

The Ukrainian Week

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Changes in the living standards
of Ukrainians in 25 years

Pavlo Klimkin on foreign policy
challenges and priorities

Creative destruction:
ideas on Ukraine's evolution

THE DISCREET CHARM OF UKRAINIAN ELITE

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The Ukrainian Week

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ПРЕЗИДЕНТ
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BRIEFING

The war of all against all

Bohdan Butkevych

The new regular session of the Verkhovna Rada started on September 6. It looks like actors on Ukraine's political scene, probably with the exception of Petro Poroshenko's Bloc and Arseniy Yatseniuk's People's Front, have great expectations and ambitious plans for this fall seasons. Major oligarchs are likely to step up their game. The situation in the presidential team is not at its best either.

For over a year, rumors circulated stubbornly about the dissatisfaction with his position of Chief of Staff Borys Lozhkin. Reportedly, President Poroshenko did not give this former media manager, who is used to managing a huge holding company and independently making serious decisions, enough room for maneuver. Instead, he used him simply as a liaison officer to communicate with the oligarchs. However, Borys Lozhkin wants real and relevant powers, which he will obviously not get. So, he finally decided to quit. Officially, he will now be dealing with investments in the respective Council under

PHOTO BY STANISLAV ZELUK



the President, and will remain his adviser. Lozhkin and Poroshenko have a very close business relationship, so he will stay on board of the president's team. In fact, entertaining political ambitions is too early for him, even if he has some. Instead, the appointment of Ihor Raynin, businessman, politician and formerly Deputy Head of Kharkiv Oblast Administration, indicates that Poroshenko is not going to change his style, and will keep only those administrators who will not question his authority and decisions.

People's Front, in turn, will only try to sit tight and not to recede from the positions of the Minister of Internal Affairs in the person of Arsen Avakov and the Justice Minister in the person of Pavlo Petrenko. Also, the party bigwigs will think hard about what to do next. The current rating of this political force, which only two years ago won the election with a landslide victory, gives them hope to enter the Parliament with just a couple dozen MPs as a maximum. This is way too little. Therefore, PF starts thinking about new political projects in the right-wing field. Vilni Lyudy ("Free People") led by MPs Andriy Levus and Serhiy Vysotsky come in handy here. It is also important to keep in mind Azov headed by Andriy Biletsky, who has repeatedly declared his political ambitions and whose curator is reportedly Arsen Avakov himself. The split of PF should not be expected yet, but some assumptions are already safe to be made.



PERHAPS THE MOST WORRYING FACTOR FOR BANKOVA IS THE SIGNS OF DISCONTENT AMONG THE OLIGARCHS, WITH WHOM POROSHENKO ALLEGEDLY HAS SO FAR BEEN ABLE TO FIND COMMON GROUND

Yet, the main purpose of the ruling coalition will be to keep calm in the Parliament for as long as possible. Both the Presidential Administration and Yatsenyuk's team very clearly understand that they will hardly be once again as lucky as they were in spring, when the turmoil around the resignation and appointment of the Cabinet and Prime Minister helped them avoid early elections. Those wishing to rock the situation to achieve early parliamentary elections are plenty.

The very first and most obvious beneficiaries of a parliamentary crisis would be the populist front represented by Batkivshchyna and Oleh Lyashko's Radical Party. These political forces are persistently looking for issues that could stir up discontent in the Ukrainian society already perturbed by the war and economic hardships. Such issue will obviously be the utility tariffs.

In fact, the "populist alliance" already rehearsed protest rallies in spring and summer. But while at that time they only managed to bring to the streets the party activists and rally laborers for a pretty penny, in the fall, when Ukrainians receive new higher utility bills, the number of those not willing to pay and ready to protest is likely to rise significantly.

There is no doubt that the show under the slogan of "fighting for the nation's happiness" will

also continue in Parliament. The same old bunch of Lyashko's and Tymoshenko's professional "fighters" will stage another attack in Parliament against the tariffs, appear on TV channels owned by their oligarch sponsors with rueful speeches, and demand the overthrow of the "chocolate factory."

The situation will be further exacerbated by the ex-members of the Party of Regions, using their still powerful media channels, such as Inter owned by Dmytro Firtash and Serhiy Lyovochkin, Rinat Akhmetov's Ukraina and Yevhen Murayev's News-One. Taking into account that Serhiy Lyovochkin, ex-Chief of Staff for Yanukovich and one of the top players of the Opposition Bloc, still has a significant number of his people in all parties and factions, there is no doubt that they have good chances of success. Add to that other parallel columns, such as the new party Zhyttya owned by Murayev and Rabynovych, Nash Krai, Vidrodzhennya, and Uspishna Kraina owned by ex-Tax Minister under Yanukovich Oleksandr Klymenko, a new party based on Yanukovich's Foreign Minister Leonid Kozhara's Socialists, Vasyl Volha's Left Union, etc.

Two more liberal projects that appeared this summer on the political map of Ukraine should also be taken into account. These are the former Democratic Alliance led by MPs and formerly investigative journalists MPs Serhiy Leshchenko, Mustafa Nayem and Svitlana Zalishchuk, and Mikheil Saakashvili's future party known as "Khvylya", the Wave. They are already organizing protests against the Prosecutor General's Office during its conflict with the National Anti-Corruption Bureau and defiantly calling not to give Ukraine the visa-free regime and the IMF tranche through stalled reforms. As the fall comes, they will make things hum using their media visibility and are likely to join the camp of those who want early parliamentary elections.

Their main competitor will be Samopomich formally led by Lviv Mayor Andriy Sadovyi, which has suffered a major blow in the Hrybovychy garbage dump fire scandal, but nevertheless still has its 7–8% support, and which shares its electoral base of urban intellectuals, and the claim for the "third force" title with the newly minted liberals. The situation requires Sadovyi and Co. to pick up momentum, since their image losses suffered in the last six months threaten the party's future.

But perhaps the most worrying factor for Bankova is the signs of discontent among the oligarchs, with whom Poroshenko allegedly has so far been able to find common ground. This is primarily Mr. Kolomoisky. Rumor has it that Ihor Kolomoisky is planning to go on the offensive as soon as the fall comes to recover his position in the oil and gas sector. Besides, we should not forget about UKROP party, the political arm of Kolomoisky who is known for diversifying his political assets. Therefore, he might venture to create additional political "satellites."

This autumn season is promising to be no less fun than the last fall or this spring. Any alliances and coalitions are possible in an attempt to stir the pot, which is rather dangerous in the current situation of the delicate balance that Ukraine is trying to keep. ■

Trotting towards a better life

Lyubomyr Shavalyuk

How the living standards of Ukrainians changed compared to 25 years ago

Some people believe that life moves in circles. If its lessons are learned, then it goes up the spiral progressing upward. Recent discussions in Ukraine increasingly have it that Ukrainians have gone a full circle and found themselves back in the 1990s because they failed to learn the lessons of the early years of their independence. However, a closer analysis of statistics shows that today the nationwide average standard of living is significantly higher than 20 years ago. In fact, it often exceeds even the figures of the "stable and prosperous" Soviet period.

SOLID RESERVES

Housing is arguably the most fundamental measure of material living standard. The housing stock in Ukraine as of 2015 totaled 974 million sq. m. This is 5.6% more than in 1990 (even with the losses from the annexation of Crimea and the occupation of a part of Donbas taken into account), and only 0.45% less than in 1995. The average number of square meters of housing available per one Ukrainian increased from 17.8 in 1990 to 18.9 in 1995 to 22.7 in 2015. The growth of the past two decades was 20%. The main quantitative factor here was the decline of Ukraine's population, but this should not be misleading. Over the two decades, about 170 million sq. m. of housing have been commissioned. This means that 15–20% of citizens have improved their living conditions by getting new, more comfortable homes.

In 2015, 11 million sq. m of housing were commissioned, which falls only slightly short of the record breaking 2013 (11.2 million sq. m.), even though in 2015 this

housing was built under very different social and economic conditions compared to three years ago. This level is much higher than in 1995 (8.7 million sq.m.) or in the late 1990s (5.6 million sq.m.), but significantly lower than in the 1980s (17–20 million sq.m.). Generally, Ukraine today is much more prosperous than 20 years ago in terms of the residential space.

Importantly, the housing has improved both in terms of quantity and quality. Over the years of independence, Ukrainian families have massively renovated their homes. There is no statistics for it, but much is proven by the variety of wholesale and retail DIY stores and supermarkets that are now operating throughout the country, and the pace at which they have mushroomed over the past 10 years. This rapid growth is explained by the high demand. Forbes estimates the worth of the Gerega family, the owners of Epitsentr and Nova Liniya construction supply retail chains, at about \$200 million. The turnover of these chains (the first and second largest networks in Ukraine by the number of supermarkets) is \$1–2 billion. This leads to a rough estimate that the number of households annually renovating their homes has been hundreds of thousands, or even millions in the last 20 years.

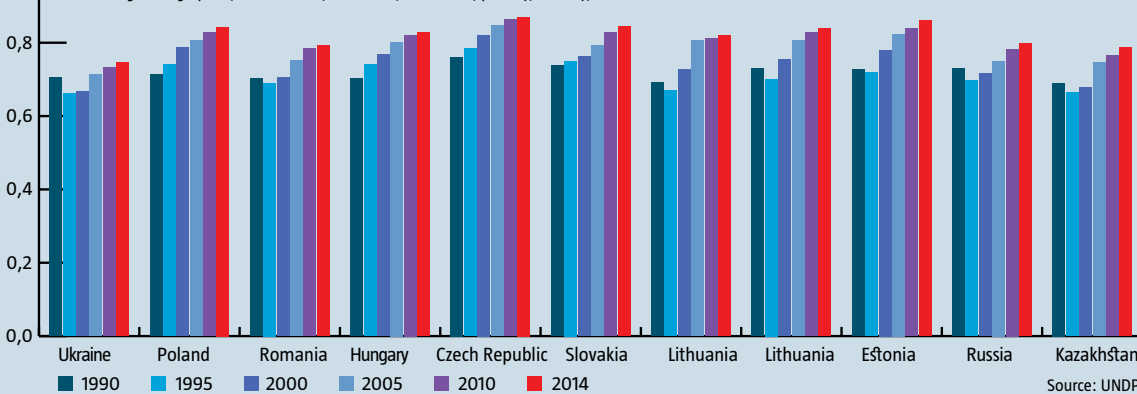
In addition to renovations, the quality of the interior has improved dramatically. In 2014 (statistical surveys are carried out biannually, so the more recent data is not yet available), 100 households in Ukraine had 119 color TVs on average. In 2000, the first year of the survey, there were only 69 of them, and in 1990, apparently, even fewer. Two years ago, 37 out of 100 families had computers, 49 had microwave ovens, 16 had food processors, and each

Moderate progress

Ukraine has somewhat improved its human development indicators over the past 25 years: it has managed to climb out of the bottom-lows of the 1990s and remains in the group of countries with high HDI. According to the data from 2014 (the latest available), it ranked 81 out of 187

Human Development Index*

*HDI data published by the UNDP on an annual basis ranks from 0 (lowest) to 1 (highest) and aggregates a number of human development indicators, including demographics, environment, education, healthcare, poverty, security, infrastructure and more



family had about two mobile phones (197 for 100 households), while in the 1990s, these benefits of civilization were not only unavailable to Ukrainians, but also unheard of. If since 2000 the average number of refrigerators per 100 households grew by 24, this means that about a quarter of Ukrainians started using them. About twice as many got new TVs.

The dynamics of car ownership is similar. As of 1990, the number of cars privately owned by Ukrainians amounted to 3.27 million. Five years later, their number rose to 4.47 million. According to the State Statistics Bureau, in 2011 this figure exceeded 6.5 million (no later data is available, but today this figure probably exceeds 7 million). And even though it is rather difficult to estimate what share of its car fleet Ukraine lost as a result of the annexation of Crimea and the occupation of Donbas, it is obvious that today Ukrainians have more cars than 20 years ago. This is easy to understand from the traffic intensity and the number of traffic jams in the cities. Many people would remember that fifteen years ago in Kyiv and 7–10 years ago in the largest oblast capitals the road congestion issue was virtually non-existent, because there were not so many cars. Today this is becoming a problem for a more and more cities. This is just another indicator of the growing material wealth. However, in this case it is combined with the deterioration of the environment and the general quality of public life (traffic noise, emissions, commuting problems, etc.), which also affect the living standards.

THE DAILY BREAD

The above figures clearly show that life in Ukraine today is better than 20 years ago. However, this statement requires two reservations. First of all, not everyone can afford to buy a new home or a new car, to do renovations or purchase major household appliances. This could mean that the life quality of the rich has indeed improved. But what about the poor? Secondly, most of these data refer to the stock generally accumulated prior to the Maidan and the war. Will the conclusions drawn from their analysis be confirmed by other data, such as indicators of regular consumption?

Let's start with food. According to the State Statistics Bureau, the consumption of fruit, berries and grapes in 1990 was 47 kg per capita, decreased to 33 kg within five years, and amounted to 51 kg in 2015. This is a clear step forward, which cannot be attributed to only the richer segments of the population. Two years after the revolution, this figure decreased by 5 kg per capita, or by nearly a tenth, but it is still significantly higher than two decades ago. The situation with vegetables and melons is similar: in 1990, Ukrainians bought 102 kg per capita per year, in 1995, 97 kg, and in 2015, 161 kg, with the consumption after the revolution remaining almost the same (163 kg in 2013–2014).

A similar pattern of consumption can be observed for meat and meat products: in 1990, it was 68kg per capita per year, in 1995, 39kg (many city residents will remember that in the "roaring nineties" not everyone could afford bread on the table every day, forget about meat), in 2015, 51 kg (with a decrease by 5 kg over the past two years). The meat consumption rates are also significantly higher than in the 1990s, even though they declined significantly during the crisis years of 2014–2016. A significant share of meat products on the domestic market is produced in Ukraine, so in order to assess the level of the

population impoverishment, the consumption of fish and fish products, the lion's share of which is imported, will be more telling. Thus, in 1990s Ukrainians bought 17.5 kg of fish and fish products annually (oh, the cheap Soviet fish for any taste!), in 1995, 3.6 kg, in 2013, 14.6 kg, and last year, just 9.0 kg (or 38% less). The dynamics of seafood consumption, as can be seen from the statistics, are the most sensitive to economic crises and provide the best indicator of their depth. So, today Ukraine is still very far from the 1990s. However, we can be sure that if the economic declines continues for two or three years at the rate of 2015 (which will only be possible in case of an escalation of hostilities), fish products consumption at the level of 1995 may become entirely possible.

If we analyze the consumption distribution of various food groups by income levels, we will see that both the poorest and the richest Ukrainians have been buying fewer fruit, fish and meat over the past two years: the reduction of the relevant indicators was characteristic of all five



DESPITE THE LINGERING ECONOMIC CRISIS OF THE RECENT YEARS, TALKING ABOUT RETURNING TO THE 1990s WOULD BE TOO WRONG AND TOO PREMATURE

quintile groups by income levels: from 20% of the poorest to 20% of the richest. That is, it cannot be said that consumption declined only among the poorest. So, both the poor and the rich are equally far away from the 1990s.

Someone might be surprised, but crisis savings and reduced consumption affected food purchases even more than those of clothes. According to the State Statistics Service, in 2014–2015, compared to 2013, resulting consumption expenditure of households decreased by 32.6% in fixed prices for food and non-alcoholic beverages, and only by 13.5% for clothing and footwear. One would conclude that today people eat and drink slightly over 30% less than two and a half years ago, but it's not quite right. In reality, people are most likely buying less expensive food, especially imported products. This has a high impact on the overall statistics.

THE INDICATIVE FACTORS

A number of alternative indicators complement the picture. According to the data of Kyiv International Institute of Sociology, as of the beginning of 2016, 62% of the adult population of Ukraine used the Internet, and among the people aged 18–39, this share amounted to 91%. Two decades ago, the coverage of the "global web" in Ukraine was less than 1%. A question arises: is Internet is a luxury or a means of communication? It is most probably the latter, judging from the fact that in 2013 it was used by only 49% of citizens, while over two years this share increased by 13 percentage points. That is, despite the economic crisis, Ukrainians don't slow down on the consumption of communication services, and this obviously applies to both the poor and the rich. The dynamics of the growing Internet penetration make us conclude that the standard of living in the country kept increasing even after the revolution.

Another indicator is money transfers from those working abroad. This phenomenon has many aspects, both social and economic. However, two of them are the most obvious. First, migrant workers today earn a lot of money,

ensuring rather high living standards for their families in Ukraine. According to NBU, while in 2000 money transfers from abroad totaled \$61 million, in the last 5–10 years they amounted to \$1.2 billion (depending on how we account for the informal channels of money transfer). This is a considerable replenishment for the budgets of hundreds of thousands of Ukrainian families and the pockets of millions of Ukrainians. Secondly, the very fact of the existence of several million migrant workers suggests that traveling outside of the country has become significantly easier. This is also a component of a better life. According to the State Statistics Service, in 2015 the number of citizens of Ukraine who have been abroad exceeded 23 million. Many of them traveled on holiday, while 20 years ago only a handful of people could afford this (unfortunately, there is no statistical data available), both due to the difficult financial situation and the serious barriers to crossing the border.

POVERTY FROM TARIFFS?

Finally, perhaps the most socially significant indicator today is the standards of living vs. the costs of housing and communal services. According to the State Statistics Service, in 2014–2015, average prices for housing, water, electricity, gas and other fuels rocketed by 151%, and significantly increased in 2016 as well. At the same time, inflation in the previous two years was 66.7%, that is, utility tariffs increased at a rate twice and a half higher than any other prices in the country in general. The issue of prices for housing and utilities today is especially pressing. It sparks a debate about Ukraine returning back to the "impoverished nineties." But is there any real reason to believe this? Natural gas price for households has increased the most. The universal rate of it today is UAH6,879 per 1,000 cubic meters. Three years ago it varied for various categories of consumers within the range of UAH725.4–2,954.1 per 1,000 cubic meters, i.e., there was a 2–10 times increase over the past 2+ years. Is this a lot? According to the State Statistics Bureau, the average monthly salary in Ukraine in the first half of 2016 was UAH4,838, and the average pension as of the beginning of this year was UAH1,699. This means that with today's salary, one can buy 703 cubic meters of natural gas, or 247 cubic meters with the average pension.

What was the situation 20 years ago? In 1995, average salary was UAH73, and average pension was UAH11.56 (since the hryvnia was only introduced in 1996, the available data has been converted to hryvnias). However, these figures often existed only on paper: all of us can remember significant arrears of salaries and pensions that were carried forward from year to year in the 1990s and were not repaid until the turn of the century, at least some of them. As for the cost of gas, on February 17, 1995, the instruction of the Economy Ministry set the tariffs at the level of 2.8–4.7 kopecks per cubic meter for various consumer categories, then on May 19 they were increased to 4–7 kopecks, then there was another increase, and at the beginning of 1996 the price of gas was set at the level of 6–11.5 kopecks. In this way, in 1995 one could buy 635–2,874 cubic meters of gas with the average salary, and 101–413 cubic meters with the average pension. However, the above amounts could only exist on paper, since due to inflation, which was still significant in 1995, salaries and pensions as of the beginning of that year were still considerably lower than the annual average, while the tariff increase rates over that year exceeded the income growth rate.

We can draw a conclusion that two decades ago, the purchasing power of wages measured in cubic meters of natural gas for residential use was the same or slightly higher than today. This is due to the fact that over two decades, the incomes of Ukrainians have increased so that they cover the manifold hike in gas prices needed to bring them to the economically justified market level. However, the purchasing power of pensions in 1995 was on average even lower than today, which is due to their very low level at that time in proportion to salaries. So, the retirees, to whom populist politicians often appeal speaking about high utility tariffs, today live not any worse than in the 1990s. And since the state is giving out subsidies right and left, today's situation with the tariffs is probably worse compared to the early 2000s, but not to the mid-1990s.

NONECONOMIC FACTORS

The latter conclusion is further confirmed by several other factors. Two of them provide an integral estimate of the standard of living. The first one is the average life expectancy at birth. Last year it was 71.38 years, which is 1.4% higher than in 1990 and 6.9% higher than the minimum recorded in 1995.

As a matter of fact, average life expectancy is an indicator that encompasses everything. It is affected by such factors as the number of fatalities among miners, controllability of diseases such as tuberculosis or HIV/AIDS, crime rate, which increases as the living standards decline, performance of the economy, which determines income levels, social welfare of pensioners, which depends on the development level of the state machine, and much more. So, even the slightest increase in average life expectancy may be an indicator of a real revolution in some areas in the country, such as public administration or public health. And these are the components of the quality of life, which determine it if not directly, then indirectly.

Another factor is the Human Development Index (HDI) determined by the United Nations Development Programme (**see Moderate progress**). It consists of 12 subindexes that take into account demographic, environmental, economic, and other aspects. According to this indicator, as of 2014 (there is no later data available) we were still dragging behind almost all other neighboring countries, but are now placed significantly higher than in 1990 or 1995. Even if we assume that in 2015–2016 the HDI value will be lower because of the war and the economic crisis, still we went a long way since the 1990s. If we look at the Balkan countries that suffered from war in the last decade of the 20th century, we can see that we would not fall below the 1990 level from the level of 2014, even if the conflict lingers for five years or goes into an active stage.

A clear majority of the above indicators of the standard of living are much better today than 20 years ago, and often also higher than at the beginning of the independence. That is, despite the lingering economic crisis of the recent years, talking about returning to the 1990s would be too wrong and too premature. Clearly, many people have already erased from their memory the problems and difficulties of that period, while the rather sharp drop in the living standards over the past two years catches the eye and thought almost every day. But objectively, if the entire period of independence is taken as a yardstick of comparison, the living standards of Ukrainians are not as bad as many say. ■

Ukraine of Dignity: The moment of truth

Pavlo Klimkin, Minister of Foreign Affairs

25 years—the length of a single generation. I remember myself as a member of the generation that welcomed Independence in 1991, that made a conscious choice in favor of a free Ukraine. 25 years ago, it was important for us that there simply be a Ukraine.

Today, I feel myself part of a generation for whom it's too little for Ukraine to simply be. For us, it's important to take advantage of this unique opportunity to create a new country, a Ukraine of dignity, a worthy Ukraine.

Two and a half years ago on Instytutska, the country was given a chance to change itself and become the kind of country that generations had dreamed of: sovereign, democratic and European. For the sake of this Ukraine, we are fighting for reform, countering Russian aggression, working to get Crimea back and our political prisoners released.

A country undergoing change naturally requires a renewed foreign policy, which, nevertheless, cannot take place in a vacuum. To make sure that it is both effective and successful, one basic condition must be met: the state's external goals must be grounded in its internal capacities.

As a co-founder of the UN, Ukraine wasn't a real novice in foreign policy. And so it is not odd that, once independent, we immediately set ourselves some fairly ambitious and far-reaching goals. Ukraine successfully integrated into some of the basic global structures: the OSCE, the Council of Europe and the WTO. At some point, we even launched our own geopolitical project called GUAM.

At the same time, we struggled to find a balanced security model to protect our state and citizens, gradually giving more weight to European and Euroatlantic integration. Sometimes others believed in us and sincerely helped. Sometimes they tried to force their own agendas on us. The essence of this path was described very aptly by master diplomat and twice Foreign Minister Anatoliy Zlenko, in the title of one of his books: *From Romanticism to Pragmatism*.

It was a difficult path and an important lesson that, I hope, we have learned: Ukraine suffered from considerable dissonance between its internal state of development and its declared intent to leave the post-soviet model of state and society behind.

