through a “reset” with leftist parties and organizations



PHOTO: UKRINFORM

A socialist from the Kremlin's nest. Leonid Kozhara is intended to become a leader of the new left party on which Moscow is placing its bets

In its May issue, *The Ukrainian Week* wrote about a new entity in Russia's fifth column in Ukraine, the “Peace Institute,” which is expected to establish an entire new network of influence on public and political events in the country. That process has been moving quite rapidly as part of the Kremlin's overall plan to “reset” relations with and reincarnate leftist movements and NGOs. What entities do their Moscow handlers expect to become its reliable tools for promoting the interests of an occupying force under the guise of a “struggle for social justice and peace” in an impoverished, battered country?

THE SMARTER FORCE?

For starters, as of February 2016, the “Peace Institute,” headed by former Party of the Regions member and ex-Foreign Minister in the Azarov Cabinet Leonid Kozhara, former Horlivka Prosecutor and head of the Main Investigative Administration of the SBU during the Euromaidan Maksym Lenko, and the one-time Sevastopol Prosecutor, Donetsk homeboy Dmytro Moroz, hit the ground running and played an active role in events on May 9th, the “holy” day of Russia's propaganda machine. One of its early successes was to get several thousand people involved in Kyiv and Odesa in its “Immortal Company” campaign¹.

More than just coincidentally, this crowd included a significant number of people known to have been in-

involved in the once powerful Socialist Party of Ukraine under Oleksandr Moroz. In fact, the remnants of this organization and its revival interest Moscow very much. According to *The Ukrainian Week's* sources inside the Peace Institute, Moscow has decided that it's time to revive purely political agents of influence, in short to establish an entirely legitimate party that will be completely under the Kremlin's control and will offer easy-to-swallow messages to Ukraine's less discriminating electorate. The names currently bandied about are along the lines of “The Smart Force” or “Our Force” and some of their highly original slogans include “Bigger pensions,” “World peace” and “Let's bump off those high utility rates.” According to inside information, serious funding is already being provided for the start-up months of this party, nearly US \$400,000—a figure that is comparable to what established Ukrainian parties spend over a similar period of time.

The “peacemakers” moved along nicely towards establishing this party during the second half of May. A suitable “dead party” that was registered with the Ministry of Justice in 2015 has apparently already been bought. Unfortunately, unlike the good old soviet days, when Moscow tossed good money after bad without much oversight, this party has to find real members, not just a registry of dead souls. This is where the old SPU membership caught the handlers' eyes, as one of the most active and well-distributed party organization in Ukraine at one time. The ques-

tion then became, how to get those old members to join this new party.

This seems a good point to turn to the personality of one of the Institute's leaders, a faithful Yanukovych foot soldier called Leonid Kozhara, a man with an impressive track record. He started his career as a researcher at the Party Academy under the Central Committee of the CPU, obviously as a Party member. This was followed by long and loyal service under Leonid Kuchma in a variety of diplomatic posts, the peak of which was his posting as the boss of the Main Foreign Policy Department of the Presidential Administration. And then, hit by the first Maidan, Kozhara found himself out of a job. But not for long. He quickly found himself a warm spot in Party of the Regions. In 2007, he was implicated in a counterespionage investigation by the SBU, when he photographed a decree by the then Internal Forces boss Kikhtenko calling for more divisions to be brought to Kyiv during a political crisis at the time, and showed these to a German embassy staffer. Of course, the case was buried, thanks to pressure from upstairs.

And finally, in the second Azarov Government, this "distinguished" politico became foreign minister during whose watch the Russian Federation was gearing up to attack Ukraine. Why does this individual matter? Because this person is now one of the leaders of a certain "Socialists" Party, a new organization of ex-members of Moroz's Socialist Party of Ukraine, the 2015 model that is rumored to be funded by another highly-placed official from Yanukovych days, Andriy Kluyev. Other members of this new party include ex-PR deputy Oleksiy Plotnikov, ex-leader of the SPU youth branch Yevhen Filindash, and many other SPU members who left the moribund party. At its founding congress, Moroz himself talked about supporting this new entity and, until recently, its leader was none other than former top cop Vasyl Tsushko.

Indeed, just at the end of May, the party underwent a major shuffle: Tsushko was removed and Kozhara replaced him. It looks like the "Socialists" will become the main source of party activists and, possibly even its foundation as the new left party on whom Moscow is placing its bets. Kozhara is likely to become its respectable face, while Filindash becomes its brains and mouthpiece. And the "Peace Institute" with which this entire discussion started, will likely be the NGO wing of this channel of influence on the socio-political situation in Ukraine. The 'socialists' have a very broadest range of plans so far: participating in the Verkhovna Rada elections and adapt the SPU brand to itself, and to become the center of gravity for all leftist organizations and groupings. This even includes coordinating with the Progressive Socialists under their notorious leader Natalia Vitrenko. Not surprisingly, the Immortal Company saw both Vitrenkists, and socialists, and 'peacemakers' carrying their banners side-by-side. Of course, all this is under the caring, subtle direction of Moscow handlers, along with substantial financing and media support coming from entities related to Kluyev, Klymenko and other members of the erstwhile Yanukovych "family."

THE MORE INSTITUTES, THE MERRIER

Needless to say, this is hardly the only option being tested. Last year, another project with a leftist background was set in motion: the Institute of Legal Policy and Social protection, led by another ex-PR deputy, the scandalous Irina Berezhna. Her Ukrainophobic comments on Rus-

sian television are well known and, so far, she has not been called to task for any of them. So far, this institute has distinguished itself by winning several lawsuits over Ukraine's supposedly wrongful failure to pay of pensions and social benefits to people residing in ORDİLO, the occupied parts of Donbas. And, of course, an endless stream of criticism against Ukraine's Armed Forces the Ukrainian Government in the style of the finest Kremlin propaganda.

This is a somewhat different flank of fifth columnists as it actually represents a wing of the former PR. Still, according to The Ukrainian Week's sources, Berezhna and the "peaceniks" are in obviously close coordination and contact. Moscow clearly does not want to repeat its mistakes of 2014, when it turned out that at the critical moment, there were no real channels of influence, the various groups were splintering, and the money was gone. And so it was forced to use the army and saboteurs.

WITH MOSCOW'S HELP, LEFTIST PARTIES AND MOVEMENTS WILL SOON BE WORKING TO REGAIN LOST POSITIONS KEEPING IN MIND THE INTERESTS OF THEIR KREMLIN MENTORS

Rumors in leftist circles continue to circulate about the revival of a project to set up a union with anti-oligarchic rhetoric. Its purpose would be to establish the policing flank of the leftist movement, under the guise of a struggle for the rights of workers. Some are saying that Moscow has already been looking at Oleh Vernyk as a potential leader, who is now president of the supposedly independent Labor Protection Union. However, his colleagues from the leftist site, Liva Sprava [Left Cause], wrote:

"[Vernyk's] union participated in labor disputes with the management of enterprises in different regions. The union was used at these companies as an instrument in the tug-o'-war to control the enterprise among various interest groups in the [then Presidential] Administration."

Vernyk has also been linked with Viktor Medvedchuk, a close Putin ally. Moreover, this activist is also a director in the CIS-EMO, the Commonwealth of the Independent States-Election Monitoring Organization, whose central office is in Moscow. In short, he has plenty of experience cooperating with the Kremlin, and with the Socialist Party, where Vernyk once tried to take over the youth wing.

Last, but not least, there is the banned Communist Party of Ukraine under Petro Symonenko, now called the Left Movement. Symonenko is another one who's not worth taking off the scale, as he has some pretty serious media resources, such as the Gamma Channel, the Holos site, and so on, not to mention human resources. Some say that between the peaceniks and him, relations are somewhat strained, because they are rivals for getting access to Moscow and "family" money being allocated to pro-Russian activity.

In short, law or no law, left movements and parties remain a Russian agent of influence in Ukraine and a couple of years of post-revolutionary suspension does not at all mean that they will disappear from the arena. With Moscow's help, they will, on the contrary, soon be working to regain lost positions while keeping in mind the interests of their Kremlin mentors. ■

'Immortal Company' is an international public campaign initiated in Russia and held there and in other countries, mostly in the neighborhood, on Victory Day. It consists of rallies where people carry the portraits of their relatives who fought in World War II, or the Great Patriotic War in the Soviet and Russian interpretation.

Crimean Muslims at the crossroads

Mykhailo Yakubovych

What shape will Islam take in occupied Crimea?

The fate of the Muslim community in occupied Crimea is a very difficult, painful issue—especially for many Crimean Tatars, who feel torn between ethnic solidarity and personal political preferences. It is the gap between those who have accepted the new regime in the peninsula and those who left for the mainland or even points further way from Ukraine yet continue to worry about their community. And this does not even include the active leadership, especially the members of the Mejlis of the Crimean Tatar people, at whom the peninsula's pro-Russian media continues to sling mud non-stop. In response—fierce rebuttals and counter-accusations.

Every month, Mustafa Djemilev and Refat Chubarov attend international meetings and present their views of developments. And often the discussion, which reached its peak when the power lines to Crimea from the mainland were cut and the energy blockade began, revolves around confessional issues. This is a relatively new trend among the largely secular and liberal Crimean Tatars. For instance, the one-time mufti of the Spiritual Administration of Muslims of Crimea—now with Sevastopol added and called DUMKiS—compared the blockade participants to “Meccan pagans,” referring to those who had attempted in the 620s AD to capture Medina, where the Prophet Muhammad then lived.

For their part, the blockade activists accused the mufti of deviating from Islam and even attempted to declare the struggle to return Crimea to Ukraine a jihad. The DUMKiS responded by issuing a fatwa, a muslim legal pronouncement, that clearly distorted the interpretation of certain medieval Muslim legal texts by announcing that Islam prohibits blockades. In fact, in the text cited, the meaning is exactly the opposite. In the end, the shouting match died down and the two sides recognized that it was better to say nothing about each other's behavior.

BEFORE THE OCCUPATION

To understand both this and many other related situations, the background of the Crimean Tatars in Ukraine should be considered. By the end of the 1990s, when several hundred mosques and a centralized Muslim organization based on a standard post-soviet model, the Crimean DUM, were actively operating, new Islamic movements also began to emerge. Next to the “traditional” religion, which included a large number of Crimean Tatar ethnic traditions, these trends, which were new for the region, often

stood in contrast to the moderate ideology of the DUM.

The issue was not so much about differences in doctrine as in practices, in views of modernity, and in attitudes towards ongoing processes in the Muslim world. From the early 2000s, one organization, Hizb ut-Tahrir or the Liberation Party, called on Muslims to fight to establish a “global caliphate,” emphasizing non-violent methods. Over nearly a decade, Hizb ut-Tahrir organized conferences and other events providing a very broad space for actions and found itself harshly criticized by the Crimean DUM.

The same happened with the Salafite community, which is commonly associated with wahhabism, a very conservative form of Islam. Next to the liberal spirituality of most Crimean Tatars, who saw their faith as primarily a matter of tradition, Salafites with their long beards and closed faces were a complete contrast. They tended to form relatively autonomous communities, disseminated their literature, and were focused on preserving Islam along the Saudi model. Later, one of the new confessional movements in Crimea even organized itself as an institution: the Spiritual Center for Crimean Muslims, which is closely connected to the Spiritual Administration of Muslims in Ukraine. The latter is associated by scholars with the neo-sufic school of Abdullah al-Harariyy (1910-2008).

Meanwhile, the Crimean DUM, which worked closely with the Mejlis of Crimean Tatars, constantly confronted any new movements on the peninsula and declared itself the only “canonic” entity defending the spiritual realm for nearly 300,000 Crimean Tatars. The only organizations with which the DUM had relatively normal relations were the Alraid Islamic Cultural Centers and the Umma Spiritual Administration of Muslims of Ukraine, with its center in Kyiv. For instance, with the help of Arabic sponsors, Alraid built 10 mosques in Crimea, which were turned over to DUM communities.