Signs that the internal development of the country and, hence, its foreign policy goals were really appropriate became evident only after the Revolution of Dignity. And over the last two and a half years, we have been doing that which will truly allow us to establish a worthy Ukraine.

We can endlessly analyze the achievements and problems of our 25-year foreign policy course. We can ponder over what the purpose was, after the Cold War ended, to come up with the concept of multivectoral policy. We can



PHOTO: UNIAN

A search continues. There are no “carved in stone” security guarantees in the world today, and no effective means of punishing aggressors who deliberately and blatantly violate international law

ask ourselves whether the Budapest Memorandum was the best way to guarantee non-nuclear status and whether it was worth it to give up our nuclear arsenal on the conditions proposed by our partners. We can keep asking ourselves why we did not aim for an Association Agreement with the EU from the very start. But I think it would be far more productive to formulate some interim conclusions based on where we've gone in the past, absorb the lessons and continue to move forward. In this sense, every one of us should draw some simple conclusions.

Firstly, there are no “carved in stone” security guarantees in the world today, and no effective means of punishing aggressors who deliberately and blatantly violate international law. Resolving this problem will be the main challenges of the upcoming years. The alternative can only be growing unpredictability: a new round in the global arms race, the emergence of new asymmetric threats and, as a result, just about any negative further development. A fundamental lack of stability and predictability is the key trait of our times.

It's also obvious that national security can be effectively ensured in only two ways: either through the country's own power or by participating in some form of collective security. This means systems that are based on common values and joint decision-making and that have the necessary capacity to defend their members and the system as a whole. Any other options that are based on a balance of force and interests simply don't work.

Secondly, the key to Ukraine's success is to build an open, democratic society based on European values, a society in which everyone—the government, business and non-government organizations—is genuinely dedicated to certain basic principles: rule of law, honesty and transparency. But we have to work here and now. There is no time now for dreaming and delaying. If this latest attempt to build a new Ukraine stalls, we can expect growing instability and the loss of unity in the state-building project altogether. Let's face reality: a country without stable democracy and sustainable, responsible civil society will only go nowhere, drifting freely and susceptible to any kind of fluctuation and provocation. A state does not need games and slogans; it needs work.

We all aspire a democratic, European Ukraine. Now we have to add to this aspiration substance that we all can agree upon. We need society-wide consensus about what this new Ukraine means to us, as well as what we want to achieve, and when and how we will achieve it. Remember what the Cheshire Cat said to Alice when she asked him for directions? The Cat very rightly answered: "Well, that depends on where you want to get to."

And so we also have to first understand what it is we want from our life and what kind of future we see for our country—to have the courage to realize this and the boldness to begin to go there.

Sure, Russia's aggression is a serious challenge along Ukraine's path of development. We continue to fight against it, knowing full well that it is likely to continue, in one form or another, even after the actual war ends. A democratic, European Ukraine is an existential problem for Russia, casting doubt on the very existence and functioning of the contemporary Russian socio-economic model. But the truth is that, until 2014, we ourselves had not overcome the internal challenges that confronted us after the collapse of the Soviet Union. Examples of this are myriad. The current education system in Ukraine, in my opinion, still lingers halfway between its soviet roots and a European future. It is unable to offer answers to either children or their parents about how to live from here on and how to be in this world. The same can be said for every other critical sphere in the lives of Ukrainians.

Let's be honest with ourselves: our chance for success in this world lies only in reform.

Every country offers something to the world. What do we have to offer? If all it is, is the aspiration, desire and preparedness to do something, we are offering an unfinished product to a market that is already saturated with such goods. Results are the only product that there is always a shortage of, in a universal language that all the world understands. The story of Carl Sturen and Johan Boden, two Swedish students who came to Ukraine, set up the Chumak brand and became the kings of ketchup should not be the exception but the rule. Only then will Europe perceive us and receive us as one of theirs. Only then will we be truly of interest to it.

Ukraine's strengths are not limited to farming. Exports of Ukrainian IT services between 2008 and 2015 tripled. According to Startup Ranking, which rates internet services, Ukraine is 33rd in the world for technology start-ups. Clearly, we have something to be proud of and directions to keep moving in.

Thirdly, the European Union is not in the best of shape. It's under pressure from factors that threaten

the very way of living of its citizens. I have spoken on many occasions about the challenges of migration, the threat of terrorism and Russia's hybrid war against the EU to weaken and fragment a consolidated Europe as much as possible. Still, this does not in any way suggest that we should stop our Eurointegration efforts. The European Union has already shown that it can respond appropriately to both external and internal challenges. I'm confident that, even today, leaders will be found who are capable of moving it forward based on common European values and a clear understanding that the EU can and should remain a world leader in development, not just in politics or economics, but also in culture and intellectual potential.

Europe understands clearly that Ukraine is a turn in the road. It just doesn't quite know where to—whether new prospects or new problems. Moreover, whichever it is, they will be enormous. And that is why it is so tense. That is why it is so cautious in its promises and "prospects for membership."

We can talk all we want about Europe's Ukraine fatigue. But I, for one, want to point out that the appearance of new priority issues or challenges has not distracted the leaders of the civilized world from the joint efforts needed to stop Russian aggression and help in the success of the "Ukraine project." The world understands that Ukraine's failure will become the failure of all and will have fundamental consequences.



EUROPE UNDERSTANDS CLEARLY THAT UKRAINE IS A TURN IN THE ROAD. IT JUST DOESN'T QUITE KNOW WHERE TO—WHETHER NEW PROSPECTS OR NEW PROBLEMS

Ukraine boasts the largest territory and one of the largest populations among European states. What will this territory turn into—a success story or a grey buffer zone? We need to think how different Europe will be and how different the world will be, depending on which of these it is! And no one will be willing to put their faith in mere words, aspirations or desires. Only actions, only results will matter. Their policy towards Ukraine will be based entirely on our response.

The time of the new Ukraine, the worthy Ukraine has come. A Ukraine dedicated to Europe and European values, with a mature democratic society that is open to the transatlantic world and all those who are prepared to play according to universal rules, a Ukraine with a European model of democracy. After all, it's Europe that we belong to, both in our mentality and our geography, and we want to integrate into it economically and politically. This Ukraine must have a Society where every citizen is not just the bearer of sovereignty and the source of power on paper, but takes responsibility for their yard, their city, their country, and their future.

What's more, we have to learn to guarantee the security of this new Society independently until such time as new, more effective collective security systems appear, the main burden will lie on our backs. If we can demonstrate that we are worthy of assistance, help will be forthcoming. But we shouldn't expect that others will take care of our problems. ■

A strategic reserve of diplomacy

Michael Binyon

How Europe is preparing for the possible presidency of Donald Trump

Europeans have made it overwhelmingly clear that they neither like nor trust Donald Trump. Polls show that on average, 85% of those asked have no confidence that the Republican contender would do the right thing, were he to win the presidential election. In Sweden, that figure rises to 92%.

Mainstream European politicians have denounced Mr. Trump as racist, attacked his stance on Muslims and criticised him as a dangerous, unreliable demagogue. Analysts say that he is the most extreme person ever to be a presidential candidate, and warn of the dangers to world peace, global economic stability and historic links between Europe and the United States if he wins in November. The influential German news magazine *Der Spiegel* has called him “the most dangerous man in the world”. J.K. Rowling, the British author of the *Harry Potter* books, said he is “worse than Voldemort”.

No one is yet writing off Trump’s chances of being elected. Too often in recent European elections, the polls have proved to be spectacularly wrong. They did not forecast that David Cameron would win last year’s British general election. They forecast a heavy defeat for those wanting Britain to leave the European Union in the recent Brexit referendum. They have consistently underplayed the popularity of right-wing, nationalist politicians across Europe. Why should the polling results be any different in America?

Secondly, Europeans have seen a wave of anger with establishment politics sweep across their own continent, and believe the same phenomenon is now evident in the US. Trump is seen as the product of an angry mood in America, where huge swaths of the population feel they have been left behind, are threatened by globalisation and see America’s standing in the world diminished. On many divisive issues – race, wealth, tax, immigration, the role of government and the right of ordinary people to carry guns and speak their minds freely – his message appears to be in tune with what many Europeans see as the popular mood in America.

And thirdly, Europe has seen the rise of demagogic politicians whose appeal and tactics are like those of Mr. Trump, although perhaps on a less combative scale. The National Front in France, led by Marine Le Pen, is poised to do very well in next year’s presidential election. The Alternatives for Germany, a right-wing, anti-euro and anti-immigrant party which won



PHOTO: REUTERS

Plan B. Europe wants to strengthen its links with American diplomats, military and intelligence officials in the hope that they will constrain Trump from over-reacting to any new crisis

less than five per cent of the vote two years ago, is regularly drawing huge crowds and has the support of 21% of German voters. A candidate from the far right nearly became president of Austria. And the extreme left is also flourishing, having captured control of Britain’s Labour party and campaigning strongly on anti-austerity platforms in Greece and Spain.

For all these reasons, Europe’s leaders have been circumspect in their comments on Trump. They know they may next year have to deal with him as president. They do not want to give any

hostages to fortune. And they are now quietly preparing contingency plans on what to do should he be elected.

There are three main areas where Europe sees dangers: NATO and the challenge from Vladimir Putin, the world economy and Washington's reaction to global crises such as the Middle East and the fight against Islamist terrorism.

The first big challenge is how to maintain collective Western security if Trump carries out his promise not to honour the key article of the NATO treaty that commits America and all other members to come to the help of any member state attacked. Those Europeans who now spend less than 2% of their budget on defence and who have been denounced by Trump for relying on US protection are quietly looking at ways of increasing defence spending – especially in eastern Europe, which is fearful of Putin's intentions in Ukraine and former Soviet satellite nations. The European Union is looking afresh at proposals for a European army less reliant on the US for manpower and logistics. Britain has made it clear that, even if it quits the EU, it will still play a full role in collective western defence.

For Ukraine, the implications of a Trump victory are especially worrying. This is because of Trump's frequently expressed admiration for Vladimir Putin and his suggestion that a Trump presidency would restore friendly relations with Moscow whether or not a peace settlement is achieved in Ukraine. Trump's views have also been influenced by his former powerful campaign chairman, Paul Manafort, who was forced to resign after his connections with the former pro-Moscow president Viktor Yanukovich were exposed. Manafort is accused of corruptly accepting secret pay-outs as a consultant, and the Clinton campaign has accused Trump of "troubling connections" to the Kremlin.

Ukrainian politicians are making no secret of their concern. "A Trump presidency would change the pro-Ukrainian agenda in American foreign policy," said Serhiy Leshchenko, an investigative journalist turned MP. His remarks follow hints from Trump that he might recognise Russia's claim to Crimea.

On the global economy, bankers, economists and investors are hoping to strengthen international cooperation and are ready to lobby hard to stop a Trump presidency from putting up tariff barriers and pulling out of trade deals with the rest of the world. They plan to work with leading US multinationals to keep world trade flows going. They are also looking to other leading industrialised nations for alternatives to the dominance of the dollar. And some governments are ready to offer new deals to Canada and Mexico should Trump pull the US out of the North America free trade area.

And in the handling of global crises, Europe wants to strengthen its links with American diplomats, military and intelligence officials in the hope that they will constrain Trump

from over-reacting to any new crisis. His two slogans that have frightened Europe most are "America first" and "predictably unpredictable". The main fear is that Trump will order massive unilateral action if he sees US interests threatened, which could play straight into the hands of Russia, China and the enemies of the West. If possible, Europe wants its diplomats to intensify efforts to work with Russia in the Middle East and persuade other big powers to show restraint should Trump order in the bombers to settle a problem.

Keeping lines of communication open to the Republicans is also seen as essential. Trump will preside over a divided nation and party, should he win in November, and will inevitably turn for help and appointments to many of the mainstream Republicans he has alienated and who have denounced him. Europe is hoping that



ONE THING EUROPEAN LEADERS WILL NOT DO IS TO LOBBY AMERICAN VOTERS BEFORE THE ELECTION. THIS INEVITABLY BACKFIRES

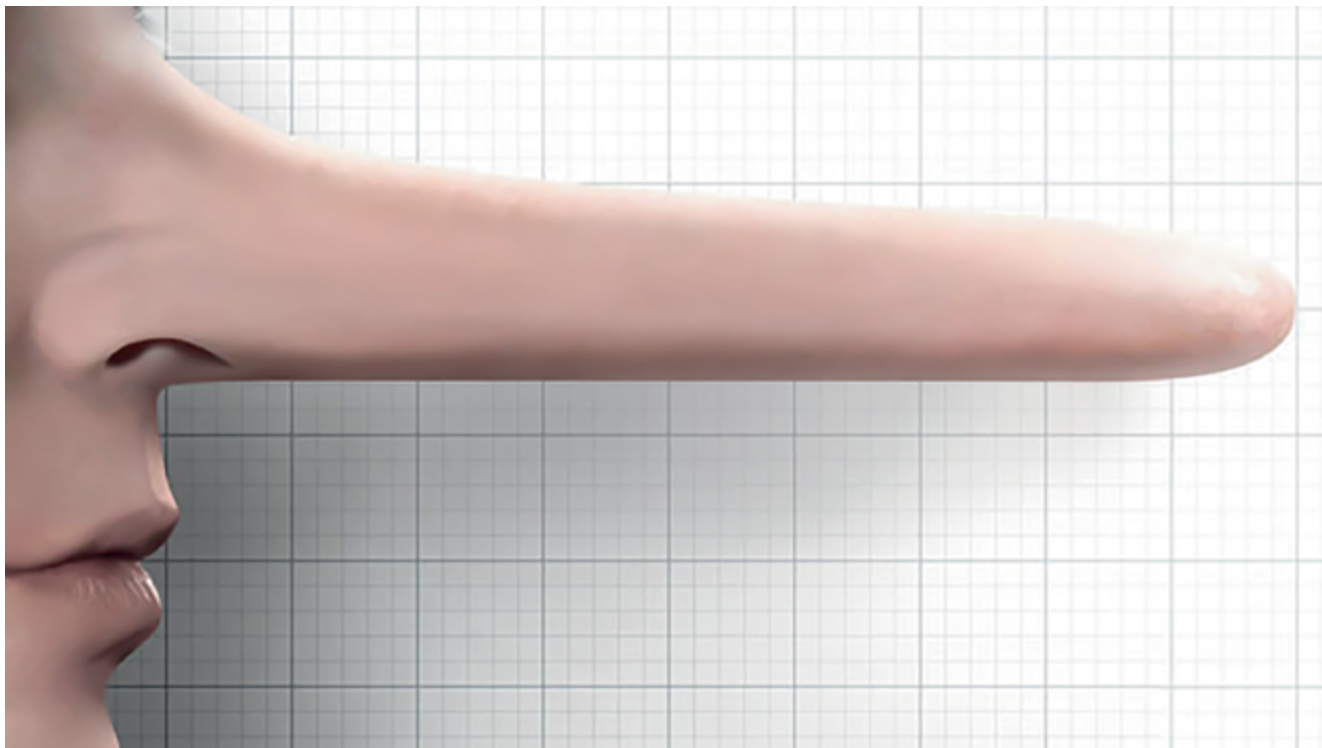
Trump's own inexperience will make him more ready to broaden his political base. Unlike Ted Cruz, he is more of an opportunist than an ideologue and may therefore change his mind quite radically on a range of issues, once he assumes office. This would make it easier for Europe to work with him through the established links with senior Republicans in Congress and those brought into the administration.

One thing European leaders will not do is to lobby American voters before the election. This inevitably backfires. Any overt campaigning by outsiders angers Americans – and Putin may soon find that his partisan backing of Trump could prove counterproductive. Even President Obama's warning to Britain not to vote for Brexit was thought to have strengthened the Brexit camp. Europe's right-wing politicians are already trying to forge personal links with Trump – as Nigel Farage's visit to the Trump campaign has shown. They do not represent the mainstream of European voters, but they may do a useful job in preventing US voters from seeing the whole world against them and rallying around Trump's more aggressive stances.

Most European leaders are appalled by the Trump stances on race, immigration and Islam, but will say little, knowing that his views find an echo in a growing number of their own voters. Instead of denouncing him, therefore, they are likely to search for ways to press for common approaches. It will severely test Europe's best diplomats. But 60 years ago the old policy of "containment" of Soviet Russia evolved into détente. Europe may have to live with a Trump presidency for at least four years, and is now seeking ways to "contain" its most alarming implications. ■

Yes, I'd lie to you

Dishonesty in politics is nothing new; but the manner in which some politicians now lie, and the havoc they may wreak by doing so, are worrying



When Donald Trump, the Republican presidential hopeful, claimed recently that President Barack Obama “is the founder” of Islamic State and Hillary Clinton, the Democratic candidate, the “co-founder”, even some of his supporters were perplexed. Surely he did not mean that literally? Perhaps, suggested Hugh Hewitt, a conservative radio host, he meant that the Obama administration’s rapid pull-out from Iraq “created the vacuum” that the terrorists then filled?

“No, I meant he’s the founder of ISIS,” replied Mr. Trump. “He was the most valuable player. I give him the most valuable player award. I give her, too, by the way, Hillary Clinton.”

Mr. Hewitt, who detests Mr. Obama and has written a book denouncing Mrs. Clinton’s “epic ambition”, was not convinced. “But he’s not sympathetic to them. He hates them. He’s trying to kill them,” he pushed back.

Again, Mr. Trump did not give an inch: “I don’t care. He was the founder. The way he got out of Iraq was, that, that was the founding of ISIS, OK?”

For many observers, the exchange was yet more proof that the world has entered an era of “post-truth politics”. Mr. Trump appears not to care whether his words bear any relation to reality, so long as they fire up voters. PolitiFact, a fact-checking website, has rated more of his statements “pants-on-fire” lies than of any

other candidate—for instance his assertion that “inner city crime is reaching record levels”, which plays on unfounded fears that crime rates are rising (see chart 1).

And he is not the only prominent practitioner of post-truth politics. Britons voted to leave the European Union in June on the basis of a campaign of blatant misinformation, including the “fact” that EU membership costs their country £350m (\$470m) a week, which could be spent instead on the National Health Service, and that Turkey is likely to join the EU by 2020.

Hang on, though. Don’t bruised elites always cry foul when they fail to persuade the masses of their truth? Don’t they always say the other side was peddling lies and persuaded ignoramuses to vote against their interest? Perhaps, some argue, British Remainers should accept the vote to leave the EU as an expression of justified grievance and an urge to take back control—not unlike the decision by many Americans to support Mr. Trump.

There may have been some fibbing involved but it is hardly as though politics has ever been synonymous with truthfulness. “Those princes who do great things,” Machiavelli informed his readers, “have considered keeping their word of little account, and have known how to beguile men’s minds by shrewdness and cunning.” British ministers and prime ministers have lied to the press and to Parliament, as Anthony Eden did during the Suez affair. Lyndon Johnson misinformed the American people

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about the Gulf of Tonkin incident, thus getting the country into Vietnam. In 1986 Ronald Reagan insisted that his administration did not trade weapons for hostages with Iran, before having to admit a few months later that: “My heart and my best intentions still tell me that’s true, but the facts and evidence tell me it is not.”

FACT OR FICTION

It is thus tempting to dismiss the idea of “post-truth” political discourse—the term was first used by David Roberts, then a blogger on an environmentalist website, Grist—as a modish myth invented by de-haut-en-bas liberals and sore losers ignorant of how dirty a business politics has always been. But that would be complacent. There is a strong case that, in America and elsewhere, there is a shift towards a politics in which feelings trump facts more freely and with less resistance than used to be the case. Helped by new technology, a deluge of facts and a public much less given to trust than once it was, some politicians are getting away with a new depth and pervasiveness of falsehood. If this continues, the power of truth as a tool for solving society’s problems could be lastingly reduced.

Reagan’s words point to an important aspect of what has changed. Political lies used to imply that there was a truth—one that had to be prevented from coming out. Evidence, consistency and scholarship had political power. Today a growing number of politicians and pundits simply no longer care. They are content with what Stephen Colbert, an American comedian, calls “truthiness”: ideas which “feel right” or “should be true”. They deal in insinuation (“A lot of people are saying...”) is one of Mr. Trump’s favourite phrases) and question the provenance, rather than accuracy, of anything that goes against them (“They would say that, wouldn’t they?”). And when the distance between what feels true and what the facts say grows too great, it can always be bridged with a handy conspiracy theory.

This way of thinking is not new. America saw a campaign against the allegedly subversive activities of the “Bavarian Illuminati” in the early 19th century, and Senator Joseph McCarthy’s witch-hunt against un-American activities in the 1950s. In 1964 a historian called Richard Hofstadter published “The Paranoid Style in American Politics”. When George W. Bush was president, the preposterous belief that the attacks of September 11th 2001 were an “inside job” spread far and wide among left-wingers, and became conventional wisdom in the Arab world.

THE LIE OF THE LANDS

Post-truth politics is advancing in many parts of the world. In Europe the best example is Poland’s ultranationalist ruling party, Law and Justice (PiS). Among other strange stories, it peddles lurid tales about Poland’s post-communist leaders plotting with the communist regime to rule the country together. In Turkey the protests at Gezi Park in 2013 and a recent attempted coup have given rise to all kinds of conspiracy theories, some touted by government officials: the first was financed by Lufthansa, a German airline (to stop Turkey from building a new airport which would divert flights from Germany), the second was orchestrated by the CIA.

Then there is Russia, arguably the country (apart from North Korea) that has moved furthest past truth, both in its foreign policy and internal politics. The



Ukraine crisis offers examples aplenty: state-controlled Russian media faked interviews with “witnesses” of alleged atrocities, such as a child being crucified by Ukrainian forces; Vladimir Putin, Russia’s president, did not hesitate to say on television that there were no Russian soldiers in Ukraine, despite abundant proof to the contrary.

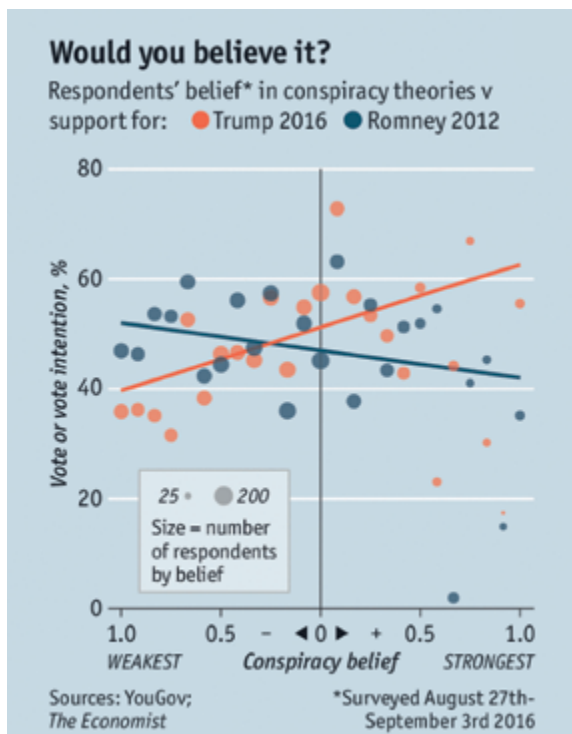
Such *dezinformatsiya* may seem like a mere reversion to Soviet form. But at least the Soviets’ lies were meant to be coherent, argues Peter Pomerantsev, a journalist whose memoir of Mr. Putin’s Russia is titled “Nothing Is True and Everything Is Possible”. In a study in 2014 for the Institute of Modern Russia, a think-tank, he quotes a political consultant for the president saying that in Soviet times, “if they were lying they took care to prove what they were doing was ‘the truth’. Now no one even tries proving ‘the truth’. You can just say anything. Create realities.”