CO-OPTING THE SPIRITUAL LEADERSHIP

2014 ushered in a completely different era in the modern history of Crimean Muslims. The Crimean DUM leader Emirali Ablayev had stood on the side of the Euromaidan, together with the other members of the Mejlis and his deputy, Aider Ismayilov had even given a speech before a rally in Kyiv. Now Ablayev was faced with a very difficult choice. By March-April 2015, Crimea began to be visited by delegations from Moscow, especially from the Russian Council of Muf-

tis, led by Ravil Gainutdinov. Clearly, the Russian Federation had decided its Muslims were the ones who should carry out the mission of bringing its proposal for cooperation to the leadership of the DUM of Crimea.

And so, the Administration was reregistered according to Russian law, renamed DUMKiS, and began to work closely with the regions of the Federation, in particular the republics of the Northern Caucasus and Tatarstan. In fact, the occupying government began to rebuild its standard Russian model of “state Islam” in Crimea, with the support of centralized organizations and by crushing smaller groups as potential “extremists,” “terrorists,” and so on. A paradoxical situation arose: under Russian occupation, DUMKiS actually gained influence on the peninsula as active members of Hizb ut-Tahrir, members of the Salafite community and other religious activists had left the peninsula the previous year. Even such “competitors” as the Spiritual Center for Crimean Muslims led by Ridvan Veliyev was closed down and joined the DUMKiS as an ordinary community. Today, Crimean Muslims are allowed to do the pilgrimage to Mecca—both the Haj or Great Pilgrimage and the Umru or Lesser Pilgrimage—based on quotas that Saudi Arabia designates for Russian Islamic organizations.

Because most of the HT activists and a good number of Salafites had already left the peninsula, DUMKiS had very few competitors in the religious arena, other than the smallish Tavrian Muftiate, which was linked to the Central DUM of the Russian Federation. This entity, which was coincidentally also founded in 2014, was established for the purpose of placing additional pressure on the Crimean DUM, say analysts, that is, to show Albayev and his group that if they refused to cooperate, there was a new institution ready to take their place. Rivalry between the Moscow-based Russian Council of Muftis and the Ufa-based Central DUM, undoubtedly played a role as well, but in an entirely internal Russian context. The bitter fact remains that the most influential Crimean Muslim religious organization is now in the Kremlin’s pockets.

PERSECUTION AND HEJIRA

Meanwhile, Russia’s special forces, which are well-trained in sniffing out the “wrong kind” of Muslim began to do their work overtly and covertly in Crimea. And so, infiltrators are already present at sermons and monitor what the imams are saying. Premises are being searched, “extremist literature” is being confiscated, and a special list put together by the RF Ministry of Justice include dozens of absolutely normal Islamic works. Dozens of individuals have been arrested and accused of collaborating with Hizb ut-Tahrir, which has been officially banned in Russia. Rights advocates say that the apparent HT has become a typical instrument of repression for Russia’s enforcers: all that is needed is for one flyer to be “found” near a suspected individual and that person can be arrested for the duration of an investigation.

One-time relations with Turkey have been replaced by ties to Islamic organizations in Russia. Today, more than 70 Crimean Tatars are studying at the Russian Islamic Institute alone. The recent participation of Mufti Emirali Ablayev in a congress of the inter-regional Qirim movement, which Mos-



PHOTO: REUTERS

Spiritual occupation. Moscow tries to subordinate Crimean Tatar religious organizations to Russian Muslim communities

cow is promoting as a replacement for the banned Mejlis, clearly illustrates how pro-Russian attitudes are being shaped among Crimean Tatars. In a statement issued on January 7, 2016, the DUMKiS Council called on members of the Tatar community not to join “military groups” in Ukraine, although it said nothing about Tatars being drafted into the Russian army. Similarly, DUMKiS rarely comments on frequent accusations against Crimean Tatars in the Russian press, such as supposed links to Daesh, tales about “wahhabite Crimean Tatar mercenaries” in Donbas and other familiar myths.

Many members of the Mejlis responded negatively to what was done with the previous Crimean DUM. Both Djemilev and Chubarov condemned “collaboration with the occupiers,” but their statements had little real impact. And where the processes affecting Crimean Tatars in Crimea are abundantly clear and unambiguous processes, Crimean Muslims have run into a very different situation on the mainland.

It’s hard to say just how many Crimeans left the peninsula at this point. Community activists and members of the Mejlis place the figure at between 15,000 and 30,000. The main directions most people moved to were neighboring Kherson Oblast and Kyiv, Vinnytsia and Lviv Oblasts. Despite the lack of detailed statistics, one thing is certain: a large proportion of the IDPs are practicing Muslims, sometimes referred to as “observants.” A few hundred Crimean Salafites settled in a village in Vinnytsia Oblast, while activist adherents of Hizb ut-Tahrir moved to Lviv Oblast.

Some Crimeans joined other Muslim communities, including the Ukrainian DUM, the Umma DUM, and the Association of Muslims of Ukraine. Indeed, the role of Crimean Tatars in other muslim communities has grown noticeably stronger. Among salafite ►

religious teachers, Elimdar Khairullayev, known as Sheikh Suleiman; preacher Arsen Djelilov, known as Abu Yakh'ya Krymskiy; theologian Seiran Arifov; Hizb ut-Tahrir leader Fazil Amzayev, and others have gained renown. At the same time, they and a slew of other activists represent different muslim groups, that is, they are from religious contexts that differ from that of Crimean Tatars.

THE NEW FACE OF UKRAINIAN MUSLIMS

The Mejlis leaders, like many other Crimean Tatar activists, understand perfectly well that they have been deprived of any spiritual representation in international circles. This is particularly pertinent when it comes to dialog with other muslim countries, starting with Turkey. So how are they to defend the religious rights of Crimean Muslims when DUMKiS itself refuses to acknowledge or actively denies violations when officials in mainland Ukraine bring them up?

In fall 2015, the energy blockade in Crimea stirred discussion about setting up an “alternative muftiate.” Djemilev and others see this as a counter to the collaborators in DUMKiS and an entity that can promote the idea of returning Crimea to Ukraine. Different sources have indicated that the muftiate would be called “Supreme” and have mentioned different possible candidates for the post of mufti. However, as expected, differences among Muslim organizations have gotten in the way, as no organization is prepared to abdicate its ‘sovereignty,’ while the idea of being a ‘paper mufti’ who would only be a mouthpiece for the Mejlis also did not appeal to anyone, either.

Finally, discussion turned to the idea of a kind of “council of scholars” made up of representatives of the Crimean Tatars but this project has not come to anything so far. For one thing, in contrast to DUMKiS, which is ethnically based, the rest of Ukraine’s muslim organizations are multinational, so building an alternate muftiate has run into a very difficult problem: either all religious sects need to be united under a single roof, which seems highly impossible, or a new entity needs to be built from the ground up, which is unlikely to have much influence. And so, Ukraine’s Muslims have a situation when the contemporary pro-Ukrainian Crimean Tatar movement remains without a religious wing, that is, those functions that were earlier carried out by the Crimean DUM.

The now DUMKiS Mufti, Emirali Ablayev, is still formally a member of the Mejlis, the same one that the “Supreme Court of the Republic of Crimea” declared an extremist organization. Yet, because he was elected by the Kurultai, an all-nation congress of representatives of the Crimean Tatars, he cannot be excluded, according to the statutory documents of the Mejlis. Moreover, Ablayev is also nominally a member of the All-Ukrainian Council of Churches and Religious Organizations (ACCRO). His attempt to transfer his powers to the UMMA mufti, Sayid Ismahilov, failed because the other members of ACCRO did not accept the idea of bringing in the head of a new institution, especially since the new leader of the Ukrainian DUM, Akhmed Tamim was already on the council.

Thus, the ambitions of individual leaders who didn’t want to see a rival in this council, which is the

main interconfessional association in Ukraine, lost the opportunity to have an alternative representation for at least part of the Crimean Tatar muslim community. At a time when the Muslim world is very quiet about the occupation of Crimea, acknowledging the principle that possession is nine-tenths of the law, the actual voices of Crimean Muslims really need to be heard.

WHERE TO NOW, MUHAMMAD?

Since the annexation of the peninsula, mainland Ukraine now has a number of communities where Crimean Tatars constitute the majority, but their influence is limited to specific towns and villages. At the same time, the number of locals who are adopting Islam is growing. More often these are women: the figures for one Kyiv community shows that of 10 newly converted individuals, only two or three were men. In many cases, this is the result of intermarriage with Muslims. However, the children of mixed marriages, especially those who live here in Ukraine,



WHILE MUSLIM COMMUNITIES ARE FRAGMENTING IN MAINLAND UKRAINE, THE OPPOSITE IS HAPPENING IN CRIMEA: A PROCESS OF RIGID CENTRALIZATION

are raised in a Ukrainian environment and don’t necessarily adopt foreign cultural traditions.

In contrast to, say, the ethnocentricity of Crimean Tatars, Ukrainian Muslims see themselves quite differently, because for new Muslims, this is a deliberate spiritual choice, not the handing-down of “the faith of their fathers.” As one Muslim leader, UMMA Mufti Sayid Ismahilov, the face of domestic Islam—on the mainland at least—will consist of two main ethno-confessional groups in the medium term: Ukrainian Muslims and Crimean Tatar Muslims. Of course, it’s hard to confirm such a statement with out specific demographics, but the trend is clearly there: in some religious communities, ‘new’ Muslims are already taking on key positions and even lead the Friday prayers.

Given the ideological differences among the biggest muslim institutions in Ukraine today—say, the neo-sufist Ukrainian DUM and the social activist UMMA—, the ethnic card is more likely to play a destructive role. The only thing that is likely to mitigate these unpleasant prospects is an active inter-muslim dialog. Crimean Tatars are in a position to become the ethnic group that can take on the cementing function in Ukraine’s muslim community. Indeed, some of their leaders are already serving in this capacity. Because right now, the followers of Muhammad in mainland Ukraine are becoming more fragmented at a time when the opposite is going on in Crimea: a process of rigid centralization.

Soon, we are likely to see Russia stepping out in the international arena as the defender and expression of Crimean Muslim opinion through DUMKiS—and persuading the rest of the world that this is far from the case will become harder and harder for Ukraine. ■

Rethinking Isaac Bashevis Singer

Leonidas Donskis

Isaac Bashevis Singer (1902-1991), a great Polish-born Jewish writer, a poet of the East European Jewish soul, the guardian angel of the Yiddish language in modern literature, and a Nobel Prize winner, died twenty-five years ago. This brings us closer to his immense legacy that covers Jewish tradition and modernity, especially his short stories on how modernity came into Jewish life.

Yet no short story among Singer's masterpieces of this genre can match "The Conference" in terms of political grotesque and ideological folly by which nearly every single character of this story is overwhelmed. Every character but two – Flora, a delegate from Lublin, part-actress and singer of folk songs for whom the majority of male delegates fall, and a secret agent of Defensywa, the Polish political police.

Everything is grotesque here: old-fashioned Marxists, Stalinists, Trotskyites, Zionists with all their ideological rants and promises to hang one another on the posts of Warsaw for high treason of the saintly cause of world revolution; Flora with her petit bourgeois lover whose presence in her bedroom is something inconceivable for the late delegates of the conference who dream about spending the night with her; last but not least, the banality of the comic inadequacy of their lifestyle and rhetoric.

Most importantly, Singer has a feeling that all those seemingly irreconcilable roles are merely a tip of the iceberg. What does lurk underneath, though, is the incredible ease and speed with which all these characters can change their appearances and shoes. They can easily transfer their loyalties and transpose identities moving, say, from Marxism to Zionism.

Singer, as we know, avoided all political ideologies nearly by intuition. There is something in his profound disbelief in political cleavages, artificial animosities and Manichaean divides that make him stand close to Milan Kundera with his distaste for the Manichaeism of the Left and the Right, which, in Kundera's words, "is as stupid as it is insurmountable," yet so deeply grounded in Western Europe.

Singer would have said that it was deeply grounded in Eastern Europe as well, whose modernization proved incredibly swift, as we can see in such movements as Yiddish literary and political movements accompanied by ideological and partisan divisions of all sorts and shades.

In his sort story, "The Miracles," for instance, we find a note that the Jewish enlightenment, Hasidism, with all tardiness and late variations, had reached Poland a century later leaving traditional occupations and niches of local Jews empty and void. Young people left Tradition and emigrated to Modernity.