In such creation it helps to keep in mind—as Mr. Putin surely does—that humans do not naturally seek truth. In fact, as plenty of research shows, they tend to avoid

PEOPLE INSTINCTIVELY ACCEPT INFORMATION TO WHICH THEY ARE EXPOSED AND MUST WORK ACTIVELY TO RESIST BELIEVING FALSEHOODS; THEY TEND TO THINK THAT FAMILIAR INFORMATION IS TRUE; AND THEY CHERRY-PICK DATA TO SUPPORT THEIR EXISTING VIEWS

it. People instinctively accept information to which they are exposed and must work actively to resist believing falsehoods; they tend to think that familiar information is true; and they cherry-pick data to support their existing views. At the root of all these biases seems to be what Daniel Kahneman, a Nobel-prizewinning psychologist and author of a bestselling book, “Thinking, Fast and Slow”, calls “cognitive ease”: humans have a tendency to steer clear of facts that would force their brains to work harder.

In some cases confronting people with correcting facts even strengthens their beliefs, a phenomenon Brendan Nyhan and Jason Reifler, now of Dartmouth College and the University of Exeter, respectively, call



the “backfire effect”. In a study in 2010 they randomly presented participants either with newspaper articles which supported widespread misconceptions about certain issues, such as the “fact” that America had found weapons of mass destruction in Iraq, or articles including a correction. Subjects in both groups were then asked how strongly they agreed with the misperception that Saddam Hussein had such weapons immediately before the war, but was able to hide or destroy them before American forces arrived.

As might be expected, liberals who had seen the correction were more likely to disagree than liberals who had not seen the correction. But conservatives who had seen the correction were even more convinced that Iraq had weapons of mass destruction. Further studies are needed, Mr. Nyhan and Mr. Reifler say, to see whether conservatives are indeed more prone to the backfire effect.

Given such biases, it is somewhat surprising that people can ever agree on facts, particularly in politics. But many societies have developed institutions which allow some level of consensus over what is true: schools, science, the legal system, the media. This truth-producing infrastructure, though, is never close to perfect: it can establish as truth things for which there is little or no evidence; it is constantly prey to abuse by those to whom it grants privileges; and, crucially, it is slow to build but may be quick to break.

TRUST YOUR GUT

Post-truth politics is made possible by two threats to this public sphere: a loss of trust in institutions that support its infrastructure and deep changes in the way knowledge of the world reaches the public. Take trust first. Across the Western world it is at an all-time low, which helps explain why many prefer so-called “authentic” politicians, who “tell it how it is” (ie, say what people feel), to the wonkish type. Britons think that hairdressers and the “man in the street” are twice as trustworthy

as business leaders, journalists and government ministers, according to a recent poll by Ipsos MORI. When Michael Gove, a leading Brexiteer, said before the referendum that “people in this country have had enough of experts” he may have had a point.

This loss of trust has many roots. In some areas—dietary advice, for example—experts seem to contradict each other more than they used to; governments get things spectacularly wrong, as with their assurances about the wisdom of invading Iraq, trusting in the world financial system and setting up the euro. But it would be a mistake to see the erosion of trust simply as a response to the travails of the world. In some places trust in institutions has been systematically undermined.

Mr. Roberts first used the term “post-truth politics” in the context of American climate-change policy. In the 1990s many conservatives became alarmed by the likely economic cost of a serious effort to reduce carbon emissions. Some of the less scrupulous decided to cast doubt on the need for a climate policy by stressing to the point of distortion uncertainties in the underlying science. In a memo Frank Luntz, a Republican pollster, argued: “Should the public come to believe that the scientific issues are settled, their views about global warming will change accordingly. Therefore, you need to continue to make the lack of scientific certainty a primary issue in the debate.” Challenging—and denigrating—scientists in order to make the truth seem distant and unknowable worked pretty well. One poll found that 43% of Republicans believe climate change is not happening at all, compared to 10% of Democrats.

Some conservative politicians, talk-show hosts and websites, have since included the scientific establishment in their list of institutions to bash, alongside the government itself, the courts of activist judges and the mainstream media. The populist wing of the conservative movement thus did much to create the conditions for the trust-only-your-prejudices world of Mr. Trump’s campaign. Some are now having second thoughts. “We’ve basically eliminated any of the referees, the gatekeepers...There is nobody: you can’t go to anybody and say: ‘Look, here are the facts’” said Charlie Sykes, an influential conservative radio-show host, in a recent interview, adding that “When this is all over, we have to go back. There’s got to be a reckoning on all this.”

Yet gatekeepers would be in much less trouble without the second big factor in post-truth politics: the internet and the services it has spawned. Nearly two-thirds of adults in America now get news on social media and a fifth do so often, according to a recent survey by the Pew Research Centre, a polling outfit; the numbers continue to grow fast.

On Facebook, Reddit, Twitter or WhatsApp, anybody can be a publisher. Content no longer comes in fixed formats and in bundles, such as articles in a newspaper, that help establish provenance and set expectations; it can take any shape—a video, a chart, an animation. A single idea, or “meme”, can replicate shorn of all context, like DNA in a test tube. Data about the spread of a meme has become more important than whether it is based on facts.

The mechanisms of these new media are only now beginning to be understood. One crucial process is “homophilous sorting”: like-minded people forming clusters. The rise of cable and satellite television channels in



the 1980s and 1990s made it possible to serve news tailored to specific types of consumer; the internet makes it much easier. According to Yochai Benkler of Harvard University in his book “The Wealth of Networks”, individuals with shared interests are far more likely to find each other or converge around a source of information online than offline. Social media enable members of such groups to strengthen each other’s beliefs, by shutting out contradictory information, and to take collective action.

Fringe beliefs reinforced in these ways can establish themselves and persist long after outsiders deem them debunked: see, for example, online communities devoted to the idea that the government is spraying “chemtrails” from high-flying aircraft or that evidence suggesting that vaccines cause autism is being suppressed. As Eric Oliver of the University of Chicago points out in a forthcoming book, “Enchanted America: The Struggle between Reason and Intuition in US Politics”, this is the sort of thinking that comes naturally to Mr. Trump: he was once devoted to the “birther” fantasy that Mr. Obama was not born an American.

Following Mr. Oliver’s ideas about the increasing role of “magical thinking” on the American populist right, The Economist asked YouGov to look at different elements of magical thinking, including belief in conspiracies and a fear of terrible things, like a Zika outbreak or a terrorist attack, happening soon. Even after controlling for party identification, religion and age, there was a marked correlation with support for Mr. Trump (see chart 2): 55% of voters who scored positively on our conspiracism index favoured him, compared with 45% of their less superstitious peers. These measures were not statistically significant predictors of support for Mitt Romney, the far more conventional Republican presidential candidate in 2012.

FROM FRINGE TO FOREFRONT

Self-reinforcing online communities are not just a fringe phenomenon. Even opponents of TTIP, a transatlantic free-trade agreement, admit that the debate over it in Austria and Germany has verged on the hysterical, giving rise to outlandish scare stories—for instance that Europe would be flooded with American chickens treated with chlorine. “Battling TTIP myths sometimes feels like taking on Russian propaganda,” says an EU trade official.

The tendency of netizens to form self-contained groups is strengthened by what Eli Pariser, an internet

activist, identified five years ago as the “filter bubble”. Back in 2011 he worried that Google’s search algorithms, which offer users personalised results according to what the system knows of their preferences and surfing behaviour, would keep people from coming across countervailing views. Facebook subsequently became a much better—or worse—example. Although Mark Zuckerberg, the firm’s founder, insists that his social network does not trap its users in their own world, its algorithms are designed to populate their news feeds with content similar to material they previously “liked”. So, for example, during the referendum campaign Leavers mostly saw pro-Brexit items; Remainers were served mainly pro-EU fare.

But though Facebook and other social media can filter news according to whether it conforms with users’ expectations, they are a poor filter of what is true. Filippo Menczer and his team at Indiana University used data from Emergent, a now defunct website, to see whether there are differences in popularity between articles containing “misinformation” and those containing “reliable information”. They found that the distribution in which both types of articles were shared on Facebook are very similar (see chart 3). “In other words, there is no advantage in being correct,” says Mr. Menczer.

If Facebook does little to sort the wheat from the chaff, neither does the market. Online publications such as National Report, Huzlers and the World News Daily Report have found a profitable niche pumping out hoaxes, often based on long-circulating rumours or prejudices, in the hope that they will go viral and earn clicks. Newly discovered eyewitness accounts of Jesus’s miracles, a well-known ice-tea brand testing positive for urine, a “transgender woman” caught taking pictures of an underage girl in the bathroom of a department



WHEN THE DISTANCE BETWEEN WHAT FEELS TRUE AND WHAT THE FACTS SAY GROWS TOO GREAT, IT CAN ALWAYS BE BRIDGED WITH A HANDY CONSPIRACY THEORY

store—anything goes in this parallel news world. Many share such content without even thinking twice, let alone checking to determine if it is true.

Weakened by shrinking audiences and advertising revenues, and trying to keep up online, mainstream media have become part of the problem. “Too often news organisations play a major role in propagating hoaxes, false claims, questionable rumours and dubious viral content, thereby polluting the digital information stream,” writes Craig Silverman, now the editor of BuzzFeed Canada, in a study for the Tow Centre for Digital Journalism at the Columbia Journalism School. It does not help that the tools to keep track of and even predict the links most clicked on are getting ever better. In fact, this helps explain why Mr. Trump has been getting so much coverage, says Matt Hindman of George Washington University.

Equally important, ecosystems of political online publications have emerged on Facebook—both on the left and the right. Pages such as Occupy Democrats and Make America Great can have millions of fans. They pander mostly to the converted, but in these echo chambers narratives can form before they make it into the wider political world. They have helped build support ▶

for both Bernie Sanders and Mr. Trump, but it is the latter's campaign, friendly media outlets and political surrogates that are masters at exploiting social media and its mechanisms.

A case in point is the recent speculation about the health of Mrs. Clinton. It started with videos purporting to show Mrs. Clinton suffering from seizures, which garnered millions of views online. Breitbart News, an “alright” web publisher that gleefully supports Mr. Trump—Stephen Bannon, the site's boss, took over as the Trump campaign's “chief executive officer” last month—picked up the story. “I'm not saying that, you know, she had a stroke or anything like that, but this is not the woman we're used to seeing,” Mr. Bannon said. Mr. Trump mentioned Mrs. Clinton's health in a campaign speech. Rudy Giuliani, a former mayor of New York, urged people to look for videos on the internet that support the speculation. The Clinton campaign slammed what it calls “de-ranked conspiracy theories”, but doubts are spreading and the backfire effect is in full swing.

Such tactics would make Dmitry Kiselyov proud. “The age of neutral journalism has passed,” the Kremlin's propagandist-in-chief recently said in an interview. “It is impossible because what you select from the huge sea of information is already subjective.” The Russian government and its media, such as Rossiya Segodnya, an international news agency run by Mr. Kiselyov, produce a steady stream of falsehoods, much like fake-news sites in the West. The Kremlin deploys armies of “trolls” to fight on its behalf in Western comment sections and Twitter feeds (see article). Its minions have set up thousands of social-media “bots” and other spamming weapons to drown out other content.

“Information glut is the new censorship,” says Zeynep Tufekci of the University of North Carolina, adding that other governments are now employing similar tactics. China's authorities, for instance, do not try to censor everything they do not like on social media, but often flood the networks with distracting information. Similarly, in post-coup Turkey the number of dubious posts and tweets has increased sharply. “Even I can no longer really tell what is happening in parts of Turkey,” says Ms Tufekci, who was born in the country.

This plurality of voices is not in itself a bad thing. Vibrant social media are often a power for good, allowing information to spread that would otherwise be bottled up. In Brazil and Malaysia social media have been the conduit for truth about a corruption scandal involving Petrobras, the state oil company, and the looting of 1MDB, a state-owned investment fund. And there are ways to tell good information from bad. Fact-checking sites are multiplying, and not just in America: there are now nearly 100, according to the Reporters' Lab at Duke University. Social media have started to police their platforms more heavily: Facebook recently changed the algorithm that decides what users see in their newsfeeds to filter out more clickbait. Technology will improve: Mr. Menczer and his team at Indiana University are building tools that can, among other things, detect whether a bot is behind a Twitter account.

THE TRUTH IS OUT THERE

The effectiveness of such tools, the use of such filters and the impact of such sites depends on people making the effort to seek them out and use them. And the nature of the problem—that the post-truth strategy works

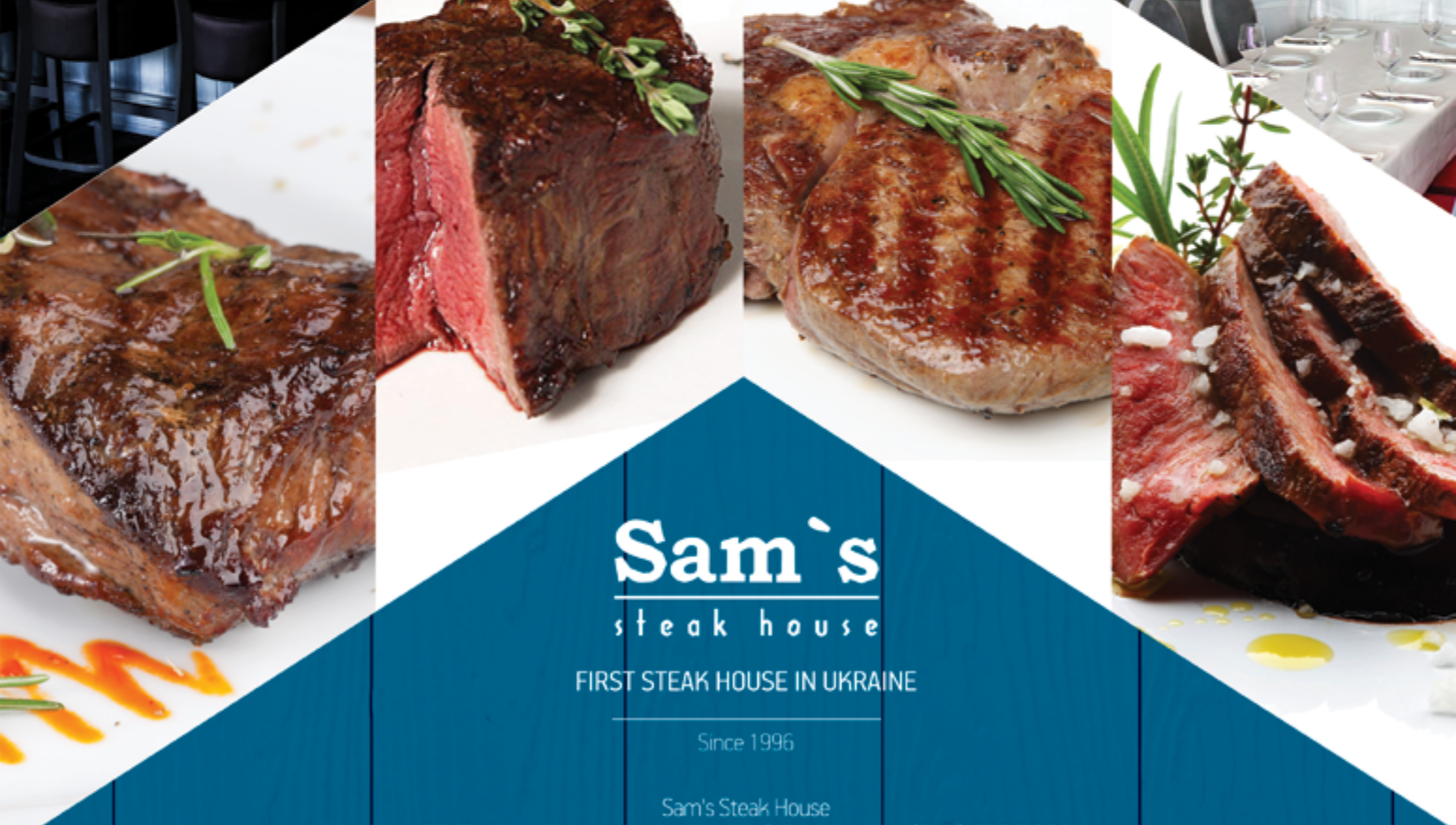


because it allows people to forgo critical thinking in favour of having their feelings reinforced by soundbite truthiness—suggests that such effort may not be forthcoming. The alternative is to take the power out of users' hands and recreate the gatekeepers of old. “We need to increase the reputational consequences and change the incentives for making false statements,” says Mr. Nyhan of Dartmouth College. “Right now, it pays to be outrageous, but not to be truthful.”

But trying to do this would be a tall order for the cash-strapped remnants of old media. It is not always possible or appropriate for reporters to opine as to what is true or not, as opposed to reporting what is said by others. The courage to name and shame chronic liars—and stop giving them a stage—is hard to come by in a competitive marketplace the economic basis of which is crumbling. Gatekeeping power will always bring with it a temptation for abuse—and it will take a long time for people to come to believe that temptation can be resisted even if it is.

But if old media will be hard put to get a new grip on the gates, the new ones that have emerged so far do not inspire much confidence as an alternative. Facebook (which now has more than 1.7 billion monthly users worldwide) and other social networks do not see themselves as media companies, which implies a degree of journalistic responsibility, but as tech firms powered by algorithms. And putting artificial intelligence in charge may be a recipe for disaster: when Facebook recently moved to automate its “trending” news section, it promoted a fake news story which claimed that Fox News had fired an anchor, Megyn Kelly, for being a “traitor”.

And then there is Mr. Trump, whose Twitter following of over 11m makes him a gatekeeper of a sort in his own right. His moment of truth may well come on election day; the odds are that he will lose. If he does so, however, he will probably claim that the election was rigged—thus undermining democracy yet further. And although his campaign denies it, reports have multiplied recently that he is thinking about creating a “mini-media conglomerate”, a cross of Fox and Breitbart News, to make money from the political base he has created. Whatever Mr. Trump comes up with next, with or without him in the White House, post-truth politics will be with us for some time to come. ■



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Everyone gets a piece?

Andriy Holub

Where is the debate on free ownership of firearms in Ukraine today



Make a selfie. In a recent online flashmob, public figures and users upload photos of themselves holding firearms. However, the majority of the population has a superficial view of the debate on gun ownership and does not delve into the specifics

An internet search in Ukrainian for "firearms legalisation" brings up dozens of articles with names like "Firearms legalisation in Ukraine: to be or not to be?" or "Legalisation of firearms in Ukraine: Pros and cons". Some authors cite the arguments of the two camps that society has split into on this issue. Others give statistical information on the regulation of firearms ownership in different countries. Much more passionate debates have flared up on numerous specialised forums.

The majority of the population has a superficial view of the debate on gun ownership and does not delve into the specifics. One piece of evidence for this is the behaviour of politicians who are usually very sensitive to the public mood. Several political figures recently participated in online flashmob #freepeopleownguns. They include, among others, Dnipro Mayor Borys Filatov, leader of the Radical Party Oleh Lyashko and MP Andriy Denysenko. Users were encouraged to upload photos of themselves holding firearms. Judging from the photos these politicians posted, it would seem that the discussion in Ukraine is mainly concerned with the right to acquire automatic weapons, at the very least. However, we should recognise that in this case the politicians lagged far behind their voters, many of which published photos with machine guns, grenade launchers or in front of tanks.

The subject of firearms legalisation started to crop up more frequently in the media from September 2015. At that time, a petition created by Heorhiy Uchaikin, head of the Ukrainian Gun Owners' Association regarding the "legislative approval of Ukrainian citizens' right to defence" became the first to hit the 25,000 votes that were necessary for it to be looked at by the president. Uchaikin demanded the addition of a norm on the free possession of firearms to the Constitution and the immediate adoption of one of the draft laws on weapons submitted to parliament. Poroshenko gave a non-committal reply to the petition a la "we will have consultations on the Constitution, and laws are actually the responsibility of parliament". However, a few days later the president was forced to clarify his stance due to the media fallout. He said that according to opinion polls, 82% of citizens oppose the free possession of firearms and his position coincides with that of the majority.

In a conversation with *The Ukrainian Week*, Uchaikin said that the term "firearms legalisation", used by the media, is incorrect, and it is instead necessary to talk about Ukraine's lack of a law governing gun ownership.

"There are legal weapons among the civilian population in Ukraine. Today, people can legally buy hunting rifles. However, in this case "legal" does not mean "in accordance with the law". Because the document that regulates their circulation among the civilian population is not a law, but an order," he said.

The Interior Ministry order that Uchaikin is talking about has a very long title and is better as simply Order 622. Today, this document regulates all issues relating to firearms in Ukraine. In particular, it stipulates that citizens have the right to own smoothbore and rifled hunting guns. To do this, it is necessary to obtain permission from the Interior Ministry, buy a safe for secure storage, get a medical certificate and complete a firearms ownership course. Permits are issued for three years, after which they should be prolonged.

Another Interior Ministry order, number 379, is marked "for official use only". It regulates the right to acquire non-lethal pistols (including guns that shoot rubber bullets – **Ed.**). This applies to law enforcement officers and their close relatives, court employees, journalists, MPs, civil servants, the military and members of civil defence organisations.

Both orders are almost 20 years old. There have been attempts to resolve the issue at the legislative level since 1995. The most recent draft law "On civil weapons and ammunition" dates back to 2014. It was authored by 34 MPs. Most of them were represen-

tatives of the Radical Party and Svoboda. However, there were also members of the Popular Front, including current Speaker Andriy Parubiy, and even two Poroshenko Bloc MPs. Uchaikin's petition pushed for the approval of this bill.

Chairman of the Interior Ministry Civilian Council, Volodymyr Martynenko, agrees that updating the regulatory framework on the circulation of weapons in Ukraine is a pressing issue. He believes that while there is no law, the system should still be modernised, and this could be done by amending the orders or passing a governmental decree.

The official position of the Interior Ministry is that all the draft laws submitted to parliament require further work. Uchaikin, in turn, argues that the anti-gun lobby, particularly inside the Interior Ministry, is preventing the passing of the law, as well as the desire of MPs not to lose support by making a controversial decision.

If we look at the specifics of the debate on gun ownership, it comes down to the right to possess and carry short-barrelled firearms. Uchaikin asserts that a future law must add pistols and revolvers to the existing list of permitted weapons. "This is common international practice, and if we do not do this, the illegal market will constantly thrive due to demand that cannot be fulfilled in a legal way," he said.

It is impossible to accurately estimate the number of illegal firearms possessed by Ukrainians. The figures mentioned range from 2 to 6 million.

Martynenko is sceptical of the fact that legalising the ownership of pistols would reduce the number of illegal weapons. "I personally do not see any connection here. Even after the adoption of a law in Ukraine, the illegal firearms that were there before will remain so. No one will go to register them," he said.

All the firearms that civilians are permitted to own at present are long-barrelled. The main advantage of short-barrelled weapons for an owner is that they can be carried concealed. According to Uchaikin, this could guarantee peoples' right to self-defence and would lead to a sharp decrease in street crime.

Opponents of this approach, including Martynenko, argue that the weapons already available in Ukraine are sufficient for active self-defence. According to him, rifles and carbines are much more effective than pistols for home protection and non-lethal pistols (possession of which is limited by the "secret" Order 379 – **Ed.**) often make it possible to injure an attacker without killing him.