Yet the question of God and evil has never escaped from Singer's attention. In his short story, "The Miracles," God as the ultimate source of good, justice and love is put into question. More than that, the protagonist of the story who tells his miraculous account of anguish, threat, love, death, pain and survival, exposes a strange amalgam of agnosticism, skepticism, religious feeling, mystery, superstition, and disbelief.

Miracles do happen to him as the most beautiful ladies fall in love with him in spite of the fact that he looks rather funny than handsome; he is not drafted to the Polish army on the last minute only due to very strange

THERE IS SOMETHING IN SINGER'S PROFOUND DISBELIEF IN POLITICAL CLEAVAGES, ARTIFICIAL ANIMOSITIES AND MANICHAEAN DIVIDES THAT MAKE HIM STAND CLOSE TO MILAN KUNDERA

doubts of a medical doctor, an obvious antisemite himself; he is granted the French visa with no rational chances to get it otherwise than through a miracle; he becomes a star at the University of Warsaw among philosophy students and professors, although he is far from an erudite student – in fact, he is an ignoramus who walks in disguise of a motivated and original scholar; and so forth, and so on.

This brings him to the idea that there is a hidden logic here – most probably, it is something like a contract between the Almighty and him. The miracles last as long for him as he can address God asking for his intervention; yet he finds himself unable to keep doing this after his lover's husband dies suddenly after the weeks of intense prayers and meditations asking God to eliminate his rival and threat.

In adopting such a direct stance, Singer stands quite close to Martin Buber's *Ich und Du* (I and Thou). The Hasidic background is hardly accidental here, as the intensity of the dialogue with God coupled with all kinds of miracles, dybbuks, and mystery tales could be counted in as one of the reasons behind this family resemblance that both writers and thinkers bear to one another. In Buber's case, we have a German Jew, who spoke Ukrainian and Russian due to his experience in Lviv where he, as a young boy, used to spend his summer vacations with his grandparents, and who deliberately inflicts on himself all aspects of the fate of an Ostjude.

In Singer's case, we have an original Ostjude who becomes a Jewish and American writer. Singer's phenomenon might be described as a Buber minus faith or a Buber plus modern anxiety and fatalism. ■

Tetiana Filevska

"Mid-1920s Kyiv was a place where artists, theatre and film directors gathered from all over the USSR"

In early May, researchers found an unseen before archive of texts by Kazimir Malevich in Kyiv. They were stored in the personal library of Marian Kro-pyvnytskyi, his assistant who noted down Malevich's speeches in the capital of Ukraine. *The Ukrainian Week* spoke to Tetiana Filevska, the researcher of Kazimir Malevich and about the cultural environment of the Kyiv period in the works of the world-renowned creator of Suprematism and Cubo-Futurism, as well as the newly found archive that sheds light on this time and the need to kick-start discourse about Ukraine's role and its place in the world of avant-garde art.

Even today, the Kyiv period in the life of Kazimir Malevich is usually summed up in a few sentences. What story is really concealed behind this? What were you able to find out about in the archive?

I'll start with the reasons that prompted Malevich to return to Kyiv. The leadership of the Soviet Union had been changing since the middle of the 1920s: Stalin and Voroshilov were coming to the fore of the Bolshevik party, and they couldn't stand avant-garde, seeing the movement as an enemy. Whenever the revolution ends, revolutionary art is no longer necessary. The Soviet empire didn't need avant-garde art, which was ipso facto revolutionary. At first, there was intimidation, which later grew into persecution of the avant-garde. The first to experience this were artists from Leningrad and Moscow, who were closest to the power centre of the empire. Kazimir Malevich, one of the leaders of the avant-garde movement, felt these changes. His was too significant to simply be killed or sent to Siberia. So they gradually started to interfere with his work: he couldn't publish anything or teach, which basically left him with no way to make a living. In 1926, Malevich was accused of the terrible "sin" of mysticism. He was left with a few rooms on the top floor of the Institute of Art History, where he tried to go about his business.

At that time, the situation in Ukraine, including Kyiv, was fundamentally different. Above all, this was due to the work of Mykola Skrypnyk, who virtually put his life on the line to preserve a sort of reservation for the avant-garde. Thanks to him, mid-1920s Kyiv was a place where artists, theatre and film directors gathered from all over the USSR. A centre of avant-garde energy was created, because everyone that didn't emigrate was concentrated there, including Kazimir Malevich.

We have no reliable information on how exactly Malevich returned to Kyiv. Obviously, he came to visit his family in 1927, after his first arrest. He met with his

Interviewed
by **Hanna
Tregub**

friends Andriy Taran and Lev Kramarenko. As lecturers at the Kyiv Art Institute (KAI), they asked rector Ivan Vrona to employ Malevich.

Who were Malevich's colleagues at the Kyiv Art Institute in the mid-1920s to early 1930s? In what sort of cultural environment did he find himself?

Freedom is the first thing that contributes to an explosion in creativity. The combination of these creative accumulators with the freedom and opportunities offered by the administration created an explosive mix that provided for an unprecedented creative process at KAI until 1930.



PHOTO: ANDRIY ADAMSKY, KMBIS

Ivan Vrona was an art critic and poet. In 1924, he was appointed rector of KAI. This man sincerely loved Ukrainian art and had the distinctive ambition of wanting to create a Ukrainian Bauhaus in Kyiv. He dreamed of bringing together the largest possible number of people that would be able to transform the Ukrainian romantic, classical tradition into a completely innovative, explosive, revolutionary and powerful phenomenon. He announced a big competition that attracted all these persecuted avant-gardists. Vladimir Tatlin, Viktor Palmov, Pavlo Holubiatnikov (Kuzma Petrov-Vodkin's student), Andriy Taran and Lev Kramarenko came to Kyiv. Vrona also invited Oleksandr Archipenko, who planned to come, but in the end didn't have the chance. By this point, he was already in the United States. Mykhailo Boichuk, who had come back from Paris, and Vasyl Krychevskyi were teaching at KAI at the time. Each of these names is a phenomenon in itself. Vrona invited Svitozar Drahomanov (the son of scholar and writer Mykhailo Drahomanov, poet Lesia Ukrainka's cousin – **Ed.**), who was an economist by training but worked in architecture and wrote a lot. It is most likely through him that Kazimir Malevich had connections with the magazine *New Generation*, because they were friends. One of my professional victories was the fact that during my research I was able to return Svitozar Drahomanov to his rightful place in the history of KAI and ascertain his ties to Malevich, because this had not been mentioned in specialist literature previously. Vrona also invited Oleksandr Bohomazov.

Vrona provided the artists he invited to KAI with a free and European approach to learning. He allowed each of them to open their own studio, recruit students on their own and teach according to their own original syllabus. Some of their programmes were published thanks to researchers like Olena Kashuba-Volvach, Olha Lahutenko and Ostop Kovalchuk. It is already possible to find out about this information not in the archives, but from modern publications. We learned about Malevich's Kyiv period by virtue of Kropyvnytskyi's archive.

1924-1930 is a 6-year-long period. At this time, was Kyiv really turning into one of the important centres for the development of avant-garde art?

At this point, Kyiv was truly becoming the centre of European avant-garde. I remind you that that Kyiv and Ukraine were then independent of Moscow in terms of art and culture. If you pay attention to the origins of avant-garde artists in the Soviet Union and start to look into their biographies, it turns out that they were either born or grew up and studied in Ukraine, especially Kyiv. My latest discovery is that Aleksei Kruchonykh actually studied at Kyiv Art School. All of their paths crossed in Kyiv at one time or another. Or take Oleksandra Ekster's art studio – the situation is the same, and there are still so many unknowns. The artists there were friends with Sonia Delaunay, and their entourage matched this.

People primarily speak about Kazimir Malevich as an artist. What was he like as an educator and art theorist? Which principles did he base his teaching on?

We cannot establish for sure when he was invited to work at KAI, because the documents have not survived. Most likely, it happened in the summer of 1928.

In the institute's records for 1929, we read that Malevich had not a studio, but an "art laboratory". All documents from Kropyvnytskyi's archives show that Malevich opened a research office in Kyiv for experimental IZO (a contraction of the Russian for Visual Arts) at KAI. IZO is an original term thought up by Malevich, who liked to invent new names. His friendship with the futurists Velimir Khlebnikov and Aleksei Kruchonykh left its mark. The artist had a similar office in Leningrad. When he initiated the creation of the Institute of Art Culture in the early 1920s, it really was a kind of laboratory in which he, his colleagues and students explored the artistic process, breaking it down into its primary elements – colour and shape. Malevich examined all the "-isms" from the beginning of the twentieth century: Impressionism, Expressionism, Futurism, Cubism and so on. In the process, he identified the primary elements of each genre, including Picasso's famous crescent line in Cubism and the simple straight line of Suprematism, as well as pinpointing the characteristic colours of each movement. Based on this, he created his famous charts, which he then took on a trip abroad. Finally, the artist left them in Germany, where they were first published, and all remain extant to this day. When the Leningrad institute was closed in 1926, as already mentioned above, Malevich's creative process and research work was in full swing. In particular, he was transferring his theory into architecture, starting to do a lot of work with "architektons" (universal architectural forms for housing of the future – **Ed.**). Indeed, they are reminiscent of Bauhaus projects and what Le Corbusier created a little later. When Kazimir Malevich travelled abroad in 1927, he visited Bauhaus and met the students and teachers there. With the help of El Lissitzky, who knew German, he published his book. In this way, he became directly involved in the conversation. Although he didn't agree with all of their ideas, he understood what was happening there. I think this was a kind of impetus for him to continue his work, especially in the field of architecture.

Architektons are prototypes for housing of the future that fits into the contemporary urban landscape perfectly. Malevich and his students cast them in his studio from plaster. These models travelled to exhibitions throughout the USSR and abroad during Malevich's lifetime. In particular, we know that there were 3 large and 11 small architektons in Kyiv. Contemporary architects and artists looked at them and, obviously, paid attention to them. But it's another question whether they could use the principles seen in 1930 and later. Professor Dmytro Antoniuk argues that all modern architecture is based on Malevich's ideas. As an example, we can mention Zaha Hadid, one of the greatest architects of the twentieth century, who often said – and was very proud of the fact – that Malevich and Suprematism influenced her work more than anything else. He saw the modern city 50-60 years in advance. Kyiv could have looked very different, but there are no "ifs" in history.

Art critic Maryan Kropyvnytskyi's archives shed light on Malevich's Kyiv period. What exactly was found in the newspapers that makes us look at the life of the Suprematism founder and his Ukrainian surroundings from a different angle?

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Let's start with what exactly was found. In 2015, we were planning to create a book dedicated to Malevich and Ukraine, and touch upon this aspect again, but I don't think there would have been anything too sensational. At the initiative of my colleague Olha Balashova, we organised a reconstruction of the artist's Kyiv lectures last year, although we didn't know exactly what they were like. There were no materials to rely on, except for a few mentions that these lectures were the same as Malevich's articles for *New Generation*, the mouthpiece of Ukrainian futurist writers. But even now it's hard to establish what came first – the lectures or the articles. The editor of this magazine was perhaps one of the best-known Ukrainian futurists, Mykhailo Semenko, who published it from 1927 to 1930. He united around himself the most interesting writers, authors and, especially, artists who could write. Malevich was just that – an artist who could wield a pen skilfully.

I don't know whether Semenko was personally acquainted with Malevich (this remains a separate topic for research), but he invited the artist, whose theory of Suprematism the poet knew (he even wrote supra-poetry), to write for his journal. Obviously, this could have happened through the aforementioned Svitozar Draho-manov. It turned out that Futurism and Suprematism were connected with each other. Malevich's texts began to be published in 1928, at a time when he was visiting Kyiv more often. Over the next 3 years, 12 of the artist's articles were printed, although the annual report of publications has one more article attributed to Malevich. After some research, we can assume that the article is not his, and was authored by Svitozar Draho-manov. These 12 pieces were expected to make up Malevich's last substantial work, which had the working title *Isology*, but never saw the light of day. In letters, Malevich mentioned that he was working on it in 1930 and had even started talks regarding publication with the Kyiv branch of Ukrvydav, the Ukrainian state publishing house. At the turn of 1930, all his plans broke down. The artist tried to publish his work at one of the Leningrad publishing houses, but that was no use either. The manuscript did not survive. No one knows to this day what it was supposed to be, but we know that the ideas for it were contained in the *New Generation* articles. This was practically his theory for the formal analysis of art.