There is no consensus on the relationship between levels of street crime and the right to own firearms. Official UN statistics show that crime rates depend more on the social and economic development of a society than firearms laws. "About 475,000 people a year die from the illegal use of force – around half of them from wounds inflicted by handguns. Three-quarters of this number are in countries with low incomes and high levels of violence," concludes the 2013 UN CASA (Coordinating Action on Small Arms – **Ed.**) report.

Being a gun owner in Ukraine is not a cheap pastime, and it is doubtful that the cost would decrease significantly following firearms legalisation, in order to make it accessible for the general public. The price of a non-lethal pistol off the shelf starts from 10,000

hryvnias (\$375), while a pump-action rifle is somewhat cheaper – from 4,500 UAH (\$170).

Martynenko names the fight to control the market as one of the factors affecting the current debate on the right to own firearms.

It is impossible to estimate the potential size of the civilian firearms market if gun ownership were to be legalised, because today there are no relevant statistics. Some commentators are talking about tens of millions of dollars.

"If the law is passed, there would be more licensed gun shops, more shooting complexes, more repair shops, and conditions will be created for foreign investors to enter the market. There would be the opportunity to create a huge amount of training centres. More than 2 thousand are planned. This would mean loads of new jobs, hundreds of thousands," says Uchaikin.

Today, licences for business activities involving firearms are issued by the Interior Ministry. The petitioners demand that this function be transferred to the Justice Ministry with the Interior Ministry taking on a supervisory role, as the current system is corrupt.

Volodymyr Martynenko has declared that the Civilian Council he leads is working on amending Order 622 to reduce corruption. Changes are promised in the near future. The working group has proposed the introduction of lifetime firearms possession licences, provided that a district inspector keep track of secure storage.

"One of the main proposals is to transfer the firearms register to a service centre at the Interior Ministry. Service centres would issue licences, whereas the National Police would monitor gun circulation," concludes Martynenko.



IT IS IMPOSSIBLE TO ACCURATELY ESTIMATE THE NUMBER OF ILLEGAL FIREARMS POSSESSED BY UKRAINIANS. THE FIGURES MENTIONED RANGE FROM 2 TO 6 MILLION

Iryna Bekeshkina, head of the Democratic Initiatives pollster said in a comment to *The Ukrainian Week* that the latest opinion polls on gun ownership were carried out last year. Respondents were asked the question "Do you support the sale of firearms to citizens?". 11% answered affirmatively. Bekeshkina says that roughly the same figures were recorded in previous years. The highest support for arms sales was in the west (17%), the lowest in the east (5%). In this regard, residents of the liberated Donbas were a reflection of Ukraine as a whole: 12% for and 81% against. The survey found that even among hunters only 22% support legalisation, with 69% against.

"There is one specific group – the people who support vigilantism and think that it is the only way to restore justice. Out of them, 26% support and 64% oppose. In fact, the only group whose support is quite high is those who believe that private armed groups should be allowed in the country. These people make up 11% of the Ukrainian population, and 40% are for (the sale of firearms to citizens – **Ed.**). Their opinions were evenly split," said Bekeshkina. ■

The revelations of the "Russian Spring"

Denys Kazanskyi

Why Russia failed to stir up an insurgency across south-eastern Ukraine in 2014

The recordings of conversations between Vladimir Putin's advisor Sergey Glazyev and various people in Ukraine released recently by Ukraine's Prosecutor General's Office provide evidence of the direct involvement of the Russian leadership in inciting military hostilities in Ukraine.

The conversations are extremely interesting and worthy of a thorough examination. They help understand a lot about the events of the "Russian Spring" of 2014 and reveal the original plans of the Russians which, luckily, never fully turned into reality.

The authenticity of the recordings released by the Prosecutor's Office has been confirmed. Russian journalists asked the people whose voices have been identified on the audio to comment on the accusations brought by Ukraine. While Glazyev refused to provide a commentary, calling them a "Nazi delirium," Konstantin Zatulin, a Russian MP and one of the people featuring in the recordings, acknowledged that the voice belonged to him. In his commentary he said that the recordings were made by US intelligence services and turned over to Ukraine in appreciation of the incriminating evidence Ukrainian MPs and journalists have recently published on the republican presidential nominee Donald Trump's campaign chairman, Paul Manafort.

Conspiracies apart, we will be looking in what the recordings reveal about 2014: Zatulin does not deny that, as said on the recordings, he arrived to Crimea on February 26, 2014 and, together with Glazyev and Oleksiy Chaly, one of the leaders of the Crimean separatists, organized a community trust "We are all Berkut" to help them.

Below is the analysis of the most interesting excerpts from the released audio.

For a long time, there were discussions in Ukraine as to whether the Russian leadership actually had plans for the "Great Novorossiya" in 2014 or just wanted to bluff and scare. While Moscow's aggressive intentions with respect to Crimea and Donbas are today beyond any doubt, things were less clear concerning south-eastern parts of Ukraine. The unrest in Odesa and Kharkiv could have been the result of both the initiatives of the local pro-Russian organizations and the direct Russian involvement. It has now become clear that Russia in fact actively provoked

unrest in Ukraine in early March 2014. However, the blitzkrieg failed. Putin's advisor Glazyev and his people tried to set on fire the Southeast and to make the local councils in different regions declare the new government in Kyiv illegitimate. This uprising had to result in the emergence of the numerous "people's republics" in various oblast capitals. However, local residents for the most part refused to take part in the implementation of this plan.

Glazyev's key phrase in the GPO's records tells us virtually everything about the events of the spring of 2014 and the Russian strategy in Ukraine: "We can't do this all by force. We can



PUTIN'S ADVISER GLAZYEV AND HIS PEOPLE TRIED TO SET ON FIRE THE SOUTHEAST AND TO MAKE THE LOCAL COUNCILS DECLARE THE NEW GOVERNMENT IN KYIV ILLEGITIMATE

only use force to support the people, not more than that. If there's no people, what support can we talk about?" he said in a conversation with an unknown individual whose voice could not be identified.

So it turns out that Russia could not and cannot still simply send the troops. In order to operate in Ukraine, it needs a cover. Despite the fears that "Putin will swarm to Kyiv," Russia was not planning to attack openly. Its troops could only pop up in places where they had some support, where the way could be paved for them by the fifth column of Ukrainian citizens and local activists.

Realizing that there were "no people" there, Russia did not go to Kharkiv or Odesa, not to mention other cities like Zaporizhzhya, where pro-Russian forces were inert and extremely weak. The Russian military, commandos and militants emerged only in those areas where their support was solicited. This fact is very important for understanding the role of the Russian agents of influence in organizing the bloodshed.

The debate is still going on in Ukraine as to whether the ordinary Donbas residents can be blamed for what has happened to them or their behavior in the spring of 2014 had no importance

whatsoever, and Russia would have invaded anyway. Now we know that the behavior of the locals has really played a crucial role. In those cities, where Russian forces were weak and suppressed by the local patriotically minded residents, the Russian "volunteers" did not emerge. They only came to places where they could count on the massive involvement of the local population in the hostilities. This is, incidentally, what Igor Strelkov admitted in an interview when explaining why he had chosen Slovyansk.

Vladimir Putin did not act crazily, as many believed; to the contrary, he had very sober calculations. His goal was to do everything to make it look as if Russia and its citizens only serve the local population of Ukraine to protect it from "fascists." Many people really believed in this phantasm.

First, thousands of people in Donetsk and Luhansk took to the streets and, at the behest of the Russian provocateurs, asked Putin to send the troops. After that, "volunteers" from Russia really came to the rescue and engineered a bloodbath.

Another thing emerging from the recordings is also interesting. The most sincere supporters of the "Slavic brotherhood," the most idealistic defenders of the Russian language and the most dedicated anti-fascists actually did everything for money. Without them, the "Russian Spring" somehow just doesn't happen, and the Russian-speaking population does not require to be defended against fascism. Financial issues pop up regularly in the negotiations between Glazyev and Zatulin featuring on the tape. The "activists" from Kharkiv and Odesa also contact Glazyev to talk about their financial needs. "We've financed Kharkiv and Odesa. We also have requests from other regions, but I have put everything on hold so far, since I have not yet resolved the financial issues, but eventually I will have to face all these obligations on my own. I have now paid the money to the kazaki that they had been promised by a dozen of people, none of whom gave a f..., and so on. In general, the financial issue is becoming annoying," Zatulin complains on the records.

His comment about "Oplot" from Kharkiv is also interesting: "I have partially satisfied them. But they have much bigger appetites, and they keep raising these issues."

Apparently, in spring 2014 many opponents of the government in Kyiv considerably improved their financial situation. Unlike them, however, thousands of unsuspecting citizens have already found their graves, giving their lives for the sake of other people's financial interests.

So, as it turned out, without the Russian investments and the direct Russian involvement, separatism in Ukraine is worth nothing. Pro-Russian movements in Ukraine are bogus, and their leaders are big zeros. This obvious conclusion can be drawn even from the fragmentary dialogues released by the GPO. No wonder that already in 2014, Russia closed the "Novorossiya project," realizing its hopelessness. These people were not capable of any independent work with-



PHOTO: UNIAN

Stirring the pot. Pro-Russian mobs in Zaporizhzhya got eggs and flour instead of a warm welcome. That was one of the biggest miscalculations of their Kremlin orchestrators

out the outside help and were predictably left on their own by their curators.

Glazyev's indignant soliloquy with respect to Zaporizhzhya is especially gratifying. "Fifteen hundred" of local pro-Russian activists eventually turned out to be a handful of dropouts, whom the supporters of Ukraine, outraged by the news from Crimea and Donbas, just drove away, throwing eggs and flour at them. This saved the city from the sad fate of Donetsk and Luhansk and saved the lives of thousands of Zaporizhzhya residents, who can now enjoy life in their peaceful city.

The "GPO recordings" make us cast our thoughts back on that terrible prewar March and realize the depth of the precipice on the brink of which Ukraine was then standing and the scale of the catastrophe that was looming.

Fortunately, Ukraine was saved from the total chaos and massive bloodshed. Partly, by its active citizens. Partly, the war was strangled in the cradle by the local elites. The only unlucky region was Donbas, which, with happy hoots, trampled underfoot Ukrainian flags and drowned in blood the rallies of those who tried to keep it from the suicidal leap.

The dialogues between Zatulin and Glazyev will eventually make it to Ukrainian history books. Every schoolchild should know how cool-headedly and deliberately the authorities of the "brotherly Russia" pushed Ukraine to the war and prepared it for the bloodshed. How impassively the tonguetied adviser to Putin gave instructions on the phone that caused thousands of deaths of those same "Russian-speaking Ukrainians" whom Russia is ostensibly trying to protect. ■

A trap that didn't close

Yaroslav Tynchenko

How the liberation of Slovyansk is seen on both sides of the front line



A staged photo. Valeriy Heletey newly appointed as Defense Minister miraculously makes it to lift the flag in the liberated Slovyansk

Any war is about destroying the enemy's manpower, not capturing important cities and strongholds. This is an axiomatic truth dating back to the antiquity. From the military perspective, the flight of the detachment of Russian terrorists and separatists from Slovyansk was a tactical success, but a strategic loss for Ukraine. Slovyansk operation became a prelude to the war, which continues to this day, and which Ukraine has neither lost nor won.

To recap, on the night of July 4-5, 2014, Igor Strelkov-Girkin's¹ detachment in two convoys began to fight its way out of Slovyansk towards Donetsk through the checkpoints of the Ukrainian Army and the National Guard of Ukraine. According to the soldiers who destroyed the second convoy of the Russian terrorists and separatists, they knew about the possibility of a breakthrough well ahead of time, and were prepared to it. In other words, letting the enemy out of Slovyansk was not in their plans.

However, the main convoy of the Russian terrorists and separatists broke through the checkpoint of the National Guard of Ukraine (specifically, a unit recruited from Maidan participants) virtually without a fight. How did this happen? Why the second and third layers of defense were not deployed (or were they in place, but did not go into action)? Those questions still remain unanswered.

Strelkov himself, very eloquent on the Internet, explained his departure from Slovyansk by the fact that the Ukrainian army had cut his communication lines and finally isolated him. Continuing fighting in Slovyansk meant getting into a trap for both the "militias" and the civilians.

Let's now see what other separatist leaders had to say about the Slovyansk events and the Russians' role in them. In the late afternoon of July 4, 2014, on the eve of Strelkov's breakthrough operation, the Novorossiia champion and ex-Party of Regions MP in the Verkhov-

na Rada Oleh Tsarev gave a commentary to the Russian media on what was happening. He said, among other things:

"The credit for the fact that we have actually stopped receiving humanitarian aid from Russia and have not seen a single Russian volunteer soldier in a week should not be given to the junta, but is a consequence of the incoherent actions of our protector, the Kremlin. Vladimir Putin has virtually ceased to fulfill his promises made to the people of Donbas. We don't need tanks or drones, we need soldiers to protect civilians from Kyiv aggressors. We need all the power of the Russian army. I still truly believe and hope that President Putin is not what he is held to be in Ukraine. If we keep receiving just tanks and petty assistance, DPR and Luhansk will fall under the pressure of the "fascist forces." Vladimir Putin must defend Donbas, or he will lose Russia with disgrace! Vladimir Putin had promised his protection to me, to Viktor Yanukovich and to the people of Ukraine. But we don't see this protection, we have been left alone with the military threat. We need troops from Russia, we cannot fight with the handful of youngsters, reserve officers and, excuse me, criminals, who will sell us out any time for a few kopecks."

This comment by Tsarev, full of despair, confirms the involvement of the Russian volunteers and military equipment (at least 120 pieces at that time) in the armed confrontation with the Ukrainian troops in the Donbas territory.

As soon as Strelkov arrived to Donetsk, there was a clash between him and Tsarev. According to the reports of Donetsk journalists, Tsarev was outraged with Strelkov leaving Slovyansk and threatened to hold him accountable for the money that he was given to defend the city.

Another "hero" of the events, Igor Bezler², the commander of a detachment of Russian terrorists and separatists in Horlivka, made a statement on the Internet a few months ago that Strelkov, at the time of leaving Slovyansk, ordered him to retreat from his positions. However, he did not carry out the order, blowing up the bridges, mining roads and reinforcing the defenses around Horlivka instead. Besides, from then on, Bezler and his "Russian Orthodox Army" (which consisted mostly of Russians, including Aleksandr Barkashov's³ neo-Nazis) generally refused to deal with Strelkov.

In late June 2016, a testimony of one of the closest associates of Strelkov-Girkin, the commander of Prizrak brigade Aleksey Mozgovoy, who was killed last year by the Russian security services (for various reasons, but primarily because of his refusal to recognize the authority of current LPR and DPR leaders, Igor Plotnitsky and Aleksandr Zakharchenko respectively), was released to the Internet. Mozgovoy's associates made public some of his thoughts on various issues that he had written down in his pocketbook. The late terrorist commander paid frequent visits to Russia during the war and left interesting evidence on the role of the official Moscow in the armed conflict in Donbas:

"The Kremlin is pretending to be out of this, keeping a low profile on its role in the Ukrainian events. However, they did everything to make this war break out.

They did not prevent the coup on the grounds that this is an internal Ukrainian affair. However, they forgot about it, when they seized Crimea. They did not send the troops to protect the population of Donbas. However, they did send armed detachments to Slovyansk, Donetsk, and Luhansk.

They promised military support. But they eeked it out in such small portions that it was impossible to win. In August, finally, they sent the troops, but did not let them attack.

They declared Novorossiia from Luhansk to Odesa, but allowed us to keep only two regions. However, they left half of them to the enemy, and divided the remaining bit into DPR and LPR, so that the Russians here could not get united and become an independent force."

FROM THE MILITARY PERSPECTIVE, THE FLIGHT OF THE DETACHMENT OF RUSSIAN TERRORISTS AND SEPARATISTS FROM SLOVYANSK WAS A TACTICAL SUCCESS, BUT A STRATEGIC LOSS FOR UKRAINE

Mozgovoy believed Slovyansk to be a trap for the "Russian passionarians gathered from all over Russia and Ukraine." He also expressed the opinion that they were to be liquidated there, following the "conspiracy of Jewish oligarchs" (whom the separatist commander blamed before his death for everything that happened in Ukraine). But Strelkov, according to Mozgovoy, caught on to this plan and managed to save most of his people.



PHOTO BY VADYMY KOVALOV

In search of the enemy's diversionist groups. The rumors of many Russia-backed militants remaining in the liberated town were never confirmed in reality



"Russian troops aren't there". Ukrainian military found a lot of Russian weapons in the city council of Slovyansk when the Russia-backed separatists fled

In this way, the separatists are not unanimous in assessing the voluntary withdrawal of Strelkov's Russian-separatist unit from Slovyansk.

If we meticulously examine the events in Slovyansk on July 4-5, 2014 through the eyes of the Ukrainian side, they will look like a theater performance following a certain scenario.

On June 7, 2014, Ukraine finally got a legitimate leader in the person of the legitimately elected president Petro Poroshenko, whose election program held a promise to finish the ATO within a matter of weeks. He soon declared a unilateral cease-fire, which the terrorists and separatists did not observe. It was to be followed by a military operation, during which the

army was to block the Ukrainian-Russian border and to besiege the major cities of Donbas, where the enemy troops were stationed. Under this plan, Slovyansk was the first to be besieged.

On July 3, Ukrainian Defense Minister General Mykhaylo Koval was dismissed without a clear reason, and Valeriy Heletey, chief of the State Security Administration, was appointed in his place. On the same day, Viktor Muzhenko was appointed Chief of the General Staff of the Armed Forces of Ukraine and First Deputy Head of the Anti-terrorist Center.

On July 4, all senior Ukrainian generals and a large landing party of Kyiv politicians and journalists gathered in Kramatorsk (the headquarters of the ATO), as if in anticipation of some significant event. For the morning of July 5, the presentation of state decorations to Ukrainian paratroopers who had distinguished themselves during the previous events was planned. The ceremony, attended by Heletey and Muzhenko, took place on schedule. Then the generals and the journalists left "on a tour" of the place of annihilation of one of Strelkov's convoys and of Slovyansk, where a photo session was specially staged for the press with the new defense minister Valeriy Heletey raising the national flag on the city's mast.

In the meantime, the surviving main convoy of the Russian terrorists and separatists, joined by the survivors from another detachment, easily drove to Donetsk. General Muzhenko and other military leaders are traditionally blamed for not daring to destroy the convoy. The publications referring to those events even mention a pilot who promised to the ATO headquarters to burn the convoy with napalm, if only he is given the permission to fly.

Let's imagine a situation when some of our officials gave the order to destroy the convoy. Airplanes (or helicopters) took off on a combat mission. Even if we assume that the pilots were good at shooting, hitting a convoy moving at high speed along a highway full of civilian vehicles (creating obstacles to proper targeting) would have been extremely difficult. Casualties among civilians would have been inevitable, with extremely low hit ratio. However, the skills of the air crews as of the beginning of July 2014 were more than doubtful. This is clearly evident from the instances when ground attack aircraft were used during the 2014 summer campaign. Therefore, even if the order were given to destroy the separatists and terrorists convoy from the air, at that particular time the aviation would have most probably missed. This fact could have played a key role when taking the decision not to attack the enemy convoy from the air.

The Ukrainian media presented the liberation of Slovyansk, and later Artemivsk and Kramatorsk, as a major victory bringing hope for the quick completion of the ATO. At the same time, TV channels aired amateur video footage showing Stelkov's convoy of military equipment driving to Donetsk without any obstacles.

The militants' leader Strelkov promised to soon recover Slovyansk and other territories. Had he not been removed from the commander's position at the behest of the Russian side, he would probably have fulfilled his promise after the Ilovaysk operation.

However, the situation developed differently: Slovyansk remained Ukrainian and, against all odds, has become a symbol of victory. ■

¹Igor "Strelkov" Girkin is a leader of separatist movement in the Donetsk People's Republic at the early stages of the conflict. Girkin is a Russian army veteran earlier involved in the fighting in Chechnya, Transnistria and, reportedly, as volunteer in the Bosnian War on the Serb side

²Igor Bezler is a GRU-trained diversionist and terrorist, former leader of the DPR, former local deputy from the Party of Regions in Horlivka, Donetsk Oblast, active participant of Russian actions to annex Crimea.

³Aleksandr Barkashov is a Russian political and religious figure, the founder and leader of the ultranationalist Russian National Unity movement.

Vladimir Putin: The sketches for an ideological profile

Leonidas Donskis

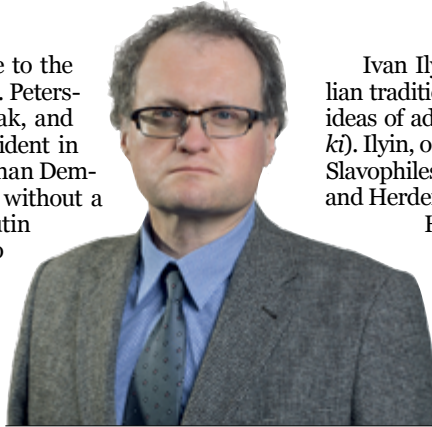
A reliable fact is that the former aide to the liberal and enlightened mayor of St. Petersburg and professor Anatoly Sobchak, and before that, a KGB officer and resident in Dresden, in what was at that time the German Democratic Republic, was truly a Soviet man without a hint of cynicism or pretence. Vladimir Putin speaks fluent German; he resided there. So what is so special about that?

The thing is, as Oleg Gordievsky, a KGB counterintelligence officer who worked for the British Secret Intelligence Service for years and fled the USSR, has remarked, Vladimir Putin did not know anything about Western life – not only because he lived in a People's Democracy, but also because Dresden was a closed city where even Western radio stations and waves were blocked out. Thus, unlike Gordievsky, who resided in Denmark and quite early realized the absurdity of the system, and began to prepare for his defection to the West, the true Andropovite, Vladimir Putin, was and remained loyal to and nostalgic for the Soviet system.

Putin took the fall of the USSR personally. The seeds of revenge for the destruction of the empire were deeply planted in him. His famous phrase about the collapse of the USSR as the biggest geopolitical catastrophe of the 20th century was definitely not a Freudian slip or talking nonsense. He deeply believed and keeps believing in this. Then came a variation on Churchill's phrase about socialism and conservatism, though, where he said that anyone who did not regret the collapse of the USSR had no heart and anyone who believed in its unconditional sustainability had no brain.

Thus, what we see is a Soviet man who came from the depths of the ruined system. What he has mutated into politically and ideologically is a different matter. We know that today he is clinging onto conservative Russian thought and its chauvinist-imperial path. Nobody in Russia treats Marx and Lenin seriously anymore – not even Communist Gennady Zyuganov, let alone the special services officer, who needed something completely different to rely on.

Andrey Piontkovsky once joked sarcastically that the Russian president was a great admirer of Germany, but not the Germany of Goethe and Beethoven, but the Germany of the Gestapo and Stasi. Yes, but ... Putin has become a great admirer of the Russian émigré thinker Ivan Ilyin. This is his official guru in the world of Russian philosophy. Putin places flowers on his tomb every year. The remains of the Russian philosopher, who lived in Switzerland for a long time, were brought back to Russia and reburied in the Donskoy Monastery in Moscow through the efforts of his admirer Nikita Khrushchev.



Ivan Ilyin was shaped as a philosopher in the Hegelian tradition, which in Russia was more in line with the ideas of admirers of Europe and the West (the *Zapadnik*). Ilyin, on the other hand, leant towards the path of the Slavophiles, which grew from the influences of Schelling and Herder in Russia.