Maryan Kropyvnytskyi was an artist and assistant at KAI, then later organised courses for the working class. To be precise, he wasn't Malevich's personal assistant. His official position was "assistant in the research office of experimental IZO", and if we consider that Malevich visited Kyiv twice a month, it is safe to say that Kropyvnytskyi took care of the office for the rest of the time. He was perhaps the only person who could have told us the whole story of what happened there, from beginning to end.

After 1930, Kropyvnytskyi lost his job at KAI – heads started to roll when a completely new attitude filtered down from the ruling elite. A political purge was beginning at all levels. Serhiy Tomach, a party activist, took the place of rector Vrona and put the purge into action with decisions on teaching staff, ideology and so on. He dismissed all the avant-garde artists working at the institute. It happened gradually: Bohomazov was retired because at that time he was very ill and every-

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one knew that he did not have long left; Malevich was not touched at first. The purge lasted about a year. Krychevskyi was transferred from his post of professor to an assistant or ordinary lecturer. The new roles of those who it was not so simple to fire minimised their influence on students and what happened at KAI. We must take into account the fact that Kropyvnytskyi was one of the few who survived the purges and the Great Terror. He obviously realised what he was concealing in his archives and stayed silent until his death – he went into survival mode. In 1937, someone could pay for a batch of Malevich's texts with their life.

As fate would have it, Kropyvnytskyi noted down Malevich's lectures and – equally miraculously – these texts were preserved. If they remained at KAI, they would have disappeared, 100%. He kept the archives. But he never really told anyone about them, even when Dmytro Gorbachov and Oleksandr Barnis got in touch with him between 1970 and 1980 to find out what could have remained intact about Malevich and ask him to share his reminiscences. After Kropyvnytskyi's death in 1989, his daughter started to go through his archives and – behold – there was a whole section of texts marked with Malevich's name. She first went to the Kiev Art Institute, then the National Academy of Visual Arts and Architecture, where she was suggested to simply leave the archives with them for examination. She chose not to do this. As part of last year's project, Kropyvnytskyi's relatives contacted me and asked if I'd be interested in doing something with these materials and finding a use for them. It was a treasure trove.

Obviously, not all the artists that studied at KAI while Malevich and his avant-garde colleagues were teaching there were killed in the 1930s. Is it possible to track the continuity of the avant-garde tradition in their works?

This is one of the most interesting questions that still needs to be researched. There are a number of researchers who believe that there was no trace. As if to say, neither Malevich, nor Tatlin and Holubiatnikov left anything here, although they worked in Kyiv for a long time. They say that because they look at what's on the surface, in particular, what has been preserved in archives. But if we consider that the archives were purged several times from 1930 onwards and a great deal of things did not survive, as well as the fact that many artists were forced to review and reformat their work, then we realise that we can't see the entire picture. This impression becomes stronger if we also take a look at the National Art Museum archives, where student works from the 20s are kept. Of course, the influence of such charismatic and powerful figures as Malevich, Tatlin, Palmov and Holubiatnikov was bound to make its mark. The

question is rather: why is it so difficult to research this now and how did it evolve? How was it transmitted? I'm convinced that there is continuity and it was influential.

When exploring the educational system of the 1920s, I reviewed several collections of student works from that time. They are not signed and there is no indication of whose studio they were made in, but the influence of avant-garde and avant-garde artists is absolutely obvious. I think that a study of this phenomenon is not too far off, as well as an exhibition that will show this using student works from the 1920s to the present day.

There are some things that you feel at an intuitive level. I recently saw an exhibition of 1960s Ukrainian artists at the National Art Museum. Some of the works presented there are completely in sync with the avant-garde. The thing is that the 1960s saw the first return to avant-garde after years of neglect, when artists started to look back and rethink old ideas after 30 years of formal emptiness and isolation from the previous tradition. Yes, it happened quietly and timidly. At the same time, the West was going through a strong swing back to the avant-garde, when they started to exhibit Soviet avant-garde paintings that were once taken to Europe or America. The United States at this time chose abstract art as their national genre and were trying to find its roots. And avant-garde is essential here in any case, because the ideas of abstractionism belong to avant-garde, and Malevich's *Black Square* in particular. It turns out that avant-gardism is not based somewhere over there in Moscow and Leningrad, but here, especially in Kyiv.

You can't cross out any of the objective processes in the development of art. The artistic process needed avant-garde in order to reinterpret itself. After the advent of the photograph, it was necessary to find a new essence of art, not just reproducing reality and mimicking what is around us. All twentieth-century art is based on avant-garde, whichever way you look at it.

Ukraine has an anything but average place in the context of twentieth-century European art development, but this topic is only just beginning to be discussed in a broad context. How can we make its voice heard?

Not much has been done about the Ukrainian part in the avant-garde. A number of books have been published and an exhibition of Ukrainian avant-garde art was held in Munich. There are also a number of projects that emphasise the role of the avant-garde in Ukraine and Ukraine in the avant-garde. It's an extremely interesting, fertile topic that is basically bottomless. I think it's a source that Ukrainian culture can draw a great amount from – one of the best alternatives to the folk-kitsch version of Ukrainian culture that everyone is tired of. Ukraine is not limited to salted pork fat, dumplings, wattle-and-daub cottages and cherry gardens. It's not confined exclusively to Taras Shevchenko either. I love our Bard too, but not just him. And what about the rest, including Mykhailo Semenko? Today, Ukrainian Futurism is very relevant in literature – it's everywhere, because it's very necessary. One way or another, every culture arises from folk art, but then it must evolve into something else, leave the village for the city, become professional.

We have to make up for lost time here. Avant-garde is the thing that can help us catch up. We're only just starting to draw from this source. Modern Ukrainian culture, I think, in many ways should lean on and fully appropriate the avant-garde tradition, learning the lesson that its artists have left us. There is still a lot to be done.