However, this is not enough to describe Ilyin. In the West, he increasingly evolved into a flag-bearer of the White emigration, whose ideas tended towards rejection of the Western modern and liberal thought, mixed with considering Russia as the location on Earth chosen by God for his project. Open hatred



WHAT WE SEE IS A SOVIET MAN WHO CAME FROM THE DEPTHS OF THE RUINED SYSTEM, AND IS CLINGING ONTO CONSERVATIVE RUSSIAN THOUGHT AND ITS CHAUVINIST-IMPERIAL PATH TODAY

and rejection of the West, the theological perspective and imperial understanding of Russia allows Ilyin to close ranks with thinkers who are close to fascism.

The thing is that I see the Mikhalkov-Putin syndrome as everything that embodies the ideological tandem – the efforts to pair up monarchy with Bolshevism. After losing his magic touch after the Chekhov-like youth movies (especially the spectacular *An Unfinished Piece for Player Piano*), Nikita Mikhalkov still managed to picture the atrocities of Stalinism in the initial version of *Burnt by the Sun*; however, this did not keep him from directing *The Barber of Siberia* that laid down the essence of Putinism. Consequently, Mikhalkov started in culture the things that Putin had on his political agenda. What is the essence of Putinism in the movie by Putin's ideological twin, Mikhalkov? It is open contempt for the United States powered by the dream of the disadvantaged imperial power to prove eagerness to overcome it by courage and intelligence, if not by force. As we remember, *The Barber of Siberia* portrays an untypical American soldier who disobeyed his dumb sergeant, who hates Mozart and his music. After it turns out that the soldier, who does not fear death and humiliation for Mozart's music, was born out of love between a Russian cadet and an American woman, even the dumb sergeant has to admit that everything is clear. If the soldier is Russian, he has a soul and character.

This ideological kitsch is indeed a superb reflection of the strong belief in Russia about the Western world being hopelessly rotten, unprincipled, cowardly, conformist, disgusting but convenient and good to live in – the love-hate relationship between Russia/Putin and the West... ❏

Andriy Parubiy:

"If we lose the state, there will be nowhere left to fight corruption"

The *Ukrainian Week* spoke to Andriy Parubiy, Speaker of the Verkhovna Rada, about the change of generations in politics, work on past mistakes and the current agenda for political elites and society.

Interviewed
by **Stanislav
Kozliuk**

How did the old elites cope with the task of building statehood?

– I do not like to use the word "elite" for political leaders, because it is obvious that its definition is broader than a group of people who are at the upper levels of government. Moreover, there was passionate impetus from below at all stages. If we're talking about the elite, let's go back to 1990. Members of the Communist Party, sensing the situation and fearing what was happening, took the red flags off their jackets to put blue and yellow ones on. But in fact they remained managers of the former property of the Communist Party and Young Communist League. And began to expand these possessions at the expense of Ukrainians using corrupt methods learned in the USSR. Is this an elite? No. It was a transitional stage. The process of breaking away from the post-communist elites lasted all these years. Is it possible to describe this ruling clique as a united front? No. All 25 years there was confrontation between the pro-Ukrainian camp, focused on Europe, and the pro-Russian camp, focused on the Russian Federation. There were fundamental differences between them. In 1990, the first camp was smaller, but their positions evened out in 2007, when a pro-Ukrainian majority with 227 votes was formed in the Rada. Now, for the first time in Ukraine's history, we have more than 300 MPs who support a pro-Ukrainian and pro-European orientation. They can discuss things and there may be differences, but in our basic principles and goals (the construction of an independent and self-reliant state, joining the EU and NATO, defending our independence), we have become like traditional European states for the first time. For them, the existence of the state cannot be the subject of discussion. And previously in Ukraine there was not only discussion. Remember the Kharkiv Agreements, when the Ukrainian parliament – Ukrainian only in name – made the decision to surrender some Ukrainian territory. But now there are no more debates on these fundamental issues.

In your opinion, which mistakes did the pro-Ukrainian camp make during its time in power?

– In my opinion, it was a big mistake not to hold early elections after the declaration of independence. It was the same in 2004. What happened as a result? The people in power were able to adapt to the new condi-

tions and start their low-key, quiet comeback. The parliamentary and presidential elections held immediately after the Revolution of Dignity cemented the current state of society. This is the reason that we have a pro-Ukrainian majority in power. But the fact that this was not done previously is a big mistake.

Another error is confrontation within the pro-Ukrainian camp. As a historian, I can say that every single time this led to defeat. It's the curse of a millennium – from the Battle of the Kalka River when each prince went into battle alone to 1920, when fighting between Ukrainian forces led to there being no one to defend the country from Muravyov's army. In 2005, conflict in the pro-Ukrainian camp also led to the victory of pro-Russian forces.

Is there a threat of the same thing happening now?

– There are attempts to regain influence and resources using great amounts of money. One of the tasks of government is not to let this happen in any form. Moreover, this revenge is in harmony with the policy that the Russian Federation is pursuing towards Ukraine. After all, Russia is not only a military occupier, but also works in all areas to disorientate and destabilise society.

How can this be avoided?

– By being successful and demonstrating our successful path. Many of those who now dream of taking revenge rely on corrupt money and resources from the old system. The lack of punishment for the people who were recently pulling these corrupt millions and billions out of each of our pockets encourages them. But the successful progress of reforms and tough action from the Prosecutor General and new anti-corruption bodies such as the Anti-Corruption Prosecutor's Office and Anti-Corruption Bureau should become a guarantee that will prevent any such revenge.

Can we say that today's young politicians think in the old categories of the previous "elites"?

– Of course. Some of them used to be assistants for MPs and spent all their lives inside the old frame of reference. Young age is not always a guarantee of honesty and decency. It's just more likely. Can we say that there are some decent people among the older politicians? I was at the Flag Day ceremonies. Levko Lukyanenko, Yaroslav Kendzior and Mykola Porovskiy were there. Lukyanenko spent his life in prison and fought for Ukraine. Kendzior has always stood up for the state. Porovskiy, who was an MP in the 1st Rada, proclaimed independence and brought in the flag. When the war started, he went to the front with the 3rd Special Forces Regiment and took part in the ATO.



PHOTO BY STANISLAW KOZLUK

Dmytro Dontsov used the phrase "young old men". Age is not always a marker. It's just that there are more chances of finding young people who have not been infected by the old system. Are there decent, loyal and honest men among the old politicians who have demonstrated the ability to fight and defend the national interest over the past 25 years? Yes. Are there young opportunists who know the tricks so well that they are more comfortable in the system than their old bosses? Yes.

Going back to the reforms. The old management system has basically turned into the personification of "absolute evil" and tries to resist change in all directions. How can this be stopped?

– Do not be so dogmatic. If you go onto the motorway today and break the speed limit, the police will stop you and issue a fine. Who could have imagined this a few years ago? The system, which you say is resisting, includes the parliament that has created one of the best examples of anti-corruption legislation in Europe.

The main thing is for this legislation to actually operate in Ukraine...

– Is the National Anti-Corruption Bureau not working? Yes, there have been some discussions with the Prosecutor General's Office, and they are continuing. But my question is: are they working? You probably know about the opening of property registers and databases. That didn't fall from the sky! It was a decision by the Verkhovna Rada and government. And you say that the system is completely opposed. When you said this, you disregarded the work of thousands of people who are working to change the system. Disregarded all those ministers, MPs, experts and volunteers whose incredible work changes the country every day.

I gave the example of the police. Here's an example from the army. Do you think that the army is similar to the one that existed at the end 2014? Our army is cat-

egorically different. I can say that as former secretary of the National Security and Defence Council. I don't know in which other country such changes could occur within two and a half years. Yes, there are some old problems in the army, but it's changing fast. And I'm not only talking about spirit, training and weapons. It is now the most effective and most powerful army in the East-Central Europe region. The time will come when there will be no need to send Abrams tanks to the Baltic, because we, as a NATO member or ally, will send the 80th Ukrainian Brigade, which will help our allies to protect the eastern border of the EU from Russia.

Another example. The Agency to Identify Corrupt Assets. Do you remember where the most corrupt money was? I'll remind you. The gas industry. It is called the business of prime ministers and presidents. More than 50% of all corrupt money was wrapped up in it. Today Ukraine does not take gas from Russia, but buys it in Slovakia under transparent contracts. When corrupt practices were found in the local gas market, the Rada authorised the arrest of (businessman and MP – Ed.) Oleksandr Onyshchenko. His property was seized. Indeed, the stage where we need to get parliament's permission for arrest of the property is flawed, but it was passed as quickly as possible. Onyshchenko fled, but is not involved in corrupt practices anymore.

Have the old schemes been preserved? Yes. In state enterprises. In many areas. But their number is decreasing. One oligarch has been cut off from the gas monopoly, another from oil and a third from electricity. These are all decisions by parliament. Corruption is like a cancer. It penetrated society to its core. Is it possible to believe that all this can suddenly be destroyed in one day? Is it possible to think that all corrupt officials will suddenly see the error of their ways? There is an ongoing struggle between the new Ukraine and the old Ukraine. With difficulty, slowly and not as fast as we would like. But the new Ukraine is winning.

The worst thing is when you throw in the towel. Over 25 years there have been many reasons to do this and there have been much more desperate situations. Just remember the 1st and 2nd Maidans. But the only guarantee of victory was the fact that we believed in it.

Which challenges will face Ukraine in the near future?

– There are two areas. Internal and external. Internal – the struggle for the existence of the state. At the start of the ATO, there were debates: fight corruption or to go to the front. I said then, "If we lose the state, there will be nowhere left to fight corruption". It is necessary to preserve the country. This is the number one front. The issue of the very existence of Ukraine. Changing the country, fighting corruption, building a strong and civilised country, where citizens feel dignity not only in a national, but also in a social and economic sense. The fight against corruption and its eradication is the internal front and is almost as equally important as the first point. Corrupt officials are Putin's most dangerous saboteurs. They kill people's faith in the changes to society. Another important issue is not allowing the destabilisation of the country. Putin's goal is conflict in government, in society – the collapse of the system. Now he needs a foundation to take revenge. And the scenario of early elections, which is occasionally mentioned, could well be it. But I don't think this will happen. ■

Creative destruction

From poverty to prosperity in a nation-state with an open society

Vitaliy Melnychuk

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On December 1, 1991, the vast majority of residents of Ukraine supported the Verkhovna Rada's Declaration of Renewal of State Independence in a nationwide referendum. In short, there was complete consensus about the rightness of this decision by the country's legislature. Yet, in the quarter-century that has passed since then, Ukraine failed to affirm itself as an independent, economically sound country with rule of law and quality public governance. Events in recent years—the com-

ing to power of the pro-Kremlin Yanukovich regime, military aggression on the part of Russia, the loss of Crimea and part of Donbas, a protracted economic crisis, corruption and a traitorous government, excessive state debt, and external dependence—have only confirmed this.

In the last 25 years, Ukrainians have asked themselves thousands of times: Why are we still in a vicious cycle of poverty and ambiguity? How can we break this cycle?

A bit of background: poverty, prosperity and the nation-state

British economist Angus Maddison (1926-2010) studied world economic development, calculated the main socio-economic indicators in various regions of the world historically, and came to conclusion that almost from the start of the modern era until the late 18th century-early 19th century, poverty was the natural state in all societies and countries.

The very existence of the absolute majority of humans was constantly under threat from failed crops, epidemics and competition for resources. The average life expectancy was barely 30. Only those who could take advantage of greater physical force and religion to use and control violence against others and establish rents for themselves by collecting taxes and tolls that they distributed and accumulated for themselves, lived any better. And that was how the organization of human societies was established: its social hierarchies and the rules of the game that all members of the society, willingly or unwillingly, agreed to.

These rules formed the foundation of human lives from the Antiquities through the Middle Ages. Only in the Modern Era, that is, from the 16th-17th centuries on, was there evidence of a trend towards major changes: Europe and then the US began to move from a feudal agrarian model to an industrialized model, nation-states began to emerge, and a series of bourgeois revolutions took place: the national liberation war and bourgeois revolution of 1566-1609 in Holland, the anti-monarchist revolution of 1640-1660 in England, the 1775-1783 war of liberation in the American colonies, and the anti-monarchist revolution of 1789-1794 in France.

The standard of living of ordinary people appears to have only begun to grow at the end of the 18th and early 19th centuries. The main driving force behind this shift was the solidification of nation-states in Europe and their active socio-political, economic and technological develop-



ment (see **Table 1**). And Ukraine was no exception to overall European trends at the time. Like other European nations, history gave Ukrainians the chance to establish their own nation-state, to switch from a feudal to an industrial society, and to begin to move from poverty to prosperity in the new civilizational stream that was then emerging. In the mid-17th century, a national liberation struggle unfolded to establish an independent Ukrainian nation-state and institute new socio-economic relations based on small-scale farming, private ownership of land, industrial development, free labor, and self-government.

The economic set-up was based on the notion of “free labor and employment.”

The political and socio-economic organization of the Ukrainian state at the time was very similar to what economists would eventually come to call “an open-access society” and in very short order became one of the most progressive and effective models in Europe. It was in sharp contrast to society in neighboring Muscovy with its communal-style rural lifestyle, the low place of human freedom and dignity on its scale of values as evidenced in serfdom, and the concentration of all economic and political power in the hands of the self-appointed monarch on whom all subjects were completely dependent and property rights were meaningless.

And so, even after the Ukrainian kozak state was split by the Andrusovo Truce of 1667 along the Dnipro River into Right Bank and Left Bank Ukraine, and the Hetmanate was liquidated in

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1764, farming remained developed in Left Bank Ukraine in the 18th century. Indeed, its economy still showed visible traces of the overall European trend towards greater mechanization in farming, active trading and growing economic ties among markets. With serfdom far less entrenched than in Russia or absent altogether, the free farming of private land parcels, coupled with very fertile soil and ancient agricultural traditions meant that labor productivity was enough to allow a majority of Ukrainians to live without experiencing extreme poverty. But more than anything, it offered them the prospect of joining the cohort of most developed economies at that time.

But things turned out differently. When Ukrainians lost their national state at the end of the 18th century, they lost the opportunity to launch their own movement forward with other ▶

countries around the world in what was the most important global trend being born at that time: **from poverty to prosperity in a nation-state with an open society.**

Instead, the 19th century was marked for Ukraine by a violent transformation into Malorosiya or Little Russia as a part of the Russian empire and the imposed loss of the national elite and the basic features of identity. What was worse, the country shifted to the backward Russian socio-political model of relations in all areas of life, including the introduction of serfdom, rigid centralization of economic and political power, and the elimination of self-government.

Russia's colonial policies on ethnic Ukrainian soil were directed at eliminating any sense of identity and self-awareness among Ukrainians and making it impossible for them to establish a Ukrainian state. The consequences of this included denationalization, stunted spiritual and cultural development, total russification, the decline of the elite, and the distortion of ethno-social, demographic and economic structures in Ukrainian society. The Muscovite state-political and socio-economic matrix into which the colonial policies of Russia's rulers and, later on, soviet leaders used brute force to force Ukrainian society continues to prevent Ukrainians from actively developing and moving from poverty to prosperity because it sits like a phantom in the hearts and minds of the people.

After the reforms of the mid 19th century, industrial manufacturing grew at a fast pace in Russia until the early 20th century. This encouraged some Russian politicians to talk about "Russia's

great contribution" to the economic establishment of Ukraine at that time and to the development of capitalism. The very framing of this issue is absurd as the Ukrainian state in early modern times was far more advanced, both politically and economically, at the time when the 17th century "union" with the Muscovite tsar was agreed. Had Russia's expansionism not led to its decline, Ukraine would have kept up with the general European trend towards economic development and the movement from poverty to prosperity based on the capitalist model that was then emerging in Europe.

Instead, Russia's political and economic system fundamentally changed little even in its post-reform period at the end of the 19th and early 20th centuries. As before, it was based on the access of a select few to the state treasury or to guarantees provided by the government. Access to the throne became an economic factor because it determined access to public funds and preferential treatment.

After 1917, imperial Russian policy continued under the communist leadership. In a planned economy without private ownership, entrepreneurial initiative finally disappeared, having become subject to persecution and repression. Expropriation, militarization, mobilization, forced labor were only the relatively small and most visible aspects of how the communist regime operated. Enterprise and a free labor market were declared unlawful, and the individual was just a cog in the system with only minimal personal property, while the right to the fruits of their labor and to the land belonged exclusively to the

Table 1. Per capita GDP in select countries over 1500–2015, 1990 prices and conditions, based on parity purchasing power (PPP), in USD

Country/ year	1500	1600	1700	1820	1870	1913	1935	1950	1973	1992	2003	2008	2015
Austria	707	837	993	1218	1863	3465	2907	3706	11295	17481	21165	24131	26842
Great Britain	797	906	1028	1234	3190	4921	5799	6939	12025	16133	21461	23742	27066
Holland	761	1381	2130	1838	2757	4049	4929	5996	13081	17747	22237	24695	27038
Denmark	738	875	1039	1274	2003	3912	5480	6943	13945	18949	23089	24621	26805
Italy	1100	1100	1100	1117	1499	2564	3148	3502	10634	16637	19090	19909	20230
Germany	688	791	910	1077	1839	3648	4120	3881	11966	16891	19088	20801	24369
Finland	453	538	638	781	1140	2111	3093	4253	11085	15023	20846	24344	25813
France	688	791	910	1077	1876	3485	4086	5186	12824	17994	20891	22223	24566
Switzerland	632	750	890	1090	2102	4266	5907	9064	18204	20831	22342	25104	27771
Australia	400	400	400	518	3273	51573	5318	7412	12878	17370	23332	25267	28791
New Zealand	100	400	400	400	3100	5152	4959	3456	12424	13343	17482	18653	21627
Canada	400	400	430	904	1695	4447	3951	7291	13838	18139	23409	25267	28791
The US	400	400	527	1257	2445	5301	5467	9561	16689	23298	29074	31178	36067
China	450	600	600	600	530	552	565	448	838	2132	4803	6725	10357
India	450	550	550	533	533	673	680	619	853	1345	2134	2975	4112
Ukraine									4924	4934	3547	5003	5188

Source: <http://www.ggd.net/maddison/oriindex.htm>
For 2015, data from IMF and author calculations.

state, to be managed by a handful of people in the politburo. In relations with the outside world, the main goal of the USSR, like that of the Muscovite kingdom and the Russian empire, continued to be expanding territory, with the aim of world hegemony.

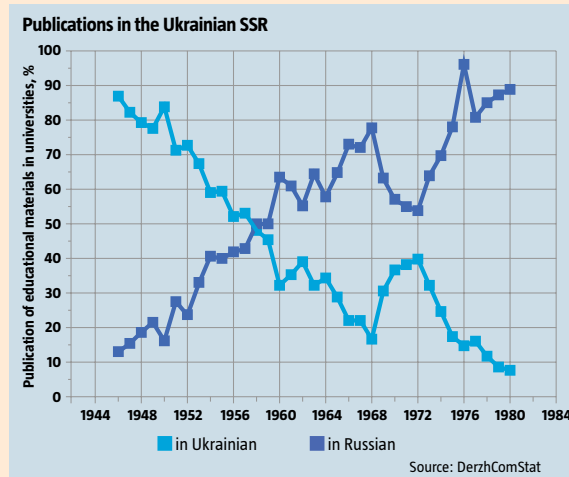
* * *

The economy of this new Russian empire, the USSR, was rigidly centralized, directed from above through “planning,” and based on administrative orders. Its objectives were determined by decision of the upper crust in the party and state managers. Those in power controlled everything that was in the empire “in the name of the people”—including the people themselves. And so shaping the necessary worldview among these people proved to be an extremely difficult task, as the **Publications in the Ukrainian SSR** table shows. As we can see, after WWII, when the threat of protests among Ukrainians was quite high—because of the absorption of western Ukrainian territory by the Soviet Union, because of the resistance of the UPA or Ukrainian insurgent army, and because of social tension in the Ukrainian countryside, which had been devastated by the war and by the famine of 1946-47—nearly 90% of all educational materials for higher institutions were published in Ukrainian. By the 1980s, the reverse was true: 90% of all literature for students at Ukrainian post-secondary institutions was being published in Russian by fiat.

So today, some people still repeat the mantra about the supposed lack of Ukrainian scientific and technological terminology, seemingly unaware of how deliberately everything Ukrainian was destroyed, both in the Russian empire and in the USSR.

The Ukrainian people never accepted the Russian-soviet annexation. The National Liberation struggles of 1917-1921, the hundreds of uprisings in the 1920s and 1930s across Ukraine, the declaration of independent Ukraine in 1941 in Lviv, and the more than dozen years that the UPA continued to fight, almost to the mid-1950s, were only the main milestones in the resistance of Ukrainians to Russo-soviet occupation.

Of course, the battle was uneven, while the West showed little interest in seeing an Independent Ukraine. It was used to the presence of the Russian empire, even in the incarnation of the



“evil empire,” and found this arrangement convenient and safer. History has proved, once more, how naive and flawed this worldview was and remains to this day.

At the beginning of the 1980s, the Secretary General of the Central Committee of the Communist Party of the USSR (CC CPSU), Leonid Brezhnev, summed up “the achievements and victorious path” of communist Russia, announcing grandly: “Our country now has a new human society, the soviet people, and its economy is a unified national economic complex. This complex is managed from a single center, based on directed planning that is the binding on everyone.”

And this was the truth. After a 200-year process directed at completely integrating Ukraine into Russia, Ukraine’s economy, culture and, most importantly, its elite were almost entirely tied to the empire. In the 20th century, the ‘unified national economic complex’ was, as never before, centralized and managed from Moscow by rigid administrative orders based on a ‘unified plan’ that had the weight of law. It was these very components—one people, one national economic complex, one plan, one language, and eventually, one orthodox faith—on which the Russo-soviet socio-political model was built. It was run by a few of the top party nomenclatures and the KGB. What’s more, this small clique influenced the economies and policies of countries in Central and Eastern Europe and the Balkans.

First attempt at transformation

The formal loss of influence of Russia in the world started in November 9, 1989, when the Berlin Wall was torn down and West and East Germany were reunited. In the USSR itself, the Baltics were the first to announce the renewal of independent statehood and an end to their colonial past, starting with Lithuania on March 11, 1990, Latvia on May 4, 1990 and ending with Estonia on August 20, 1990. On July 16, 1990, the First Convocation of

the Verkhovna Rada of Ukraine issued a declaration of sovereignty, and on August 24, 1991, it declared independence. On Dec. 1, 1991, the Act of State Independence of Ukraine was confirmed at a nationwide referendum. The Soviet Union ceased to exist *de facto*, which was confirmed *de jure* on Dec. 8 by the presidents of Ukraine and Russia and the Speaker of the Belarus legislature in Minsk.

The empire fell, but did not die ❧

Russia's totalitarian political economic and social model never lost its historical "Russian matrix." At the top of the pyramid, new Russian bosses and oligarchs swiftly replaced the old party nomenclature. As earlier, their power depended on a punitive system whose influence and role in Russian society had never disappeared, and on the criminal world connected to it.

The upshot of all these processes, in 1991 when Ukraine restored independent statehood, there was no domestic economy as a consolidated economic system, nor could it have existed, on principle. The economy of the Ukrainian SSR was one component of a unified economic complex oriented on satisfying the economic, military, geopolitical and other needs of the entire Soviet Union. The main thing, however, was that it was not based on market economic relations, as these did not exist in the Soviet Union, but on a system of administrative orders and a management approach based on force and enforcement.

In addition, Ukraine had the most deformed economic structure of all the soviet republics, as the majority of its industrial production was in the heavy industries: metallurgy, chemicals and defense machine-building. This was the root cause of the colossal energy consumed by its industries to this day: in 1990, Ukraine used 13 times more energy per US \$1,000 of GDP than German and 10 times more than France. The lion's share of industrial output was either used in manufacturing or as raw material, semi-finished products and parts that were shipped to Russia. Consumer products then constituted only 13% of industrial output.

But the biggest blow of the soviet system was to the traditional economic activities of Ukrainians: the decades of Russo-soviet annexation, the artificial famines, the forced deportation of the best farmers to Siberia and the Far East, and then total russification in all aspects of day-to-day life, Ukrainians largely lost the habit of self-government and entrepreneurship, as well as respect and understanding of the value of private property.

The fateful challenge was that precisely these sovietized, russified Ukrainians would have to take on enormous, historic changes:

- to transform themselves from the bits and pieces of a "single society" into a Ukrainian nation;
- to turn a former Russian colony—a non-state—into a modern nation-state;
- to take on the transition from a closed totalitarian system with party leaders—and then oligarchs—at its core to an open, democratic society at whose core is the well-being of its citizens;
- to put together a domestic economic complex and a modern market economy with broadly evolved entrepreneurship out of the remains of the closed, non-market soviet economy based on administrative orders.

The tasks facing Ukrainians were both very important and very difficult, not just because world history had no examples of such total transformation but also because these transformations had to be undertaken by a people who themselves were the main link in the Russo-soviet matrix at the beginning.

And so, the transformational process proved complicated, painful and inconclusive. As Czech ex-president and ex-premier Vaclav Klaus put it, "To suggest otherwise is to underestimate, or to forget, the damage that communism wrought. Communism was so evil, so oppressive and so ineffective a system of government that no country which had suffered it could ever hope to move on and create a normally functioning society and economy until it had undergone a comprehensive and painful transformation... Transformation of any society is a complex and dynamic process, not merely an exercise in applied economics or political science." (Klaus on Europe: "So Far, So Good", *The Economist*, September 10, 1994)

To say that someone outside, especially from the West, seriously assisted Ukraine in carrying out these transformations would be an exaggeration of some proportion, but that is a separate discussion. As to Russia, it did and continues to do everything possible not to let Ukraine get out of its predatory grasp. The Russian aggression against the Ukrainian state that began at the end of February 2014 with the annexation of Crimea and war in the Donbas is just the latest—and finally most visible to the entire world—link in a chain that continues to tie Ukraine to the procrustean bed of the Russian matrix from earliest times until now.

In fact, it proved impossible to transform a huge, inefficient imperial part of a planned economy into a modern domestic market-oriented economy in 25 years of independence. Ukraine's domestic economy remains as deformed and monopolized as before, based on raw materials, energy intensive and inefficient.

The only thing that changed radically was the actual ownership of Ukraine's economy. Where previously the state in the shape of the Russo-soviet party nomenclature was the main owner, today it's a handful of oligarchs who variously "gained" ownership, including through criminal means, and who are closely tied to Russian oligarchs, in terms of mentality, assets and their ways of "doing business."

Instead of copying Poland, which quickly and effectively transformed itself without the "intercession" of tycoons, Ukraine's governing elite once again followed in the footsteps of Russia, which managed to establish and entrench its oligarchic class by the mid-1990s—Berezovsky, Khodorkovsky, Abramovich, Potanin, Deripaska, and others. The only thing that changed during Putin's second turn in the presidency since 2012 was the surnames of the oligarchs and the *capo di tutti capi* among them, Vladimir Putin himself. Under Viktor Yanukovich, Ukraine went down this same path and only the Euromaidan of 2013-14 stopped this ruinous return to the swampy past.

The problems that arose with the oligarchic structure of Ukraine's economy—monopolism, inefficiency, uncompetitiveness—are leading to such problems as uncompetitive exports and imports; constant threats of devaluation of the hryvnia and a national default; a catastrophic shortfall of budget resources; steady growth in the national debt; pressure on non-oligarchic businesses; widespread corruption among political parties, prosecutors, judges, government officials and elected representatives; and shrinking public trust in public institutions.

Ultimately, an oligarchic economy can never provide the means for achieving Ukrainian national interests. According to the State Tax Service, in 2014 four oligarchs owned 330 enterprises between them, accounting for more than 50% of Ukraine's exports. What's more, nearly all these exported products are turned into manufactured goods in countries that are not their final consumers. In other words, Ukraine's oligarchs make use of transfer pricing schemes under which as much of 60% of hard currency income remains abroad, typically in offshore zones.

In essence, Ukraine's oligarchic economy first inherited and then instituted, as befits the status of a "younger brother," an unreformed component of the soviet-Russian economy that is now part of the global economy. According to the Illicit Financial Flows study by Global Financial Integrity, an average of around US \$12 billion is expatriated illegally from Ukraine every year, adding up to US \$117bn in the last decade. By comparison, in Russia, around US \$150bn is moved offshore every year, adding up to over US \$1 trillion in the last decade.

The example of the "elder brother," as before, is the determinant. And so, in the 25th year of independence, Ukraine has a Russian-model oligarchic economy rather than a domestic one, which keeps Ukraine in a colonized state and obstructs its path to prosperity. It's not just a matter that oligarchs play too large a role in the

economy, own enormous assets and interfere in politics by controlling political parties. The real problem is that most of their enterprises and facilities operate in those branches and industries that lock Ukraine's economy into the production of raw and low value-added products that bring few profits, leading to poverty and decline, and making it impossible for free entrepreneurship to flourish.

Free entrepreneurship and rule of law remain declarative rather than being instituted in actual practice, and to ensure this state of affairs, oligarchs need to control the government. This gives them control over the president, legislature and Government of Ukraine. As events around the latest Cabinet shuffle amply illustrated, the influence of Akhmetov, Firtash, Kolomoyskiy, Pinchuk, Hryhoryshyn and others on key state decisions remains enormous, and decisions involving influential appointments continue to be based, not on moral and professional qualities, but on the interests of oligarchic businesses or the principle "we don't care who, as long as he's one of ours."

Indeed, Ukraine today has only separate elements of a market economy and what is often called business shows little signs of entrepreneurship. The "Russian matrix" in which Ukraine continues to find itself has no need of a market economy, whether it be the inviolability of private ownership, free enterprise, or equality before the law. And as long as Ukraine remains there, Ukrainians remain doomed to poverty as well.

Can this situation be changed?

Yes, of course. This can be done—by a civil society that continues to make itself felt more and more, and eliminates the "one and only society of the soviet people." Civil society must become the main driver behind the changes that will force those in the upper echelon of government to accept, whether consciously or not, radical political and socio-economic transformations.

World practice shows that this is entirely realistic.

From poverty to prosperity

Again, the standard of living of Europeans began to grow significantly starting in the early 19th century, as nation-states began to establish themselves. From that time on, European countries and the developed world have steadily moved from poverty to prosperity. Still, the high standard of living of ordinary citizens is typical of only a small number of countries today, those with the highest standards of public governance, a high life expectancy, and a very efficient economy. By the mid-20th century, this included the UK, France, Western Germany (FRG), Denmark, Sweden, Holland, and other countries in Old Europe, as well as the US, Canada, Australia, and New Zealand. Soon they were joined by Hong Kong, South Korea, Singapore, Taiwan, and Japan. In the last decade, countries in Central and East-

ern Europe and the Baltic region have been approaching this level: Estonia, Lithuania, Latvia, Poland, Slovenia, Slovakia and the Czech Republic.

Clearly, the list of most successful countries is not limited by geography or culture, although the European factor has historically been the first and the strongest. Today, this list represents different continents and different historical and cultural heritages: from Protestantism to Confucianism, from western civilization to eastern ones.

So what's the secret of this success? Why are some countries poor while others are rich? What do Ukrainians need to do for Ukraine and its citizens to become prosperous and successful?

One answer to this question can be found in Douglas North (1920-2015), a Nobel laureate in economics and renowned modern economist. In ▶

his opinion, the success of a country depends, not on its available resources and not even on the pace of growth of its economy, but with the way the society is predominantly organized. Among the qualitative features of this kind of organization, the main ones are:

1. The nature of the **institutions** typical of this society and the essence of the “**rules of the game**” these institutions have established in order to support the most varied forms of human activity. According to North, institutions are formal and informal restrictions and rules developed by people in a society—constitutions, laws, agreements, customs, voluntarily adopted codes of behavior—as well as the obligations and restrictions that structure the interaction of the people within that society. This includes rules of moral and ethical behavior of people in the society as a whole, including when generating and growing wealth. Such institutions shape the motivational and a limiting structure of a society.

Limited-access social orders

In countries with limited-access societies, the established “rules of the game” work so that people **don’t have complete access to opportunities** that would allow them to participate in a wide range of organizations and associations, such as enterprises, establishments, unions, parties, societies, associations, and other forms of legal entities and informal organizations. Such access individualizes and personifies. Personal relations, especially among individuals in power—who, whose and whence—establish the basis for social relations and cardinally influence both the rules of the game and access to opportunities for people. Similarly, those who hold power want to preserve their monopoly on access to political, economic, social and other opportunities and restrict them for “bystanders”—“others” and “not ours.” Why? In order to ensure rents, which in turn ensures them access to power and a monopoly on opportunities. The main source of these rents is the state budget, natural resources, state property, permits and licenses, monopolism, and the right to form organizations themselves, to set up an organization in “profitable” areas and branches.

This kind of state restricts opportunities for “other” individuals to compete in wealth-creation and fosters “ours,” meaning those who have access to government agencies and manage them. It generally does not reflect the national interest but the much narrower interests of a coalition of forces in power who collaborate for a mutual purpose—collecting rents. In order to preserve its position, those at the top buy off the electorate from time to time with some kind of redistribution of privileges or the broad introduction of subsidies. In short, they buy peace in exchange for a tiny piece of the rents pie, cultivating paternalism and populism among broad swathes of the population.

2. The regulation with the help of the “rules of the game” established by these institutions to **provide citizens with access to a variety of organizational forms**: political, economic, social and so on. Organizational forms can include enterprises, establishments, unions, parties, societies, associations, and other forms of legal entities and informal associations. In human society, it is these kinds of organizations that give citizens the opportunity to realize their aspirations. They are instruments that are used to increase productivity, create and expand wealth, find and establish contacts and relationships, gain political power, coordinate their efforts with the efforts of the group, manage such groups, and even force them.

In analyzing these characteristics, North identified two types of social orders common to the current stage of human development:

- 1) **limited-access societies**
- 2) **open access societies**

A society with limited access is economically oriented, not on **creating** new added value, but on **acquiring** existing value, on searching for new rents and foreign credit, and exploiting resources, while choking competition and engaging in paternalism. This, of course, does little to increase broad-based prosperity—on the contrary. Meanwhile, political and economic competition is either very weak or non-existent altogether.

For much of history, human civilizations have known only states built on highly restricted access. Economist Douglas North talks about the “natural state,” which appeared as an attempt to curb violence within the society and provide the opportunity for people to interact economically and socially among once small, hostile clans. The redistribution of resources to the benefit of the warlords and the monopoly of the leadership over rents were the “natural” condition of such a state and rents the “natural” recompense of the elite for its role as Arbitrator in conflicts among individuals and for a certain level of security.

And so, we see that countries with limited-access societies have a number of common features:

- a political regime that is not based on society-wide consensus;
- a relatively small and not very varied number of organizations to which only the select few have free access and the rest are kept outside;
- a highly centralized government and undeveloped self-government;
- social relations that are dominated by those based on personal connections, including privileges, and position in the social hierarchy;
- unprotected property rights;
- corruption with an unjust court system and laws that are applied selectively;
- a slow-growing economy that is vulnerable to shocks;

- a weak civil society, widespread public distrust, and poor-quality governance and administration.

Despite the fact that the main features of a limited-access society can be found even today, historically societies go through three major phases during the limited-access stage:

1. *the fragile phase*: the society's "elites" are effectively on the edge of or actually engaged in an internal power struggle nearly all the time and the access to opportunities, resources and monopoly over rents that it represents;

2. *the normal phase*: power belongs exclusively to the elite and offers access only to those individuals and organizations connected to the "elite" and "its" state. This kind of phase can be seen in Russia today or Ukraine under Leonid Kuchma and Yanukovich;

3. *the mature phase*: the range of opportunities that are available to all citizens remains limited but slowly expands, steadily becoming broader. This process we can see in Ukraine today.

Each phase, history shows, has several sub-phases with varying levels of access to opportunities. However, given the inherent instability of societies with closed access, the transitions between phases can go in the direction of improvement or of worsening, such as we see in Russia today: with Putin's second coming to the presidency, the transition has been a regression, from the partly *mature phase* to the *stable phase*.

In countries whose social order offers limited access, the role of the main Arbiter is very im-

portant, whether that be a monarch, president, premier, secretary-general, and so on. In effect, this individual controls the main sources of rents and has, together with those in his inner circle, the greatest influence over their redistribution, through the use of appointments. If the Arbiter's actions are directed to maximize rents, the regime becomes autocratic or plutocratic. Its top priority becomes rents, while governing is merely the means to acquire them. Regimes that maximize power become totalitarian. For these regimes, power is the top priority and rents are merely a "natural" consequence.

In this sense, there is little difference between the Russian Empire, the Somoza dictatorship, the Yanukovich regime, or Putin's *Russki mir*. In all of these societies, access to economic and political opportunities went, not to those with an education, talent, experience who fairly won in a competition, but to those who with the necessary privileges, personal connections, and access to the "throne." In Ukraine, as in Russia, this meant, first of all, the oligarchs, who have the most capital, and individuals who are personally dedicated to the Arbiter.

In a country dominated by a limited-access social order, personal ties, wealth and privilege outweigh rights and rules. Moreover, this is no anomaly. Such countries are not "sick" with corruption, unjust courts, poor governance and administration, poverty, and violated human rights. This is actually their "natural state" as a society with restricted access.

An open-access society

The world continued to have closed-access social orders until the start of the 19th century, when the kind of situation that North called an open-access society began to emerge. The primary condition necessary for a society to switch to this kind of order was the **nation state**.

In addition, a society with open access has such features as broad social conviction that citizens must be included in social processes; no restrictions on economic, political, religious or educational activities; universally open and accessible support for forms of organization for any type of activity; universally available rule of law. In open access societies, personal connections remain significant, but in their daily lives, citizens no longer need to be solely oriented towards them. The influence of the individual is defined by a set of **impersonal characteristics**.

Both social orders—the open and the limited kind—have both public and private organizations, but in the second kind, the state restricts access to these organizations to the "elite" of the society, whereas in the first, it does not. This leads to greater public trust, in both institutions, including public ones, and in those who represent these institutions and organizations. For instance, people trust their doctors, their cops, their state or municipal officials, bankers as a

group—and not because we know them personally and "whose" they are.

This is sometimes called "natural" trust.

Countries with an open-access social order also tend to have a strong, dynamic civil society with a large number of organizations, decentralized governing power, self-government, broad-based impersonal trusting relations, rule of law, protected ownership rights, and, as a consequence, stable political and economic development. Historically, the homeland of open-access social order was the United Kingdom, a situation that was fostered by a combination of free market and centuries of democratic traditions. Today, we can see stable economic development and a high level of per capita income in countries that are open-access societies (**see Table 2, Per capita GDP in the 30 wealthiest countries**).

Incidentally, stable growth based on open access should not be confused with rapid economic growth based on exploiting cheap human (China) or natural (Arabic Gulf countries, Russia) resources. Resource wealth can, in fact, be a trap. The resources are exhausted or prices plummet, and being dependent on them means that economic potential also becomes exhausted. In some cases, the country can even collapse, as we saw with the USSR and Venezuela. And we will undoubtedly see more of this.

Table 2. Per capita GDP in 30 wealthiest countries, 2015, in current prices, USD (IMF data)

Rank	Country	\$ per capita	Rank	Country	\$ per capita
1	Luxembourg	103,187	16	Austria	43,547
2	Switzerland	87,178	17	Finland	42,159
3	Qatar*	78,829	18	Hong Kong	42,097
4	Norway	76,266	19	Germany	41,267
5	The US	55,904	20	Belgium	40,456
6	Singapore	53,224	21	France	37,728
7	Australia	51,642	22	New Zealand	35,966
8	Denmark	51,424	23	Israel	35,702
9	Iceland	51,068	24	OAE (Emirates)*	35,392
10	San Marino	49,139	25	Japan	32,481
11	Sweden	48,966	26	Kuwait*	29,983
12	Ireland	48,940	27	Italy	29,847
13	Holland	44,333	28	Brunei*	27,759
14	Great Britain	44,118	29	South Korea	27,513
15	Canada	43,935	30	Spain	26,327

*Oil-producing countries with closed societies whose GDP is largely based on petroleum exports.

Ukraine: Restricted access

Ukraine is predominantly a limited-access society. Although its civil society has become much stronger, the country has only shifted from the *stable phase* of the limited-access social order under Yanukovich, where only organizations connected to the “Family,” were supported, to the *mature phase*, when the circle of supported organizations has become quite broad. Recently data was published about the 75 legal entities that were completely controlled by the Family, 50 of which were registered abroad, mostly in offshore zones. It was through them that the concluding stage of the multi-billion dollar operation of removing rents from Ukraine took place: transfers involving budget funds, the public debt, illegal incomes from money taken at Customs and the Tax Administration, National Bank of Ukraine resources, and more.

After the Euromaidan and the Revolution of Dignity, the concentration of corruption among those in power and the level of rigid force in social and economic relations went down, but they did not disappear. The system has continued to function in limited-access mode. The persistence of this kind of order keeps the electoral, political and economic systems opaque, the application of the law arbitrary, property rights insecure, government corruption “diversified,” justice selective, power both visibly and invisibly oligarchic, and loyalty among civil servants to the Arbiter or the party controlled by the oligarchs and not the country. Legislation is deliberately written to be overly severe, inconsistent, complicated or am-

biguous, so that it is impossible to adhere to it. Either that or the law has been designed for those in charge to “interpret” the rules or make subjective rulings or decision based on their “minder’s” preferences—the “minder” being yet another institutional hangover from the limited access model in Ukraine today.

The upshot is that a country formally founded on law is actually based, not on rule of law, but on personified relations and privileges that operate through minders in the regions, branches and in enterprises. Their purpose is to distribute financial flows among their own. This kind of government threatens the reluctant or rebellious with reprisals, and often acts on it, whenever someone tries to break out of the limits of the restricted-access system. In friends, we trust; all others obey the law.

This kind of split reality—supposedly market-based and competitive but in fact using enforcers to ensure monopoly—leads to the government in a limited-access society inevitably making public decisions in back rooms and then constantly dissembling in public about its policies. Meanwhile the media—press, papers and electronic publications—is needed by the oligarchs, not so much to satisfy their vanity or launder money, but to establish and maintain a particular image of reality, to play up to voters and to manipulate the primitive instincts of the poor.

And so economic relations in a limited-access society are based on an illusion among its citizens that profits are ensured through force, not

Table 3. Per capita GDP in Ukraine over 2010–2015, USD

	2010	2011	2012	2013	2014	2015
Per capita GDP	2,983	3,590	3,883	4,435	3,014	2,109
Per capita GDP based on PPP	7,712	8,328	8,541	9,697	8,681	7,990

Source: IMF

through mutual activities. To take from those who have something instead of making something newer and better together. Predation and deceit are the main ways of getting rich, both for those who engage in business and for broader society. **This destroys morality, trust and security**, without which neither a market economy nor generating added value is possible. The inevitable outcome is poverty. By per capita GDP, Ukraine ranks among countries with low incomes. What's more, over 2014-2015, they began to go down even further, even when converting the figures to purchase power parity (PPP), which levels out values across different countries (*see Table 3, Per capita GDP in Ukraine for 2010-2015*).

Under such circumstances, the main factors for people to survive and move up the social ladder are corruption and "protection." With the help of these two means, people hope to protect themselves from poverty and tyranny, and to gain access to opportunities that are personally open only to those who are privileged. Enormous effort goes into this that could otherwise be put to improving the quality of life.

The lack of entrenched rules or their volatility leads to shortsighted planning and poor quality public administration. The power "elite" doesn't bother itself over how its decisions today will affect the well-being and opportunities of future generations: the huge debt hole, lack of incentives for business, lack of investment and cutting edge solutions in the fields of education,

healthcare and pension funding. One example of this is pension reform, which was started back in 1998 but still hasn't been completed. These are all strategic issues that affect not just every citizen but the financial security of the very country.

The "ASAP" mentality makes it possible to get rich quickly but it fosters a reluctance to develop and carry out real strategies and to establish long-term rules, because their absence makes it easier for the power "elite" and the oligarchs that form part of it to abuse their positions and take rents in return for access to power.

The limited-access social order that still dominates in Ukraine makes it impossible for the general population to break out of poverty while being highly durable, able to protect and reproduce itself even with the coming of new people to power, as we can see today. After the social explosion of 2013-14, the Euromaidan and Revolution of Dignity, the war in the East, the "positive pressure" of the West, the nature of limited access did not change radically: we still have a closed-access society in which the main opportunities are available only to insiders.

If it wants to survive, Ukraine must switch to an open-access society. Otherwise, development and progress will be replaced, not just by mutated regimes and a change of surnames among the "elite," but by a decline to the level of third-world countries, to being a raw material producer and, what's worse, a failed state.

The question is, how to do it?

Second attempt: Preconditions and realities

As we all know, the main indicator of a successful state is the ability to protect not just its sovereignty but to control violence in all areas of society—in politics, economics, the military and domestic affairs—to entrench rule of law, and to offer quality public administration. This kind of effectiveness can only be achieved in an open-access society.

The key condition for a country to switch to an open-access social order is being a **nation state with sovereign domestic and foreign policy**. This kind of state is the key element that is sorely missing in Ukraine today. This is the historical opportunity that Ukrainians lost in the 18th century, and then again in the early 20th century. This is what Ukrainians should have been fighting for above all, and building for the last 25 years of independence. The reality proved completely differ-

ent because the soviet nomenclature took over the place of the social elite in Ukraine in 1991, one that, despite dyeing itself the colors of the new blue-and-yellow flag, thought only within the coordinates of a colony of a great empire—Russian or soviet, it mattered not. At the same time, those few representatives of genuinely Ukrainian forces in politics and government had neither governing experience nor management skill, nor business smarts, nor the ability to act effectively in opposition to the painted-over nomenclature. And so the first attempt, in the early 1990s, to transform Ukraine into an open-access society and build a fully independent state did not succeed.

Any fundamental changes in a society are always difficult and lengthy. Even in stable countries with open-access institutions adopt the new and transform themselves at different speeds¹. And so, ▶

¹ Alvin Toffler (b. October 4, 1928, American philosopher, sociologist, author of the concept of postindustrial society) proposed, in order to imagine the different paces of change among different institutions, imagining a highway where nine cars are driving at different speeds, each of them symbolizing one contemporary American institution. Enterprise is moving the fastest, meaning business companies, going, say, 100 mph, because they change and transform rapidly, being very responsive to innovation. Behind them is civil society with all its variety, fast-changing non-government, volunteer-based human rights organizations, and associations, going, let's say, 90 mph. Third, oddly enough, is the "family" car, going 60 mph. Behind it at quite some distance are the trade unions going 30 mph. And behind them, you can see the government bureaucracy and legal institutions, puttering along at 25 mph. Finally, the education system, going 10 mph. International organizations like the UN, IMF, WB and WTO travel at most around 5 mph, and that's hardly surprising. What's surprising is to see political institutions, from the Congress and White House to political parties, barely moving at 3 mph. Trailing at the very back is legislation, at 1 mph. The pace of transformation among Ukrainian institutions these last 25 years, even if it is the transition from a totalitarian to a democratic society, isn't much different from what Toffler described. Except that Ukraine's oligarchic business, which has become ingrown with the government and political parties, is travelling at 3mph, not 100. But entrepreneurship and market business is travelling along with civil society, as the Euromaidan demonstrated. Still, both civil society and the domestic and external political situation, as well as our allies in the war with Russia, are demanding that our state leadership and the heads of key institutions change much faster.

based on the circumstances in Ukraine today, the **subjective factor** has major significance: the human individual, especially an individual given legitimate power.