I have a dream – to open an Institute of Kazimir Malevich in Kyiv, which would be not only the world's first museum of this artist, but also a research centre for Ukrainian avant-garde. This is necessary not just for me, but for all of us, and Ukrainian culture too. Such an institution could initiate many projects.

People think in such a way that whatever they don't understand seems somewhat strange, intimidating and hostile. It's elementary psychology. Avant-garde, which in fact is neither strange nor intimidating, is cut out of our context. There is such a thing as negative motivation: when you are intimidated by something for 80 years and can be repressed for mentioning a name or group of names, you start to force things out of your memory. In Ukrainian history, this happened in 1930. The Red Terror, which took almost all the intelligentsia, is such an example. The avant-garde was the same. In the 1930s, being a fan of the avant-garde, liking it, or just talking about this phenomenon was a punishable criminal offence. Kazimir Malevich's sister Viktoria, who lived in Zhytomyr, burned her letters to her brother in 1937. The NKVD organised searches of their house and she was afraid that her family could be shot because of this correspondence.

EVERY CULTURE ARISES FROM FOLK ART, BUT THEN IT MUST EVOLVE INTO SOMETHING ELSE, LEAVE THE VILLAGE FOR THE CITY. WE HAVE TO MAKE UP FOR LOST TIME HERE. AVANT-GARDE IS THE THING THAT CAN HELP US CATCH UP

The trauma associated with the memory of avant-garde will take time to be treated. It is necessary to fill the knowledge gap that has emerged. People simply do not know what avant-garde art has to do with our culture. Malevich was born in Kyiv, was heavily influenced by Ukrainian culture and called himself a Ukrainian – for him, this was important, so why we ignore it? If the Russian ideological and propaganda machine broadcasts to the entire world that "the avant-garde is our art – Russian", then what should we do? Russian avant-garde was constructed in the 1960s, evidently not without the help of the KGB; it's a concept that will soon be 50 years old. Research is done, exhibitions are held and Russia supports all this at a national level. And what does Ukraine do nationally? Plastic Easter eggs on Sofia Square?

In order to show something off and be proud of it, we have to research this something ourselves, because there are more than enough unknown quantities. Research isn't a very popular thing – it's quite expensive and takes time. The Russians have been studying the avant-garde for the last 30-40 years, while in Ukraine researchers that have been doing this since the mid-70s are few and far between. And this is something that Ukraine has money for and pays attention to. ■

June 15-20**Kyiv Art Week****Various museums
(Kyiv)**

The format of art week that has gained fame in the world has now reached Kyiv. For five days, Ukraine's capital will host many museum shows and gallery projects, art fairs, performances and conferences with international experts. The festival will kick off with a fair featuring 20 galleries from Georgia, Poland, Lithuania, France, Armenia, Belarus and Ukraine. The highlight of the week will be the shows of private collections from Ukrainian collectors of contemporary art and a debut of the National Contemporary Art Gallery from Georgia in Ukraine.

**June 16, 9 p.m.****Architecture of Voice.
Alter Ratio****Start Stadium
(26-28/4, vul. Sholudenka, Kyiv)**

Kyiv is going through its fourth series of Architecture of Voice, a cycle of vocal art curated by the Ukho music agency. This season offers four concerts at different, unusual venues: three at small stadiums around Kyiv and one in a church. On June 16, the audience will see a Ukrainian premiere of *Voices & Instruments 1-2* and *Rothko Chapel* by Morton Feldman. Both masterpieces will be performed by Alter ratio, a vocal ensemble led by Olha Prykhodko, to the accompaniment by Ukho-ensemble directed by Luigi Gaggero.

**June 18 – 19, 11 a.m.****Courage Bazar Charity****Platforma art-factory
(1, vul. Bilomorska, Kyiv)**

A good mix of charity and pleasure: this is the unique opportunity offered by Courage Bazar in Kyiv. The upcoming event will present a selection of foods and clothes for sale. The proceeds will be used to buy septal occluders for children. The selection of products will have more than 100 Ukrainian and foreign brands and more than 250 vendors. Guests can also taste the best street foods, hear live performances and attend special entertainment zones for children. Celebrity guests will include Jamala, art curator Pavlo Hudimov, Freedom show ballet, rock singer Valeriy Khar-chyshyn and more well-known Ukrainians.

**July 8-10****Atlas Weekend****ExpoCenter Ukraine
(1, Prospekt Akademika
Hlushkova, Kyiv)**

Following the success of the last year, Atlas Weekend decided to make this year's festival even bigger. The grand music weekend expects an audience of 300,000. All these people will come to listen to a selection of top Ukrainian performers, including Boombox, Druha Rika, Jamala, Ivan Dorn, GusGus, BRUTTO, Pianoboy, Onuka, The Maneken and dozens more. In addition to music, the audience will see performances, theatre plays, fairs and entertainments.

**July 29-31****Impulse****(Bezliudivka, Kharkiv Oblast)**

The first Kharkiv festival that has now become well-known all over Ukraine took place in 2008 and has entertained more than 5,000 people ever since. In 2016, Impulse-Fest expands from its club format to open-air. This will open access for more audience and double the number of headliners. The festival offers an opportunity to experience music, literature and art created in and around Kharkiv, as well as wider from the region. This year, the guests will hear music from Kharkiv-based indie-reggae band 5'nizza, songwriter Serhiy Babkin, Orkestr Che, Serhiy Zhadan and his poems recited to music, as well as Boombox, One in Canoe, BRUTTO, Pianoboy and Billy's Band.

**August 25-28****Koktebel Jazz Festival 2016****(Zatoka, Odesa)**

This is one of the most waited-for jazz open-airs. For the third year since moving out of Crimea, the festival will take place in Odesa. The organizers have invited musicians to improvise on the stage by the Black Sea from all over the world: Submotion Orchestra from the UK, Blue Foundation from Denmark, The Bad Plus from the US, Kadeboštaný from Switzerland, Serhiy Babkin from Ukraine, (Garden City Movement from Israel, Beissoul & Einus from Lithuania, and more jazz musicians and bands.





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