When he won in 2014, the president gained a huge vote of confidence from Ukrainian voters under the Constitution, and having won in the first round, his victory was effectively equal to a nationwide referendum. Had he wished to change the country, he should have firstly grounded his actions in the active part of civil society, which adapts to innovations better and wants to see transformations, and not on oligarchs and “buddy-buddies” who merely dragged him back into the murky past. A man who found himself heading the Ukrainian state at such a responsible moment should have, first of all, proposed a development strategy based on the principle of competitive personnel selection using the criteria of professionalism, decency and patriotism, and not their personal loyalty and business partnership. He should also have started an open dialog between the government and the people, eliminated the practice of back-room deals in government that only reduce public trust in government institutions, and eventually to the state as such.

And even if not everything went as planned for such a president, because the situation today in Ukraine has no equivalent, he would have found enormous support and would have been forgiven mere mistakes. What’s more, the main thing in a transition period is not large-scale phenomena, not the number of reforms, but the quality: new, healthy and understandable pathways to the future.

Of course, what is being said applies not just to the president, but to all individuals who have been given power in the name of the people. How they interact with society will determine the pace and direction of changes, and therefore the transition to an open-access society and a modern, efficient economy. That makes it extremely important for Ukrainians to build a new electoral system at all levels so that those who come to power are the best to govern, elected, not by buying votes with buckwheat and cheating at the polls, but based on their personal qualities and real achievements.

A key factor in transforming Ukraine into a modern state with an open-access society is to **make it impossible to discriminate against the Ukrainian nation**. Our partners and friends in the West often underestimate the vital importance of this issue, and cannot always understand the insistence of Ukrainians on establishing their national identity. Nations whose identity has never been threatened—except perhaps in recent years as pressure from Islam builds—find it hard to imagine a situation in the 21st century where, thanks to a long colonial past, the indigenous nation faces discrimination within its own state.

For this reason, only legislated Ukrainianization can not only protect the titular nation but also guarantee the rights of ethnic minorities. The rights of Crimean Tatars must be protected separately. Beyond this, only the Ukrainianization of Ukraine, the identification of national interests

and state priorities can make the economy healthy, provide instruments for overcoming systemic corruption, remove the oligarchs from public administration, and make the country a full-fledged member of the international community.

For the transition from poverty to prosperity is impossible without a transition to an open-access society—which can only function in an established modern national state. As they say, this is not against any other nation, but simply in favor of a better life and further progress in the world trend from poverty to prosperity for all citizens of Ukraine, regardless of their nationality.

Other conditions for Ukraine to transform into a society with open access include:

- 1) entrenching the rule of law (especially for the elite);
- 2) promoting impersonal relations among the elites;
- 3) providing positive and negative incentive for the elite to embrace change;
- 4) encouraging the aspirations of ordinary citizens to seek opportunities that lead to change and put pressure on those at the top of the power pyramid;
- 5) establishing conditions in society for carrying out changes both among the elites and ordinary citizens.

The law is the decisive factor in the effectiveness of a state and establishing the rule of law in a society begins with those who have access to both opportunities and privileges. This means that a responsible attitude towards laws and rules has to become a cultural norm, and they themselves must be logical, easy-to-understand, binding on everyone, and reflect traditions and positive practice as much as possible. Rules and laws require that all stakeholders be persuaded of their need. If there is no agreement, then they have to be changed based on the social contract. Put otherwise, the rules have to be perceived as positive, not negative, because they are being established in order to restrict those in power and prevent conflict inside the society, not just to regulate for the sake of regulating. This means voters need to be able to trust lawmakers, who are the main drivers behind legislative initiatives, to be confident that they are acting, not in their personal or corporative interests but in the national one.

* * *

The experience of other countries has shown that the transition to an open-access society takes more than mere good will on the part of the political elite, although this offers the best and simplest pathway, especially for them. Often elites are forced to agree to change, either because of the complexity of the objectives and challenges facing their countries and them personally, under pressure from civil society, or under pressure from a revolution or military loss. Today, it seems that this moment of truth has arrived in Ukraine.

Before going further, it’s important to note that open access does not necessarily mean democracy. In fact, many countries have made the transition to a social order with open access under authoritar-

ian regimes. Democracy is not a fundamental condition for this transition. It's more like a key result and a decisive element in the further economic and cultural development of the society. In Western countries, the transition to an open-access society historically coincided with the shift from agriculture to manufacturing in the 19th century. Ukraine lost the chance for such a development path back at the end of the 18th century, together with independent statehood, with the establishment of the Russian economic model, meaning effectively Asian despotism, on Ukrainian soil.

The Russian empire, whether in the vestments of the Romanovs or of the soviets, kept Ukraine completely colonized for over two centuries and historically arose as the model of a closed-access society and has always remained so. And so, the rise of capitalism, the build-up of industry and industrial development took place with any transition to open access. By contrast, Ukraine historically was drawn to an individualistic, com-

petitive, and therefore more open economic and social model. Since 1991, Ukraine has experienced a quarter-century of democratization and several years of strong economic growth in the late 1990s and early 2000s, the Orange Revolution in 2004 and the Euromaidan in 2014. Altogether, this offers the conditions necessary for Ukraine to move towards an open-access social order.

History and theories about the hierarchy of human needs have shown that the transition to an open-access society is tied to the movement of its citizens from the values of survival to the values of self-realization. This means that one of the most important and urgent issues is a rising standard of living, because a poor person who spends every day looking for the means to survive is easy to manipulate and extremely dependent on those in power. The battle to increase the real incomes of households is not just populism as some like to say, but a practical issue that makes it possible to move to a better social order.

The Ukrainian way: Creative destruction as opportunity

The transition to an open-access social order proves the conditions necessary for dynamic development in a country. They are necessary, but not sufficient for sustainable economic growth and a high standard of living among the country's citizens. At the center of the economic component in an open-access society is the entrepreneur. As economist Joseph Schumpeter (1881-1950), who happened to live for three years in Chernivtsi and taught at the university there, once put it, the entrepreneur is the key figure in capitalism. Toffler also showed that entrepreneurs, enterprises and market-based business are those institutions that accept novelties the most quickly and transform themselves. And so, the generation of new wealth in a country depends entirely on how much practical economic policy in a given country is aimed at business development and its healthy relations with the social environment.

In a market economy, regardless of the kind of activity, the entrepreneur is, in essence, the driver of social development and an innovator, because it is their nature:

1. to make new material goods for consumers or improve existing goods with new qualities;
2. to seek and introduce new production methods that have not been used in that particular branch before;
3. to enter new markets or take more market share in an existing market;
4. to use new types of raw materials or semi-finished products that may or may not have been known before;
5. to develop new ways of organizing a business.

Such objectives are key to the effective functioning and survival of a market-oriented, com-

petitive business. Yet they are not on the agenda for most oligarchic businesses, which have mostly been built on the basis of being close to the seat of power and therefore access to resources and rents.

According to Schumpeter, entrepreneurs are always innovators and organizers in a market economy, that is, those who see new opportunities for goods, processes and markets and know how to make use of them, setting up new organizations and changing the structures of old ones. Schumpeter calls this “**creative destruction.**” One important point here: “creative destruction” does require **open access** to organizational forms and stable, open and understandable rules of play.

In a limited-access society, those in power have no interest in and no desire to support “creative destruction,” because the emergence of new forms of organization directly threaten the existing economic organizations of the elite and their way of getting rents. And so, in a country where national economic and political interests have not been established, where **civil society** is weak and those in power don't feel dependent on it in any way, the government either doesn't support SMEs or merely pretends to do so.

The process of “creative destruction” is the very heart of modern capitalism. The opening of new markets, the development of commercial organizations from small firms to huge corporations illustrates the process of economic growth that directly revolutionizes economic structures from within, ruining the old and creating the new. It is this “creative destruction” that guarantees a state sustainable growth and ensures that the economy is being structurally rebuilt.

This is precisely the key role of entrepreneurship and the entrepreneur. Although the ▶

entrepreneur in Ukraine is most commonly associated with the issue of unemployment: (any kind of) job creation and forming the middle class. Mantras about the development of a middle class are worthless without properly-conceived, practical economic policy, at the core of which is understanding the significance of entrepreneurship.

Many are of the opinion that major corporations are technologically more efficient than small companies because of their resource potential. However, in open access countries that are truly successful, the main role is played by small and medium enterprises. It is SMEs who create that “vital broth” of technological, economic and organizational solutions on which new companies and big corporations can grow and, in turn, determine the pathways and prospects for structuring the economy. The greatest economic impact for a developed country comes from big corporations who grew out of small companies.

On the other hand, conglomerates based on a slew of varied, unintegrated assets, much like we see among Ukrainian oligarchs—what kind of business is there that Akhmetov, Pinchuk or Kolomoyskyi do not own: steel mills and paper mills, shipping vessels, banks, energy companies, football clubs...—tend to be unviable and inefficient when it comes to competing internationally. They are also ineffective on the domestic market, so their oligarch owners use their access to those in power to crush honest competition and prevent real entrepreneurship from flourishing. The conclusion is obvious: the top priority in the Ukrainian Government’s economic policy has to be active, institutional support for the development of SMEs. This kind of economic policy provides the answer to the question: where can a poor country find money for economic development?

Typically, the Government’s response has been: first we need to progress in the manufacturing structures that we have, accumulate capital, and then after that direct investments into them for restructuring. And of course, they can borrow money abroad. However, real practice shows that this approach is quite wrong: financial resources aren’t accumulating, the investment process is dying down, the state debt keeps growing, the oligarchs flourish, and ordinary Ukrainians grow poorer by the day.

Schumpeter’s answer is fundamentally different: constant “creative destruction” of the old, the development of entrepreneurship, generating new wealth and purchasing power, and of course foreign investment, including large-scale ones, never hurt. It’s been that way in all countries that have become prosperous.

* * *

Time to summarize things briefly.

The closed-access social order that dominates in Ukraine for now is not some kind of “plague from God.” It’s the result of historical

circumstances: the forced transition of Ukrainian society from a European, competitive model of development to an Asiatic despotism that took place at the end of the 18th century and start of the 19th century. And so, in the 21st century, Job 1 has to be to establish the necessary conditions to be able to shift to another social order. The rest will follow, one by one. The key links on Ukraine’s path to an open-access society should be:

1. A strong, contemporary **Ukrainian state** with sovereign internal and external policies based on national interests, not the interests of any groups or clans. Rule of law and proper control over violence in every area of society.

2. A well-developed **civil society** in every possible aspect, with self-government and self-organization enshrined everywhere where they are possible and effective.

3. State policy that maximally **fosters market, non-oligarchic business**: entrepreneurship, entrepreneurs and enterprises. Entrench an open-access, market economy that is protected by society and the state.

The strategic goal of this Ukrainian path is for Ukraine to rise like a country of the first world: a whole, independent, strong state that is a regional leader with weight and influence in the world. To reach this goal, the country should undertake simultaneous transformations in a number of aspects already today:

1. from the Russian concept of “one society” to a Ukrainian nation;

2. from colony to nation state;

3. from the remnant of an imperial economy to an integral domestic economic complex;

4. from a centrally planned economy to a market one;

* * *

from a totalitarian regime to democracy.

Today, Ukraine is a closed-access society. It is an economic semi-colony that predominantly exports raw materials and semi-finished products with little added value—along with talented individuals and profits earned in Ukraine. It imports finished products with high added value and international financial aid.

The key condition for switching to an open-access society is a contemporary, effective nation state with sovereign internal and external policies. Only an economically viable state can effectively ensure the inviolability of its borders, its national identity, its authority in the international arena, as well as its educational, scientific and cultural development, social stability, and the prosperity and happiness of its citizens. The path to a powerful domestic economy lies through the transition to an open-access society and highly productive use of domestic resources. The effectiveness of public administration can be seen in high income levels among ordinary citizens and profits that the owners of the capital earn, as well as in the system of transfers among local and central budgets.

Economic patriotism should foster the transition to an open-access society and greater economic growth in Ukraine. At the heart of economic patriotism are **Ukraine-centeredness, proactiveness** and **professionalism**, especially a strategic understanding of socio-economic processes, and causes and effects.

The role of state policy in economic rises and falls of any country is decisive. Today's economic lag is the result of mostly passive and sometimes anti-Ukrainian state policies while the Russian socio-economic model continues to hold sway, and the unsatisfactory pace of transformations. A properly conscious and active, Ukraine-centric state policy, rather than laissez-fair principles, is the foundation for economic growth. There has been no example of a country achieving a systemic economic leap into sustainable development just like that: it was always the result of state policy during the transition to a state with an open-access society.

The rate of development and the living standards in the country depend on whether its economic policy is oriented at practical support for businessmen and enterprises. A more proactive and effective state policy focused on

developing a powerful economy means, among other things, intense support to enterprises and business-oriented people, creation of attractive environment and incentives for them through tax, lending, infrastructure, regulatory, socio-cultural and other tools.

The balance between private and state property has been one of the key issues in Ukraine in the past 25 years. The success of privatization processes is defined by the adequate understanding of the nuances of this balance. The more private property the country has, the better: all enterprises that are not crucial for Ukraine's strategic and vital functions of the state, such as its defense capability, should be privatized.

When a larger part of the country's economy is in private hands, the state plays a particular role in management: its regulatory functions should be separated from economic management of the state and communal property. The state and local self-governing authorities should retain only the regulatory function. The management responsibilities should go to professional accountable teams of managers through corporatization of state and community-owned enterprises and involvement of private co-investors.

PS: Moving faster than others

There are a number of important comments to be added to this analysis in order to explain its purpose. It is not intended to reveal something previously unknown to economists. On the one hand, the purpose of this analysis is to inform the public in Ukraine who are interested in shaping their future, about challenges faced by the country today in terms of its economic development. On the other hand, this analysis is intended to tell those in power that civil society is perfectly capable of properly assessing the essence of the conflicts and interests that are currently threatening Ukraine's existence as such.

It is always easier to recommend or criticize something as an observer. Implementing initiatives and being held accountable for the result is far more difficult. Ukrainian audience is perfectly aware of this. However, below are some general comments and recommendations that Ukrainian leaders may find interesting and helpful. After Ukraine's transition to the open access social order, its entry to the list of top 40 countries by GDP per capita (in 2015 this was at least \$12,000) can be considered as a quite realistic goal for its economic development. Achieving this goal would put Ukraine on one level with countries such as Poland, Czech Republic, Estonia, Lithuania, Latvia and, later, also Great Britain, France, Germany, Finland, Israel, Ireland, etc. (top 20) based on the economic development and welfare of its citizens.

However, to accomplish this, Ukraine has to grow at a much higher pace than the other

countries. If we have the same dynamics as the developed European or Asian countries, we will fail to achieve the target level of economic development and catch up with them because of the "low base" effect (each percentage point of growth in a small economy is incomparable to that in a large one). Two things Ukraine needs to accomplish sufficient growth is early transition to the open access order and, secondly, the utmost active state and public support to entrepreneurship and businessmen who are the drivers of economic development and the change of the country's production structure.

Economic growth rates depend directly on the structure of the national economy. "The economy of the past" dominated by low-technology facilities cannot ensure **outstripping** growth. Ukraine needs a structure of the economy that could ensure the fastest achievement of the target level of economic development, the transition from poverty to wealth. The "creative destruction" carried out daily by entrepreneurs is one of the most important factors in such a restructuring process.

The state looking to the restructuring of the economy cannot and should not in any case treat equally various economic sectors and activities, since they don't have the same potential as a source of development. There are industries and activities that can bring the country to a new orbit of economic growth, and therefore should be a priority for the state technologically, socially and economically. The ▶

state must recognize their priority, and the civil society should support such decisions.

It is necessary to stimulate in every way the development of the enterprises and entrepreneurs working in the sectors and industries with: 1) high workforce productivity (revenue per employee); 2) high added value (the difference between the cost of the finished product and the resources used to make it); and 3) increasing efficiency (economies of scale leading to cost reduction).

Activities that are less desirable for the state include: 1) primary industries (exports of grain or minerals); 2) labor emigration (permanent emigration of scientists, IT professionals, etc.); 3) migrant workers (builders, workers, academics temporarily leaving to work abroad).

Activities that are more desirable for the state include making: 1) an intellect-intensive intangible product (engineering, industrial design); 2) science-intensive intangible product (research and development, etc.); 3) high-tech material product (military-industrial complex, aerospace industry, microelectronics, precision engineering); and 4) consumer goods and food industries.

Jobs in different industries have different value not only for the enterprises and the workers themselves, but also for the society. Quality jobs are most widespread in the priority sectors; they ensure high profits to employers, adequate salaries to employees, and regular tax revenues to the state and local communities.

The state must collect the "rent" from raw material and low-tech industries to provide for the present day, and systematically encourage the establishment and development of priority sector businesses if it wants to focus on building the desired future for its citizens.

State subsidies may be provided to companies from certain sectors or industries from the state budget only as a short-term, temporary measure. When given out from year to year, they destroy the country's economy by diverting resources from the development of priority sectors. Compensation should give way to stimulation: Ukraine should support not the weakest industries and sectors, but the most promising companies and entrepreneurs capable of quickly driving the economy to a new level.

In the context of limited resources, it is crucial to invest the necessary effort not only to priority areas, but also to specific production. It is better to foster the creation of something "small" and then create more and more, than to plan everything at once on the national scale and achieve nothing.

Attitude towards resident enterprises with Ukrainian and foreign capital should be the same and have no impact on government incentives. The main justification of support should be the type of activity and its priority for Ukraine. In case of the competition between multinational companies and local oligarchs, it is inadmissible to simply replace one with the other.

Capital infusions of international financial institutions, when targeted not into large-scale investment projects and reforms, but into "patching budget holes", are like giving "fish instead of a fishing rod." Such "assistance" only conceals and accelerates the degradation of the Ukrainian economy, creating a new form of hidden colonial dependence. The best option for international financial assistance would be joint development and implementation of a large-scale plan to support entrepreneurship and entrepreneurs in Ukraine based on the German (1950s) and Polish (1990s) experience.

* * *

The modern world economy integrates deeply interconnected national economies, and in this sense it is global. Under these conditions, the crisis in a number of major economies inevitably results in a global economic crisis. The task of regulating the global economy and avoiding the global economic crisis is imposed on international financial institutions, such as the International Monetary Fund, World Bank, and World Trade Organization. Hence their requirements to the governments' economic policies: tight monetary policy and liberalization of exchange rates, external relations and pricing. It should be noted that these requirements apply to both the economies of advanced countries, such as US, Japan, or the EU, and the developing countries or transition economies. Compliance by the states with these requirements does not in itself create factors for economic development or degradation. They are just a framework outlining certain limits for regulatory policies. Within these limits the economies that are regulated on the basis of national interests have all the conditions for a long-term crisis-free development. Those regulated on the ad-hoc basis or based on oligarchs interests are doomed to continuous decline. The lowest point of their decline, according to many prominent economists, does not in fact exist.

So, if we want Ukrainian economy to be part of the global one, we must view cooperation with the IMF, WB and WTO as an integral part of reality. However, within the limits of such cooperation, the government has the opportunity and the obligation to implement positive economic transformations.

The "new economy" enterprises (carrying out intellectually and scientifically-intensive activities), as well as new production plants should pay much lower taxes than raw materials industries and the existing low-tech production. They should also be lower than the respective taxes paid by such business in other countries.

The same applies to the customs policy: it is advisable to impose high custom rates on raw materials and low-tech commodity exports, minimize such rates on exports of high-tech products, and exempt from duties the import of industrial and scientific equipment to Ukraine.

With respect to the lending policy, the state should provide lending to priority sectors, including long-term investment, in the national currency at minimal interest rate (let's say, at 1% per annum). Entrepreneurs from other industries (that are not priority today) should also have quality access to lending.

Aiming at accelerated and balanced development by supporting entrepreneurial initiative, the state must ensure, within the open access framework, the non-discriminatory access to investment and other opportunities to small and medium-size enterprises. Conscious support for small and medium businesses is the key to healthy, dynamic and successful development from poverty to wealth.

Market regulation of the economy can work effectively in the "automatic mode" only when subject to the country's rule of law. Market economy fundamentals, such as freedom of enterprise, freedom from interference, freedom of association, freedom of contract, and freedom of competition, should be protected legislatively. An inherent function of the state is to protect from unlawful interference of individuals and the state, to stimulate competition, and to regulate economic processes in protecting public interests and reducing inequality.

Market economy is not a panacea for all human weaknesses and economic hardships. It can also give rise to unfairness in the distribution of wealth. However, an effective state that takes care of its national interests and protects its citizens should have in place the mechanisms to correct injustice by legal means (taxation, pensions, insurance, labor safety, budget subsidies to low-income individuals, etc.).

Opposing market competition and economic leverage to administrative and regulatory government measures is speculative. In practice, these two sides are complementary. No matter what means are used to implement the right decision taken on the basis of economic calculations and academically grounded forecasts, it will still increase the economy's revenues and foster its development.

* * *

After restoring independence in 1991, Ukraine began its transition from one historical system to another: from a former Russian colony (a "non-state") to the modern nation-state; from a fragment of a "unified political and cultural entity" to the Ukrainian political nation; from closed totalitarian regime centered on party leaders (and later oligarchs) to open democratic social system focused on individual well-being; from a fragment of the economic complex and the non-market command economy of the USSR to the national economic complex and the modern market economy with comprehensively developed entrepreneurship; from limited access social order to open access social order.

The process of "creative destruction" of the old historical order and the establishment of the new one was long, difficult and controversial, which is not surprising given the scale of the transformations, the virtual nonexistence at the beginning of the transition of its main performer, a crystallized Ukrainian nation, and purposeful anti-Ukrainian actions of Russia and its fifth column within the country.

So, when looking for the answer to the question of whether we have already passed the "point of no return" or what reforms need to be implemented for Ukraine not to become a failed state, one should first of all **consider the level at which the main preconditions** of transition to the open access order are formed and to identify the trends that lead to such transition. Such preconditions, on the one hand, accumulate social transformations and are the "precursor" to the transition. On the other hand, they in themselves are the key reforms, whose implementation can secure against returning to the gloomy past or becoming a failed state.

As mentioned above, there are three main preconditions for Ukraine's transition from the current limited access social order to open access social order:

- 1) effective Ukrainian state, rule of law and responsible governance;
- 2) developed civil society, self-government and self-management;
- 3) sustainable policy of maximum support for non-oligarchic businesses and entrepreneurship development.

Expert assessment of the current level of these preconditions and their development trends (positive, neutral, negative) on a scale from 0 to 100, where 0 is the complete absence of a phenomenon, 100 is its complete presence, 50 is a point of equilibrium, and 75 is the point of no return, has demonstrated the following:

- 1) First precondition: "effective Ukrainian state." The score for the current state of this precondition for transition to open access order is 60, development trend is neutral;
- 2) Second premise: "civil society." Score 77 with a positive development trend;
- 3) Third precondition: "entrepreneurship promotion." The score for the current implementation of this precondition is 44, with negative development trend.

In this way, **we have not yet passed the point of no return, and the key issues to be overcome still are the inefficient Ukrainian state and the underdeveloped, stalemated Ukrainian business.**

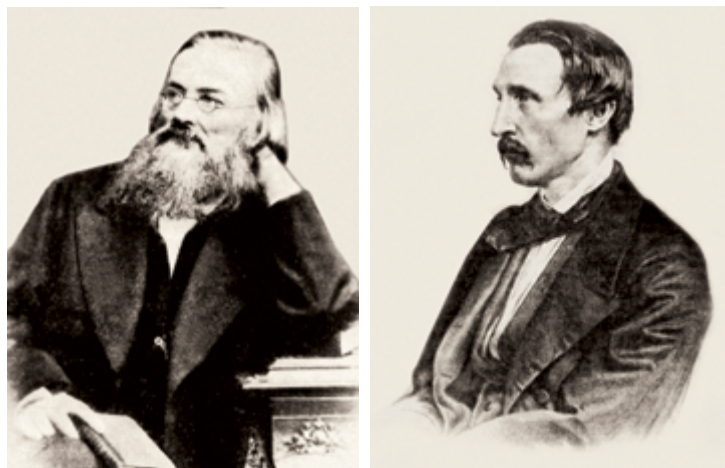
Another precondition — the developed civil society — is already past the point of no return, and the positive trend of its development gives hope that this component, remaining the main driver of social transformations, will encourage the development of other preconditions that will also pass the point of no return.

How soon this will happen, depends entirely on each of us.

From autonomism to statehood

Yuriy Tereshchenko

The evolution of Ukrainian elite and its state-building concepts offers a valuable lesson to the country today



Mykola Kostomarov and Panteleimon Kulish. Ukrainian landlords-intellectuals who thought that ties with and enlightenment of the common folk was a key to developing Ukraine

Ukrainian historiography divides the periods of the nation's revival into that of nobility and gentry (1780-1840), narodnyks (1840-1880) and modernists (from 1880). The first one was primarily shaped by the descendants of Cossack nobility. The opposition of the Ukrainian aristocracy to the Russian state system in Ukraine at that period relied on the desire to protect "Cossack rights and liberties". Our understanding of the Ukrainian movement's subsequent stages requires an update.

THE OLD NEW ARISTOCRACY

Over a century ago, Vyacheslav Lypynskyi, a champion of Ukrainian political conservatism, credited a significant role to the Ukrainian historic aristocracy in both the first, and the second stages of the country's national revival. Lypynskyi talked about a Ukrainian "class of ancestral landowners" who laid "the foundations for the modern political and cultural revival", and sharply criticised Ukrainian national democrats and socialists for their efforts to sideline the Ukrainian aristocracy in the new nation building process.

In the 19th and early 20th century, many aristocratic Ukrainian families in the former Hetmanate lands and Right-Bank Ukraine, as well as western regions, shared some common ideas on shaping and strengthening "Ukrainianness". These mostly manifested themselves in the direct involvement of the gentry in the economic activity of their hereditary possessions.

The Russian government sought to assimilate Ukraine and destroy the links between the Ukrainian elite and the bulk of the people. Many descendants of the Cossack officer class and Ukrainian gentry did indeed turn into Russian nobles. However, this transformation was not absolute and irreversible for many Ukrainian aristocratic families.

Despite the attempts of the tsarist regime to turn Kyiv into an outpost of Russification after the suppression of the 1830 November Uprising, the city became the organic centre of Ukrainian socio-political, scientific and cultural life, from which the ideas of national awakening spread to all Ukrainian lands. As early as the beginning of the 1840s Kyiv saw Ukraine-oriented young intellectuals, including historian Mykola Kostomarov, ethnographer and writer Panteleimon Kulish, law historian Mykola Hulak-Artemovskiy, ethnographer Opanas Markovych and Vasyl Bilozerskyi, unite. They would soon be joined by poet Taras Shevchenko.

Shevchenko's close ties with representatives of the contemporary Ukrainian aristocratic class, on the one hand, strengthened the self-identification of the Ukrainian aristocracy. On the other hand, Shevchenko largely owes the formation of his socio-philosophic stance to them. His "When will we have

THE COSSACK OFFICER ELITE DID NOT DEVELOP ITS OWN NATIONAL MONARCHIC CONCEPT, NOR A CONSISTENT VISION OF UKRAINIAN INDEPENDENCE PROSPECTS

our own Washington with a new and righteous law? Someday we will!" takes its origins from the concepts of the Ukrainian noble opposition led by playwright, poet and activist Vasyl Kapnist, who looked up primarily to the model of "American separatism" in relation to England.

Taras Shevchenko's attempt to awaken awareness of the need for national liberation in the Ukrainian aristocratic class – to reach out to the peasants in a common struggle for the liberation of Ukraine – was manifested in his poem "To my fellow-countrymen, in Ukraine and not in Ukraine, living, dead and as yet unborn". Shevchenko's commitment to strengthening national unity in Ukrainian society and reconciling the Ukrainian nobility and peasantry, among other things, was based on a fairly distinct socio-cultural foundation shaped by the local historical background: the proximity of the two strata was determined

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by the traditional social and economic affinity of Cossack and peasant land owners. This proximity found its fullest expression during the liberation war led by Bohdan Khmelnytskyi in the 1650-60s and lasted a long time. Given how organic and diverse relationships of many noble families with Ukrainian peasants were, it would have been absurd to replace them with the idea of a "class struggle", or to absolutise the contradictions between these two social groups, as Russian Marxists and their Ukrainian followers did.

A WAKE-UP FOR THE MIDDLE CLASS

In January 1846, a secret Ukrainian society, the Cyril and Methodius Brotherhood, was founded in Kyiv. It was the first in the history of the Ukrainian social movement to put forward a series of political platform goals aimed at liberating Ukraine and radically restructuring social relations of the time. There were no big landholders and aristocrats among the members of the Brotherhood, known as *bratshchyky* or brothers in Ukrainian. Instead, medium and small landowners, government officials, students and intellectuals were predominant in it. This showed significant changes in the liberation movement and the expansion of the social basis from which its leaders originated. The platform of the Cyril and Methodius Brotherhood contained the idea of renewing the Ukrainian state. It was arguably the first modern political organisation to set itself the task of national liberation for the Ukrainian people.

In parallel, so-called Ukrainophilism, which started in the 1830-1840s, was gaining more and more momentum. Generally, this term was used to define a somewhat vague social phenomenon of higher social strata demonstrating their commitment for Ukraine as their motherland in various forms: through interest in folk life, national art-work and so on. This is how the socialist-leaning historian and public figure Mykhailo Drahomanov wrote about the first wave: "The noble Ukrainophilism that flickered in the 1830s and 1840s was the successor, if I may say so, of Mazepa's ideology," i.e. referring to Ukrainophilism primarily in aristocratic circles. This, according to Drahomanov, was replaced by a "new period of Ukrainophilism that came from Shevchenko" and "was notable for its emphatic democratic spirit (and this is its strength and the seed for a more important future...)"

In the second half of the 1850s, a revival of Ukrainians' social and cultural life began. First in St. Petersburg, and later in a number of cities in Ukraine – Poltava, Chernihiv, Kharkiv and Kyiv – secret *Hromada* societies sprung up. Its members' main goal was to improve the cultural level and self-identification of the Ukrainian public. To this end, they organised Ukrainian schools, published books in Ukrainian, and arranged theatrical productions, concerts and more.

The Hromada movement was complemented by the "khlopomania", a sympathy for khlopy - peasants or common folk in Ukrainian and Polish. The sentiment emerged among the Polonised Ukrainian nobility in Right-Bank Ukraine. The khlopo-

mans, headed by Volodymyr Antonovych, did not share the view of the noble masses that the rebirth of the Polish state and reconstruction of historical Poland in Ukrainian lands would improve the position of Ukrainians. They considered it their duty to serve the people, especially the peasantry. They stated that the duty of educated people is to "do everything in their power to give people the opportunity to reach enlightenment and self-realisation, to comprehend their needs and be able to state them, in a word, to reach the social level that the law affords to them through personal development...".

Consequently, the focus of the new Ukrainian elite, which lost its class attributes and made a living in literature, was the people, with its inherent

THE EMERGENCE OF "COMMONERS" IN THE UKRAINIAN NATIONAL MOVEMENT HAD A SIGNIFICANT CAVEAT: THE TRADITIONAL PATRIOTISM OF COSSACK ARISTOCRACY DESCENDANTS WAS COMPLEMENTED BY SOCIAL RADICALISM, WHICH WAS CHARACTERISTIC OF RUSSIAN CIRCLES

higher reason, moral virtues and emanating spiritual wealth that opposes authorities, including national ones. Writer Panteleimon Kulish, in particular, contrasted unjust government with the eternal good of the people's soul, which, in his opinion, was the only real historical fact, while everything else was not worthy. Therefore, he viewed Ukrainian history and the Cossacks' struggle for statehood critically. In his view, the national mission of the Ukrainian people was not to comprehend their own statehood, but search for the highest truth. In this, Kulish did not include the implementation of political and state-building objectives into the social process yet.

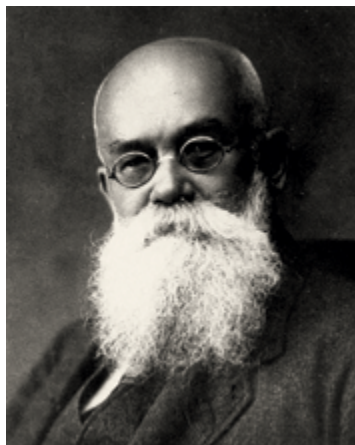
This vision served as the foundation for the alienation from politics of Ukrainian narodnyks. Their ideas became the core of the Ukrainian citizens' position, as well as that of its elite, for many years. Ukrainian narodnyks only viewed peasants and ordinary Cossacks as bearers of Ukrainian identity. In their analysis of the past, narodnyks



Mykhailo Drahomanov. Historian and adherent of European Autonomism



Taras Shevchenko. His attempt was to awaken Ukrainian aristocracy to the liberation struggle and the need to reach out to the peasantry in that



Mykhailo Hrushevskiy. Ukrainian scholar, landlord and devoted socialist



Ivan Franko. A fighter for freedom

excluded the aristocratic elite (hetmans, officers, nobles), treating them as a social force hostile to the people. Hence the long-time negative assessment of the state-building activities of the Hetmanate era and its most prominent figures in Ukrainian historiography. From the 1860s, narodnyks comprehensively consolidated in the Ukrainian movement and spread their views into social and humanitarian disciplines, as well as literary works. The narodnyk school of historiography, as represented by Mykola Kostomarov, Borys Lazarevskiy, Volodymyr Antonovych, later the first president of the shortly independent Ukraine, Mykhailo Hrushevskiy, for many years to come cemented in society its view on the historical past of Ukraine. It was first and foremost dominated by the idea of spontaneous movements of the masses in pursuit of their social and economic interests.

Ukrainian narodnyks gave their own interpretation to the concept of a "nation", which they associated primarily with the peasantry. An important psychological basis for scepticism towards the military aristocracy class was the "feeling of guilt" widespread among the descendants of Cossack elite and the Ukrainian nobility in relation to the peasantry and the desire for redemption. Therefore, the narodnyks saw a struggle for national liberation in Ukrainian peasants' traditional aspiration for land ownership, where they competed with Russian, Polish and denationalised Ukrainian landlords.

NARODNYKS AND SOCIALISTS

The appearance of narodnyk intellectuals on Ukraine's social and political landscape did not mean that the ideological influence of the Ukrainian gentry was gone. Back in the 17th and 18th centuries, the Cossack officer elite had failed to develop its own national monarchic concept, and was thus deprived of a consistent vision of Ukraine's independence prospect. When the Cossack aristocracy won over the monarchy of the hetman, the ideas of Cossack autonomy, rather than of the state sovereignty, got firmly entrenched into public

world-view. These ideas found a new life in various forms throughout the 19th and early 20th century.

The fact that the Ukrainian public mindset had no monarchy concept of its own did not mean that Ukrainians were lifelong adherents of republicanism and democracy. Not at all. In fact, the inability of the Ukrainian elite to develop a national monarchic concept and instil it in Ukrainian society, despite several such attempts, created a gap that was filled by Russian monarchism. It also gave rise to the so-called principle of double political identity, where the sense of national identity oddly blended with loyalty to the Russian Empire and its monarch.

Despite the significant national transformation of the Ukrainian movement during the narodnyk era, shaped by the involvement of *raznochintsy* or "commoners", many descendants of Cossack chiefs and Ukrainian nobility – carriers of traditional Ukrainian ideology – remained among its prominent leaders and ideologues. There were also many of them among the "professional intelligentsia", which made up the bulk of Ukrainian movement activists: professors, local council members, teachers, clerks, students, etc.

With the start of Drahomanov's activity in the Hromada movement, a radical current began to form. Drahomanov's political doctrine did not allow the young Ukrainian political establishment to break out of the stiff embrace of Russian centralism and create independent political movements. Ultimately, it deprived this establishment of its main prospect – the need to consistently struggle for an independent Ukrainian state. Thanks to Mykhailo Drahomanov, the concept of traditional Ukrainian autonomism was combined with the latest Western European federalism under the guise of Proud-honism, which for many years formed the basis of the Ukrainian movement's political platform and became an important feature of the Ukrainian social elite's political philosophy.



THE SHORTCOMINGS OF THE MAJORITY OF UKRAINIAN POLITICAL PARTIES WERE THEIR LACK OF CLEAR FOCUS ON PROTECTING NATIONAL INTERESTS, LOYALTY TO FOREIGN AUTHORITIES AND THE WILLINGNESS TO ACCEPT FOREIGN POLITICAL DOCTRINES

In fact, Mykhailo Drahomanov continued the federalist-autonomist tradition of the previous aristocratic elite and resolutely fought against "Ukrainian separatism" for the rest of his life. He tried to convince Ukrainian politicians to focus on the democratisation and federalisation of the Russian and Austro-Hungarian empires, which, in his opinion, would create conditions for the free national development of Ukrainians.

The federative-autonomist vision of Ukraine's place in the Russian state was accepted by Ukrainian socialist and liberal parties, who never abandoned it completely, even during the liberation struggles of 1917-1921. For a long time, this was a significant obstacle on Ukrainian society's path

to the realisation that they need their own independent state. As noted by Vyacheslav Lypynskyi, "a real revolution against narodnyk ideology" was necessary, in order to bring the Ukrainian movement out of the impasse of misconceptions regarding the prospects for future relations between Ukraine and Russia.

Alongside the realisation that an independent state was necessary, the understanding in the Ukrainian movement intensified that Ukraine should develop a differentiated class structure as a prerequisite for optimal existence as a nation and state. At the turn of the 19th and 20th centuries, Volodymyr Antonovych's "khlopomania" and the simple espousing of Narodnyk ideas was no longer enough. The fully-fledged participation of higher social strata in the Ukrainian movement was needed, with their political experience and state-building abilities. While the Ukrainian movement was dominated by liberal democracy and socialism, the evolution of the gentry and nobility demonstrated its inclination to the conservative right wing field. Later, in 1918, the implementation of traditional national statehood project by conservative forces appeared as a link in the chain of the pan-European conservative revolution process – a reaction to the triumph of the liberalism produced by the 19th century and dressed up in a new democratic guise after the First World War.

FINALLY, INDEPENDENCE ACTIVISTS

The late 19th and early 20th century were associated with a substantial transformation of the political elite and the emergence of distinct aspirations for independence within it. The process of creating independent Ukrainian political parties and organisations had begun, and it occurred almost simultaneously in Greater Ukraine and Galicia. In 1895, leading Ukrainian Radical Party activist Yulian Bachynskyi published his work *Ukraina Irredenta*, which became the manifesto of Ukrainian state independentism. A secret organisation called the Taras Brotherhood was founded in Greater Ukraine, whose ideal was an independent Ukrainian state with the emphasis not on the social, but on the political liberation of the country. An important step in the formation of the Ukrainian political elite was the foundation of the Revolutionary Ukrainian Party (RUP) in Kharkiv in February 1900. It gave rise to a host of independence activists espousing the views expressed in the RUP's policy document – the brochure *Independent Ukraine*, which criticised the party's precursors and called for a struggle for national independence without outside assistance. This work is associated with the birth of political nationalism in Greater Ukraine. However, despite the growth of independentist sentiment in the Ukrainian movement, the supporters of a "united front" with Russian revolutionary democracy remained extremely influential.



Vyacheslav Lypynskyi. The ideologue of Ukrainian conservatism

In early 1902, the RUP's national-radical wing broke away from the rest of the party, forming a separate Ukrainian People's Party led by lawyer and activist Mykola Mikhnovskyi that advocated the idea of full Ukrainian state independence. The social basis of the party was mostly middle-level nobility from Left-Bank Ukraine. It demonstrated the attempts of the traditional aristocracy to set the Ukrainian national liberation movement on the path towards struggling for an independent state. The party's policy documents written by Mykola Mikhnovskyi, including his Ten Commandments of the Ukrainian People's Party, were geared towards this task.

Only just before the First World War were the first steps made towards forming a political independence movement in both conservative and nationalist circles. Overall, however, Ukrainian politicians,

unlike other European nations that depended on their own resources in the struggle for national freedom and statehood during the 19th and early 20th century, continued to appeal to foreign powers, hoping to obtain freedom, statehood and civil rights from them. This inertia of the Ukrainian political elite and its failure to develop a clear statist position and promote it to the social majority was, unfortunately, one of its defining characteristics even at the high point of the Ukrainian movement in 1917-1921. Therefore, such figures as Mykola Mikhnovskyi, Vyacheslav Lypynskyi and Dmytro Dontsov were actually outsiders in Ukrainian socio-political life. Their calls for the creation of a national elite did not find a response in socialist hearts, and the blind faith of a majority of Ukrainian politicians in "the magic of socialism" led to the failure of the national liberation movement in 1917-1921.

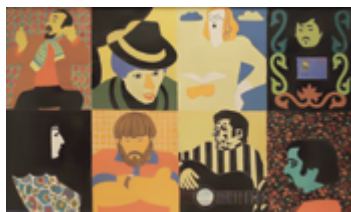
The socio-political and academic work of Vyacheslav Lypynskyi played a significant role in the consolidation of Ukrainian independence activism. The emergence of independentist tendencies in both aristocratic circles and Ukrainian social democracy led to the unification of intellectuals who subscribed to these political positions. Though it was mostly made up of figures with socialist views, this group was able to find common ground with Lypynskyi on statist matters. This group was eventually joined by Dmytro Dontsov, the main ideologue of Ukrainian integral nationalism. The rapprochement between social-democratic and conservative "independentists" resulted in several meetings of Ukrainian emigrants and Galician activists in Lviv in March 1911, which put the fight for the political independence of Ukraine on the agenda. The result of this cooperation was the creation of the Ukrainian Information Committee (1912), and slightly later – the Union for the Liberation of Ukraine, which aimed to establish an independent Ukrainian state. These structures showed the desire of the conservative and radical Ukrainian elite to cooperate and consolidate their efforts on the basis of state independence. ■

Sept. 2 – Oct. 30, 7 p.m. — Sept. 15, 12 a.m. — Sept. 16 – Sept. 18, 6 p.m.

Another History: Art in Kyiv from the Thaw to the Perestroika

**National Art Museum of Ukraine
(Kyiv, vul. Mykhayla
Hrushevskoho, 6)**

Another History: Art in Kyiv from the Thaw Period to the Perestroika is an exhibition of works by Kyiv artists dedicated to their city and the people living in it. The exhibition not only reflects the richness and diversity of the capital, but also conveys the different ways Kyiv was seen by the various artists. Each work is a unique personal vision of a person's relationships with their hometown. This makes the show a unique experience for both Kyiv residents and tourists, who would like to discover some of its unexplored sides.



Linoleum 2016

**Kyiv Small Opera
(Kyiv, vul. Dehtyariivska 5)**

11th International Festival of Contemporary Animation & Media Art LINOLEUM 2016: PAPER DREAMS will treat visitors to some of the world's best animation. This year's topic is a metaphor of the art of animation as a symbol of the way to revive all our fantasies and dreams. Visitors can check out both the official competition program, as well as the animated films presented beyond it. Some extra treats will include video art sessions, animation for children, VJ sets, and a variety of workshops by festival participants.



Night Market by Courage Bazaar

**Art-zavod Platforma
(Kyiv, vul. Bilomorska, 1)**

From morning till late at night, the doors of Courage Bazaar will be open to all shopaholics looking for something new and original to buy. What to expect? A huge variety of things, including rare vintage specimens, new clothing and accessories by Ukrainian designers and new Ukrainian brands, and well as a storm of entertainments and surprises. There will be a DJ stage, beauty and tattoo areas, and delicious street food. The famous Gogolfest art festival will take off at the same time, hosted at Art-zavod Platforma too.

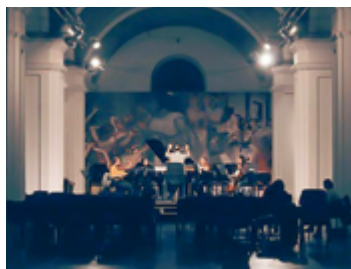


Sept, 22, 8 p.m. — Starting Sept. 22 — Sept, 27, 8 p.m.

Armonia Ludus Orchestra: Ligeti / Maresz / Tulve / Mocanu

**Art Arsenal
(Kyiv, vul. Lavrska, 10-12)**

A legendary concert for violin and orchestra by the Hungarian avant-garde composer György Ligeti, the classic of the 20-21st centuries, will be presented in Kyiv for the first time by the legendary ensemble including conductor Mykheil Menabde and violinist Junya Makino who closely cooperated with the composer during his lifetime. Besides György Ligeti's concert, the evening program will also feature works by French composer Yan Maresz and Ukrainian composer Adrian Mocanu.



Manhattan Short Film Festival

**Kyiv Cinema Cultural Center
(Kyiv, vul. Velyka Vasylykivska, 19)**

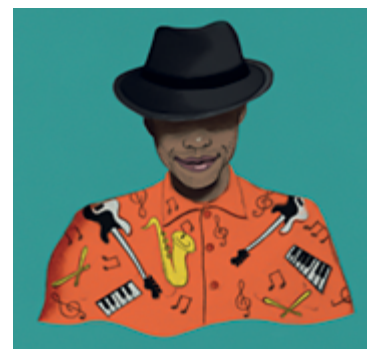
The world's largest short film festival comes again to Kyiv: Top 10 short films, 10 finalists determined by an international audience during the week. This year's program includes films from Russia, France, Britain, Norway, the Netherlands, and Australia. The storylines are equally diverse, from personal life stories and issues of character and self-expression to the threat to our planet from the red moon. So, even the most demanding film goer will find a short film to please.



Jazz in Kiev Band BelEtage

(Kyiv, vul. Shota Rustaveli, 16a)

Jazz quintet of the talented musician and radio presenter Oleksiy Kohan invites jazz fans to a night of Brazilian and Latin American music. First-class performance and the virtuoso combination of the sounds of saxophone, guitar, keyboards, drums and bass will create a memorable evening mood that makes the Jazz in Kiev Band so special. This time, the musicians will improvise in the genres of funk and soul, giving the audience a true taste of real live jazz.





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